COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON COMMUNICATIONS, TRANSPORT AND THE ARTS

Reference: Rail reform - a mid-term review

FRIDAY, 24 NOVEMBER 2000

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HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON COMMUNICATIONS, TRANSPORT AND THE ARTS

Friday, 24 November 2000

Members: Mr Neville *(Chair)*, Mr Gibbons, Mr Hardgrave, Mr Jull, Mr Lindsay, Ms Livermore, Mr McArthur, Mr Mossfield, Mr Murphy, and Mr St Clair

Members in attendance: Mr Gibbons, Ms Livermore, Mr McArthur, Mr Mossfield, Mr Murphy and Mr Neville

Terms of reference for the inquiry:

To inquire into, and report on:

the Department of Transport and Regional Services *Annual Report 1999-2000*. In conducting its inquiry, the Committee is reviewing those aspects of the Department's Annual Report that address progress in rail reform.

Committee met at 9.14 a.m.

Participants

ARBLASTER, Ms Margaret Peta, General Manager, Transport and Prices Oversight, Regulatory Affairs Division, Australian Competition and Consumer Commission
BLAKE, Mr Paul Robert, Executive Director, National Transport Secretariat
BONES, Mr Terrence Leslie, Group General Manager, Freight, Rail Access Corporation
BORTHWICK, Mr Stephen, Director, Rail Policy, Department of Transport and Regional Services
BRADFORD, Mr Stephen, Chief Executive Officer, Great Southern Railway
BUDD, Mr Alfred Hamilton Dale, Director, Public Affairs, Speedrail Group Pty Ltd
CAMP, Mr Gary, General Manager, Patrick Rail Operations Pty Ltd
COPE, Ms Deborah, Deputy Executive Director, National Competition Council
DAVIES, Mr Allan, Consultant, Patrick Rail
DI BARTOLOMEO, Mr Lucio, Managing Director, Freight Rail Corporation
EGGLESTON, Mr Colin, General Manager, Toll Rail, Toll Transport Pty Ltd
GARDINER, Mr Peter, Manager, Marketing and Planning, Network Access Group, Queensland Rail
GEORGE, Mr Greg, Assistant Director, Rail Policy, Department of Transport and Regional Services
GRAHAM, Mr Vince, Managing Director, National Rail Corporation Ltd
GROVES, Ms Michelle Anne, Director, National Competition Council
HARRIS, Mr Derek Andrew, Manager, Freight Development, Freight Division, Rail Access Corporation
HENRY, Mr Owen Roger, General Manager, Safety, Rail Access Corporation
JAMES, Mr Garry Wayne, Commissioner of Railway, West Rail
JEREMY, Mr Robert David, Commercial Director, Toll Holdings Ltd
JOWETT, Mr Roger Gavin, National Secretary, Australian Rail, Tram and Bus Industry Union
KINNEAR, Mr Ray, Director, Public Transport Planning, Department of Infrastructure
KIRK, Mr John Philip, Executive Director, Australasian Railway Association
KITTO, Mr Andrew William, Manager, Rail Operations and Safety, Transport SA
LAIRD, Dr Philip G, Chairman, Government Relations Committee, Railway Technical Society of Australasia; and Associate Professor, School of Mathematics and Applied Statistics, University of Wollongong
McAVOY, Mr Mark Andrew, General Manager, Group Development, Specialized Container Transport
MARCHANT, Mr David William, Managing Director and CEO, Australian Rail Track Corporation Ltd
PEDERSEN, Mr Gary, General Manager, Strategy and Acquisitions; and Company Secretary, Freight Rail Corporation
RAYNER, Ms Kathryn, Director, Australian Rail Operations Unit, Department of Transport and Regional Services
ROBERTS, Mr Paul, Director, Project Development, Australasian Railway Association Inc.
ROONEY, Mr Andrew David, Coordinator, Transport, Policy and Strategy, Transport SA
SMITH, Ms Alison, Project Manager, National Competition Council

TAYLOR, Mr John, Director, Public Transport, Department of Infrastructure
TERRY, Mr Phillip Sterling, Project Manager, Speedrail Group Pty Ltd
TUCKER, Mr Andrew Ernest Laurence, Legal Consultant, Australian Competition and Consumer Commission
TURRELL, Mr Peter, General Manager, Operations, Freight Australia
VIGLIANTI, Mr Renato, Assistant Director, Regulatory Affairs Division, Australian Competition and Consumer Commission
WATSON, Mr Don, Principal Corporate Strategist (Planning), Queensland Rail
ZALEC, Mr Paul, General Manager, Operations, Australia Southern Railroad

CHAIR—I declare open this meeting of the House of Representatives Standing Committee on Communications, Transport and the Arts which, under its annual report powers, is conducting an inquiry into rail reform. Today’s activities are in the form of a roundtable seminar—or a square-table seminar, more accurately. It is my pleasant duty to welcome you all here today, ladies and gentlemen. I thank you for participating. We have a really representative group of senior executives of all the rail and allied organisations in Australia. It is very gratifying to the committee to see the response to today’s invitation.

As you know, it has been organised by the committee and we hope to update our report *Tracking Australia*. As you are aware, a number of reports have been undertaken looking at various aspects of rail reform, including the report I referred to earlier, *Tracking Australia*. Each of these reports recognises the potential value of rail in the Australian transport task and also the urgent need to reform the rail industry to allow it to reach its full potential.

This committee has a deep and abiding interest in the rail industry and in rail reform. We also do another thing and that is, having given a report, we do not just let it be pigeonholed. The committee has, roughly every 18 months to two years, revived its report—a seminal report at that—chaired by my predecessor, Peter Morris, called *Ships of Shame* and, periodically, we keep updating that because we want to keep that in the national and international consciousness.

We are resolved to do that with *Tracking Australia*. We are not on ourselves about this, but from the reaction of the community I suppose you could say that, in its field, it too has become a seminal report. The underlying principle of the report is that rail has an important role to play in Australia’s future transport task. It is a valuable resource and, sadly, an undervalued resource.

In April this year, the Minister for Transport and Regional Services, the honourable John Anderson, presented his reply to a number of reports on rail reform, including *Tracking Australia*. A number of Commonwealth initiatives were highlighted such as the continuation of plans to sell National Rail, the ARTC to undertake a network and performance audit of interstate track to assess funding options, and the establishment of a national transport secretariat to develop national strategic transport planning processes.

The minister has also laid down a number of timeframes and benchmarks for rail reform, particularly in regard to industry co-regulation and the implementation of National Rail operational codes and nationally consistent track access arrangements on the national network. This forum is timely in that it provides an opportunity to undertake a mid-term review of the efforts to reform rail and to meet some of the timeframes and benchmarks laid down by the minister. It is also a chance to identify continuing obstacles to rail reform and to discuss ideas for overcoming these obstacles.

As detailed in the program before you today, the forum will be divided into three focus areas with a plenary session at the end of the day to discuss any outstanding issues. Each focused area will be opened by a key speaker and then we will move on to interaction and discussion. These focus areas are a summation of the key issues stemming from *Tracking Australia* as well as from reports from Smorgon, the Productivity Commission and the rail projects taskforce. They also represent issues for which the minister has set timetables. Those opening addresses will be about 10 minutes long and then we will open it to discussion.

Before we begin, there are a number of procedural matters which we must deal with. In accordance with established parliamentary procedure and to facilitate today's proceedings, I request that all questions and answers be directed through the chair and that participants do not engage in cross-table discussion. By that I do not mean that someone may not interject or throw in a helpful comment—I am not saying that at all. But if we can keep the dynamic through the chair, that meets best parliamentary practice and also enhances the status of parliamentary privilege to these gatherings.

Priority will be given today to those at the table; but if, at the end of any session or during the plenary session, people who are in the galleries—and people will come and go during the day—wish to participate, they are very welcome to do so. In fact, one of the most interesting comments made in our last roundtable, *Ships safe*, when we were updating *Ships of shame*, came from a nun who was an observer in the gallery—her comment was to do with crew welfare. So people in the gallery will be invited to participate if there is time at the end of each session or during the plenary session; other than that, priority is given to those at the table.

At the end of today's proceedings a Hansard transcript will be produced. We intend to write a summary report, highlighting the key points raised today, to be presented to parliament. You will all receive a copy of the Hansard transcript, and when the report is complete you will receive a copy of that as well. We will draw on today's discussions and on any papers provided to the committee in writing this report. We will then make recommendations on where we should go, first as an industry and then as a nation, to ensure that rail reform continues and that this valuable resource is properly and efficiently utilised.

The first focus area today is planning and development. This focus area includes issues such as improvements to the existing rail network, funding and the development of a national transport strategy.

[9.24 a.m.]

Planning and Development

CHAIR—To start today's proceedings, I welcome Greg George, Assistant Director of Rail Policy from the Department of Transport and Regional Services, to give a brief presentation. We will then open the whole matter for discussion.

Mr GEORGE —Thank you. I want to start by giving a strategic overview of the Commonwealth’s approach to rail reform, before moving on to a little more detail on those initiatives which relate specifically to this session. A good place to start is to give you a picture of the Commonwealth reform objective; that is, to support the development of a flexible and efficient customer focused rail industry, which is able to work with other modes to efficiently and safely meet Australian transport needs. The emphasis there is on an efficient industry that both competes with and complements other modes.

I will move on to the reform strategy. Historically and constitutionally, the states and territories have had responsibility for rail. While there are some powers for the Commonwealth to intercede in terms of its corporations powers and interstate trade, the history and the legal questions surrounding the extent of those powers mean that the Commonwealth really has to work in cooperation with the states to pursue rail reform. The strategy is, therefore, to work cooperatively to try to achieve the changes that are required in the industry.

The model that the Commonwealth has adopted to meet the objectives is really one of vertical separation of at least the high volume lines that readily support rail to rail competition and to provide the tracks in much the same way as we provide the roads for licensed truck operators. We are less committed to that approach in terms of the low density proportions of the network. These are less clearly able to support competition, though exposure to competition, we think, is important on those lines—the threat of competition—to ensure that operators do not take advantage of monopoly positions. The model really relies on fit for purpose infrastructure that provides the operational performance, which is required for that corridor.

In terms of efficiency, the Commonwealth’s priority really is to try to harvest the large gains that are available from improved network coordination. Again, we are seeking a uniform operating environment for accredited private sector operators who seek market share on the basis of price and service quality. They might specialise in some component or they might try to work with other modes to provide more complete logistical packages. Efficiency relies on investment in leading technologies so, again, part of the strategy is to try to create the environment that will support that investment. The Commonwealth initiatives are not new. They originate from the 1996 government rail reform statement and the September 1997 rail summit outcome and the subsequent ATC meetings of transport ministers.

That is the planning environment and a snapshot of what the government is trying to achieve. Within that there is a number of groups of initiatives that are aimed at preserving and enhancing rail safety, improving efficiency and customer focus, upgrading the rail infrastructure and encouraging private investment. I will deal with each of those in turn. In terms of preserving and improving rail safety performance, this issue will be covered mainly in the second session. Effectively, the Commonwealth initiatives in this area are the performance monitoring and early intervention in cases of deteriorating safety; pursuit of open, independent and no-fault investigation of incidents; and industry co-regulation for safe operations with close links between accrediting authorities and mutual recognition arrangements to minimise duplication.

The second group of initiatives relates to increased rail efficiency. One of the key measures was the establishment of the AROU. That will be covered mainly in the second session, and Kathryn will give you more detail on progress in that. Another efficiency initiative was the establishment of the Australian Rail Track Corporation. Its intention was to improve the management of Commonwealth owned track and encourage greater network management and coordination.

While a formal review of the effectiveness of the ARTC is not due until 2002, there is clearly some quite significant progress that we can point to already. There has been the elimination of one jurisdiction, with the leasing of the Victorian interstate track by the ARTC. That arrangement was recently extended to 15 years, so that long-term benefit has been locked in. There have been track management performance improvements. They are fairly apparent from the indicators such as reliability and temporary speed restrictions, and I will get onto that a little more when I talk about investment and what the Commonwealth has been doing with its money.

There has been increased commercial discipline, which has led to changes in management practices at the track, cost efficiencies and attention to improving operator yields. There has been less variability in performance standards between jurisdictions, though we admit there is still some way to go on that. And, of course, there is now a single point of access to the Melbourne-Perth corridor at least. So there are some fairly significant gains we can point to since the report came out. There are still quite significant opportunities for efficiency gains through improved jurisdictional seamlessness. The government is pursuing those and is basically seeking arrangements between the ARTC, WestRail, RAC and QR through negotiation and through making its funding conditional on gains being made. They are not the only efficiency measures—infrastructure investment, for example, will have efficiency benefits—but they are probably the main ones in that group.

The third group of initiatives are about customer focus. I think we will all admit that rail has a fairly poor reputation for customer focus, at least in part because public rail authorities in the past did not have strong enough incentives to concentrate on customer needs. Deficits were met from government budgets, and staff jobs were not affected sufficiently by poor performance. That is certainly changing, but, unfortunately, reputations take a fair while to change. We need to continuously work on that.

The Commonwealth response to that is to encourage rail-on-rail competition on those parts of the network that can support it and to introduce private sector expertise and incentives for concentration on product differentiation and customer needs. This is being pursued in three main ways. The first is by the sale of Commonwealth rail operations. The sale of AN has been completed and the NR is proceeding. Those measures, with the initiatives of some of the states, have been successful in getting some diversity of ownership and operators on the network. There are, of course, the general Trade Practices Act provisions. I am referring there to the NCC and ACCC processes. Finally, the separation model and the establishment of the ARTC complement those two measures by seeking to facilitate access of third parties to the track. The third session today will cover those in more detail, so I will not mention anything more at this time on progress there.

In relation to upgrading rail infrastructure, you would all be aware that the Commonwealth made $250 million available over four years for that purpose. The main thrust of the use of that money has been to pursue the ARTC performance targets agreed at the rail summit in 1997. The targets relate to train speeds, train lengths and axle loads. Again, we can report fairly good progress on that in some areas. By the end of this financial year, those performance targets should be achieved in South Australia and Victoria and be very close to being achieved in

Western Australia. In Western Australia, there will be one small stretch of line which does not achieve the target speeds but achieves the train lengths and axle loads. There are significant funds committed to New South Wales, and the Commonwealth is hopeful that in the near future there will be agreement that will enable that work to proceed and the targets to be pursued in that state.

It is generally accepted that additional investment in the interstate network is required, but I do not think a general acceptance of the quantum is required. I think there is a lack of specific information on what investment is needed and, certainly, there has been little attempt to quantify what the benefits of that investment are. There is a bit of an attitude of ‘throw money at the problem and look at what the result is’.

The Productivity Commission concluded that the benefits of infrastructure investment will only be achieved if there are complementary reforms in other areas. To have a look at this in a bit more detail, the government committed to a network audit, and that audit has commenced. The task is really to evaluate the performance required by the market to enable rail to play a bit more of a role in gaining market share and evaluating that on a corridor-by-corridor basis. The first stage is almost complete. It is basically a review of the ARTC targets: what impact they have had, how close we are to achieving them, whether those targets are appropriate and what the market requires. The second stage is just commencing. Its objective is to quantify the cost of doing the rest of what is required to reach the ARTC targets and also to quantify the cost of achieving the performance levels which the market is demanding. The third stage is some further marketing work on those options and a financial and benefit cost analysis on each corridor of the investment options.

This study is expected to be complete early in the new year, and we will inform governments in their budget consideration on further investment in the network. I say ‘governments’ quite deliberately; it is often argued that the Commonwealth is responsible for the national highway—so it should also look after the national track. I would remind you that, in the early 1990s, COAG basically agreed that the Commonwealth would take over responsibility for the national highways and that was part of a package which committed both Commonwealth and states to common objectives and processes to achieve uniformity of road rules and a single road transport reform package. The same level of agreement does not exist for rail, and there has been no similar agreement that the Commonwealth is solely responsible for interstate track. Track improvements contribute to efficiency objectives, to reducing barriers to entry and to providing incentive for investment in rolling stock. That is really why the Commonwealth has put the money in the pot; it is not because it accepts any exclusive responsibility for funding the track.

The final group of initiatives that I want to talk about is, first, encouraging private sector investment. The government is keen to utilise private sector capital to assist in bringing forward infrastructure investments, but it also sees the private sector role as being to invest in rolling stock and terminal infrastructure as part of the private rail operations. Governments can facilitate investment by delivering a consistent and predictable regulatory and industry environment within which potential investors can reliably plan. While not matters for debate in this forum, the general economic conditions and outlook are obviously a significant determinant of business confidence in investment. But looking past that at more industry related issues, the Commonwealth is not convinced that we need a national strategic plan to create the certainty.

One of the last things we need is a blueprint that is unresponsive to changing needs and technologies, and documenting those things has a tendency to perpetuate them. In addition, asset ownership and division of transport responsibilities do not lend themselves to a nationally imposed transport strategy.

The Commonwealth's position is that, instead of a strategic transport plan, the ATC should iterate target performance levels which are agreed by all jurisdictions and which provide the certainty within which the industry can plan. There are also the codes and uniformity, which add to the certainty. ATC has created the National Transport Secretariat to advise on national cross-jurisdictional transport issues, so there is movement in that area. To some extent we can conclude that some of these measures are working or at least having a positive impact. We are seeing some investment in terminals and rolling stock. SCT recently opened a terminal in Victoria. There seems to be the emergence of a rolling stock lease market and there is talk of new technology such as cargosprinter and other things emerging which are showing the industry to be a bit more innovative and dynamic.

That is what I wanted to say by way of introduction. The Commonwealth is not ready to abandon a cooperative approach with the states; in fact, it sees it as being fairly essential and wants to develop that relationship. Thank you.

CHAIR—Thanks, Greg. Could you explain how the $250 million Commonwealth contribution is being spent? What is the method of application? Is it ahead or behind target in its rollout?

Mr GEORGE—There were almost three stages for the $250 million. There were a couple of projects that were clearly very beneficial for the network and were going to be a priority under any form of assessment. One of those was a project in Victoria where the line was particularly bad. I think the committee was very aware of a pile of sleepers that were sitting on the side of the line, and had been for some time, and of the state of that line. That was the first project approved. That is being completed. Certainly improving that line in Victoria was one of the initial priorities. The other one was to move towards the train length targets which the ATC developed and which a cost-benefit analysis by Booz Allen indicated were very beneficial with very high cost-benefit ratios.

CHAIR—Have the loops been done?

Mr GEORGE—Not all the loops have been completed. Effectively there are now unrestricted 1,800-metre trains east-west, although there are loops in the Western Australian stretch west of Kalgoorlie which need to be completed and will ease the train path management fairly much. That work is due to be completed, so all the east-west stuff will be completed by the end of this financial year. North-south, some of the loops have been extended and limited 1,500 metres have been achieved. But it is limited and the program needs to be completed in New South Wales to create a lot more paths of 1,500 metres there.

They were the first couple of projects that were approved. The rest of the approvals were based on a cost-benefit analysis that was done for the department on a list of projects which the industry had determined were its priorities for investment. They came up with a long list, and then a cost-benefit analysis was undertaking on that list to determine which were the highest priority projects.

CHAIR—And they were? Can you give us some of the key ones?

Mr GEORGE—There were some system continuity projects which were dividing the intrastate and interstate system a bit better to get cleaner operation through South Australia. There was quite significant upgrading in Victoria to achieve higher axle loads and higher train speeds. There was the creation of additional freight paths through Sydney. Those were the sorts of things that were assessed—and a dedicated freight line through Sydney, or at least aspects of the line in Sydney.

CHAIR—That was the $39 million the minister announced, was it?

Mr GEORGE—No, sorry—$39 million—

CHAIR—I am just going from memory.

Mr GEORGE—There were two announcements. The first announcement was for the first two projects. The second announcement committed about half the money and then the balance was targeted at New South Wales, but the specific projects were not identified. That is still the situation.

Effectively the program is behind schedule. Initially it took a little while to wind up the planning and stuff for the projects. The rail industry was probably not as advanced as the road industry in terms of having planned projects sitting in its top drawer for when money is allocated. After that there were some hold-ups in Western Australia and New South Wales in reaching agreement with those states to meet the conditions which were applied to the funding—so the reform conditions. They have been sorted out in Western Australia and the negotiations are going on to free up the $30.9 million for passing loops in New South Wales and the money targeted to the dedicated freight line.

At the end of the day, the projects that were actually approved were not the exact ones that the cost benefit analysis had been done on. At the end of the day, we tended to take larger chunks of track and increase the benefits at lower cost, and that was through some new methodologies and new maintenance strategies that the ARTC had adopted. We have achieved much more with the money than was originally envisaged.

CHAIR—Is the spending ahead or behind target?

Mr GEORGE—It is behind target basically because the agreement has not been reached with New South Wales to release that money.

CHAIR—Has anyone else got a comment on that?

Mr JEREMY—My recollection is that the $250 million was first announced about four years ago. I would like clarification on that.

Mr GEORGE—It was actually announced at the rail summit. From memory there was $170 million on the table before the rail summit and at the rail summit that was made up to $250 million to take effect from the following financial year over a period of four years.

Mr JEREMY—So from 1998 to 2002?

Mr GEORGE—The rail summit was September 1997. The last year of the program is next year, and that has not been pushed out.

Mr JEREMY—My question is: how much of the $250 million has actually been spent?

CHAIR—If not in detail, in round figures.

Mr GEORGE—Yes, my recollection is that it is somewhere between $80 million and $90 million that has been spent.

CHAIR—And will the rest be spent within the time frame?

Mr GEORGE—I hope so. I think the minister’s position certainly is that it should be. We are doing our best to achieve that, and there have been some constructive discussions with New South Wales—

CHAIR—Besides this glitch with New South Wales, are there any other impediments holding up the spending of any other projects?

Mr GEORGE—No. All other projects have been commenced. David is probably in a better position to answer that.

Mr MARCHANT—The Booz Allen report on the assessment of priorities was completed at the end of 1998 and decisions were made by the Commonwealth on that in early 1999. As you know, the proposals put forward were in the order of three times the $250 million allocated, if not a touch more. Of those figures, the highest priority came out as the Victorian rail track, which the committee would be aware of. The Victorian rail track was probably the most significant opportunity for improvement of interstate standard gauge in the country at that time: its maximum load was 19 tonnes and its speed was less than 80 kilometres an hour on the western corridor for 70 per cent of that track. It was seen as a window of opportunity. There was a bid of more than $250 million by Victoria just to improve that track alone, and then there were the Western Australian and New South Wales bids, et cetera.

In the end, of the $250 million, $160 million has been allocated to New South Wales on projects that were identified as loops. The $39 million was part of that. Conclusions are being negotiated between ARTC, the Commonwealth and New South Wales on replenishing those funds. Some of those loops have already been built; it is about giving credit to it. The remaining portion—$160 million out of $250 million is the biggest bite—relates to a freight route through Sydney. Under any analysis of freight routes through Sydney, for a dedicated freight route north-south the total expense was going to be greater than $500 million. The Commonwealth had allocated, in indicative terms, $124 million of that.

CHAIR—Wasn't there an earlier announcement in the lead-up to the Olympics? I always had the figure of $39 million in my mind.

Mr MARCHANT—The $39 million was the loop program in New South Wales.

Mr GEORGE—That was $30.9 million.

Mr MARCHANT—Correct. A lot of those loops have been undertaken and New South Wales, ARTC and the Commonwealth are finalising an agreement about reimbursement and/or completion of other parts of that exercise. So when you look at the $250 million, $160 million of that rested in New South Wales alone. And, as you would be aware, there were provisions around the $250 million about trying to consecrate the IGA with regard to the one-stop shop.

CHAIR—Eliminating that $30.9 million, that would leave another $130-odd million to be spent in New South Wales?

Mr MARCHANT—Around $124 million to $127 million would be left.

CHAIR—Most of that in New South Wales?

Mr MARCHANT—Essentially all of it. The Victorian, South Australian and Western Australian works are either in the last stages of completion, or, in the Western Australian context, are in the marketplace, with some orders already being put into concrete sleepers and the rest, and they are finalising some of the contractual arrangements to do the work. In summary, the Victorian work on the track—upgrading the western line and the north-eastern line—has been significantly under way, is about 89 per cent complete and will be completed by the end of this calendar year; the South Australian stuff is out of the way and completed—that was only about $30 million anyway; and the Western Australian stuff is in the market, some of it is on order, and I expect it will be completed during the next six months.

The only remaining exercises are in New South Wales. There are two parts of that. There are the loops, some of which have been done and for some of which the financial arrangements are being concluded at the present time. The only remaining portion is the Sydney freight bypass. Later on today I was going to go through some of the options that have been looked at by ARTC, RAC, the New South Wales Department of Transport and the Commonwealth about getting the maximum gain for the $124 million.

CHAIR—Is this $124 million that you talk about allocated, notionally at least, to other projects in New South Wales other than the Sydney bypass?

Mr MARCHANT—It is allocated notionally to a Sydney freight bypass. However, there have been three studies which indicate there may be a faster gain by doing only part of the Sydney bypass and improving the Sydney-Melbourne corridor as a whole. If you divide the Sydney bypass into two sections, there is the southern entry into Sydney, from Chullora south, and the northern area, Chullora north. The Sydney freight bypass, from memory of the joint study done by RAC, RTC and the departments of transport, came out at about $600 million to $800 million, but for two reasons. One was that any bypass on the northern side would be best undertaken at the same time as New South Wales did the work on the Cowan to Gosford passenger realignment, which would free up some track for freight stand-alone purposes, and then did the northern part of the work up to Hornsby to link into the Cowan-Gosford alignment.

That produced an option that the best investment at this time would be to do the southern Sydney stand-alone route and join it up to works dealing with Sydney to Albury. That would bring transit time options at 90-odd per cent reliability, Melbourne to Sydney, to less than 11½ hours. The study found that that would have a beneficial effect of increasing the market from about 12 per cent to about 20 per cent, road versus rail. For $240 million in total, the outcome in the short term was a significantly better improvement for rail. Then the northern part of the bypass would be done at the time that the Cowan-Gosford passenger realignment was done, otherwise you would just move the bottleneck from the northern part of Sydney to Cowan and Gosford.

Mr DI BARTOLOMEO—We have the matter of the $250 million that has been announced. For something like four years, we have seen a very small portion relative to what is already a small amount being spent today. Operators through New South Wales have seen even less of that in New South Wales. All the studies in the prioritisation of that $250 million in the early days indicated the Sydney freight line, or some aspects of it, as being high on the list. For various reasons—mostly to do with inabilities to reach agreement between New South Wales and the federal government in regard to the one-stop shop and various other dimensions—at the end of the day, we have seen the situation where that money has not been spent. None of the real savings and benefits have been realised and operators remain in a position of still having to put up with all of the impediments that exist.

One of the comments that Greg made earlier is that one of the broader strategies of the Commonwealth is to effectively hold back money on infrastructure of any significance until they see corresponding improvements in the operations of these so-called unproductive, inefficient public service railways. I think there has been a lot of change. In fact there are very few government railways left and those that are in the process of moving into the private sector. I am trying to understand what the market indicators are that you are using that still show those government railways and the rest of the rail operators, collectively, to be inefficient and unresponsive to the marketplace and to the customer. When will those indicators actually turn around so the Commonwealth can say, ‘Yes, I think the industry have done their bit; we will now start flowing funds into it’? I am not sure what the measures are. I am not sure whether we will ever reach them, because at the moment we are certainly not seeing any investment. I believe there have been a lot of improvements on the operator side and most of the customer complaints to date have got to do with the limitations imposed by the infrastructure as opposed to the behaviour or practices of the operators.

Mr GEORGE—Please do not misinterpret my earlier remarks. I certainly was not trying to say that that situation with public operators remains as it used to. I think there is a legacy from the bad old days in terms of the reputation of rail for unreliability and for lack of customer focus, but things have changed with operators and I certainly was not trying to imply that that was still the case. The conditions that are attached to the Commonwealth money really relate to network management issues not to operations of operators, so we are not expecting any particular performance improvements from operators before we release the money. What we are seeking to do is to ensure that there are agreements between track operators which will enhance the management of the interstate network as a network rather than as four, now individual, discrete jurisdictions. It is that level of reform that the Commonwealth is seeking to pursue at this stage. So no, we are not looking at anything additional from you, the operators.

It is really for the agreements between the track management authorities to ensure that maximum benefit is obtained from the investments. The reality is that you can build as many extra passing loops, longer loops, and those sorts of things, and there may not be one iota of improvement to the network. You could fit a few longer trains on it, but they might be grandfathering those paths. You may not create any new paths unless there is some attempt to get the track managers to work together, to revise their scheduling together and to make some of the efficiency gains at that level.

MR JOWETT—I have a couple of questions. The first one goes to the indication by you that Booz Allen had done a cost benefit study. Was the methodology adopted for rail the same as for road? Secondly, was a cost benefit study done of the local roads program, announced this week, of over $1 billion? And what was the impact on rail, in terms of modal share, of an extra $1 billion to road? That is the first set of questions.

The second set goes to planning. This causes some concern within the industry because it seems that the lack of planning is one of long standing. During the $454 million upgrading project discussions surrounding *One Nation* in the early 1990s, we heard the same litany of complaints, threats and, as it turned out, the actuality of money being taken back because of the lack of planning in the rail industry. Are there not perhaps some lessons to be learnt? The third in this series of questions goes to the aspects of the freight dedicated line into Sydney which, in terms of longevity as an issue, threatens to overcome the Alice Springs-Darwin line. Fourthly, in relation to the Alice Springs-Darwin line, have the financial contracts been signed, and when do you think the first sod might be able to be turned?

MR GEORGE—Dedicated freight has a long way to go before we match Alice Springs to Darwin in longevity and, hopefully, it will not come to that. We have moved from a project based analysis to a corridor based analysis in rail, or we are trying to. In terms of what David Marchant was alluding to earlier, you could build the northern part of the dedicated freight line now, and it would not really give you much benefit at all because it would just move the problem further out. You could fix that one as well, and it would probably move the problem further up the North Coast.

We need to be a bit smarter about looking at those things, and I think we are being. David rightly referred to the broader look at the Melbourne to Sydney corridor, and that is the direction we are going in. With a bit of luck, we will move towards a dedicated freight line by having a fair bit of the southern entry work done, which will give us the train paths that will at least satisfy the demand in the medium term and move us towards a dedicated freight line. That will happen progressively. But we need to get the commitment to it long term. I must admit I am not close to the Alice Springs to Darwin project, so I am not aware of the schedule for signing the contract.

I think our cost-benefit analyses are actually better than the roads ones. The basis of them is the same—they are all done according to the department of finance guidelines on cost-benefit analyses, so the broad methodology is consistent. We are probably a bit further down the track in trying to value the externalities and those sorts of things. We do that quite deliberately because a lot of the externality benefits are where rail really gains on roads. If you expect that we should be comparing projects between road and rail on the basis of cost-benefit analyses, then you are probably doing rail a disservice, in some respects. Roads have the advantage in that you have all that private use and there is a value on that private use, and the value of people’s time is much higher than the value of the time of freight. So if what you are saying is that we should have exactly the same sort of process, and be comparing them and allocating funds on that basis, then that is the way of guaranteeing rail does not get any funding.

What we use cost-benefit analysis for is to work out where the best rail investments are. We try to get the best performance from rail to justify additional investment in rail. The work between ARTC and RAC to try to sort out the general improvements to the network that are going to support and get the maximum value from the dollars we are spending is really necessary if what we are going to do is convince a government that they need to invest in rail. We really need to get some runs on the board and show that there are large benefits from that investment. To do that, we really need to get the harmonies between the jurisdictions which will enable those benefits to be harvested.

Mr JOWETT—There is also the local roads program.

CHAIR—Mr Marchant, did you have something to add to one of these points?

Mr MARCHANT—I am not going to touch Alice Springs-Darwin or the roads program—that is a matter for the Commonwealth. I might touch on two other things to give you either comfort or more discomfort, whichever line you want to take on it. On the $250 million process, that was just about completed by the time ARTC started, except for the Booz Allen part; all the submissions had come in. That process was a submission based process and a whole range of people threw in submissions to the Commonwealth and all the rest about their pet projects. They were then analysed against corridor benefit, reliability and timeliness, and they did have externalities: safety, road accident stuff, et cetera. Whether that is to the same depth as the road analysis, I am not sure, but there were externalities put into that assessment.

What I can say on the national audit that is taking place now are two things. Firstly, the externality benefits are a fundamental part of those reports, or they will be when the reports are done. They will not be just a cost-benefit analysis in the form of an economic whack return on investment, but will include externalities with regard to diversion from roads, savings in hospitals, environmental savings, et cetera. So the national audit that is being done now has within it the criteria to take in externalities, which should enable a comparative benefit analysis to be done against one transport logistics chain, road, against another, rail, against particular corridors.

Secondly, this is the first fundamental analysis by corridor. This afternoon I was going to put up the slide of how that is being done. It deals with Roger’s second question, and that is that, to a large degree, there has not been a menu of options against investment against returns, either for externalities or otherwise. Out of the audit will come a significant range of menus against what are the gains against levels of investment on each of those corridors: Melbourne-Sydney, Sydney-Brisbane, Melbourne-Brisbane, Melbourne-Adelaide, Adelaide-Perth.

I am not suggesting that the national audit will come out with dollar figures that governments will necessarily wish to cough up an equivalent amount of investment against. What it will do is provide a menu of returns against investments—something the road industry has had on a regular basis with government, and they just go to the next level of the menu against the benefit and the next round of bidding for government investment. So I think the national corridor audits, which are not being done pet project by pet project but by logistic corridor, will actually give increments of investment against increments of gain. I think that will give the industry and governments a much better menu at different levels of investment over time than has been historically the case when it has been submission based alone. That will enable consensus in developing that around.

Not only will the ministers get that range of menus; the industry's representative, through the interstate rail operator's group, on the actual study itself, to ensure that that range of menus does come through, just as on the national land transport secretariat is as well. Although it may have been ad hoc submission based, if it is undertaken properly, the corridor analysis will at least give the investment decision makers a range of choices against benefits, but including the externalities being measured.

Dr LAIRD—Can I just address through you, Mr Chairman, three questions to Mr George. The first is: was not the first ministerial press statement on the $250 million fund allocation to do with grade separation around Olympic Park, and has any of that money ever been paid? I noted with interest that he said the road industry was much better with plans in the top drawer. My second question is: could he give an indication of how many million dollars a year of Commonwealth money are used to underwrite the planning process? I would include in that land acquisition for highway straightening. Thirdly, one thing that was raised in the minister's response to the committee's well-founded recommendation for a national land transport commission was the possibility of a national rail transport commission in the interim. Could comment be made on the possibility of that being established in a cooperative mode with the states as opposed to a punitive measure, if other agreements are slow to be reached?

Mr GEORGE—There was discussion of funding some work around Olympic Park at a ministerial level at one stage. I honestly cannot recall whether there was any press statement or not about that. Certainly, there has been no money spent on that project and no specific approval for that project from the $250 million. On the question of road dollars spent, I honestly do not know. Sorry, we cannot answer that question; we have not got the information available here.

On the rail transport commission, what was being envisaged really, as I understand it, was something like the Road Transport Commission. In effect, the responsibilities of that commission were to try to achieve road transport reform and consistent regulation across the road transport industry, and it was jointly funded by the Commonwealth and the states. In effect, we have got the same thing through the AROU. There is a joint agreement between the Commonwealth and the states, it is jointly funded and their objective is to try to get harmonisation. So we have got something which is pretty similar.

Mr McARTHUR—Could I just raise the bigger issue of this seminar convincing governments and voters that we contribute more money to rail infrastructure funding? Our committee recommended $2 billion over 10 years. I draw to your attention that every year about $6 billion is allocated to road funding by state, federal and local governments, and we are arguing about $250 million. I would be interested to know what views there are around the table on convincing the voting public that a relatively small investment in rail infrastructure would be a good thing.

I observe that we get a lot of excitement about the Darwin-Alice Spring railway—we do not know what we are going to put on it—and the Canberra-Sydney operation. They are exciting projects per se and nobody is too sure how they are going to end up and how much money the government will put in. Yet, we do not convince the public that a relatively small investment in rail infrastructure would make a tremendous difference to our freight task. How might you go about the process of encouraging a change in political attitude to get a little bit of funding? We are talking about how another $150 million each year would make a fantastic difference to our rail infrastructure. Can anyone around the table help in that debate?

Mr ROBERTS—One of the ways governments can give that sort of signal to the public is to be clear about what the community benefits would be for making those sorts of investments. The mechanism to do that would be to issue policy statements outlining the government's policy objectives and the outcomes that it would seek to achieve in terms of economic, social and environmental benefits through rail investment. Indeed, those objectives could be applied to both road and rail investments to guide evaluation methodologies when making investment decisions. So it is, in part, a case of government clarifying what its policy objectives are—not developing a national transport plan as such, but developing a strategic policy framework.

Mr BRADFORD—Looking at what Greg has had to say on the value of the $250 million spent today after three years of effort in the rail industry, I would bring into question the value of continuing with the one stop shop concept as a bargaining agent for the spending of the money on the Sydney freight corridor. If that issue were given less importance than actually spending the money and developing rail and was put off to a future time, the committee might consider whether the industry would benefit more overall than it would by holding off for the one stop shop. In two years, we have seen very little on the Sydney freight corridor, so we have had no benefit from anything.

Mr MARCHANT—I agree with Stephen but, surprisingly enough, that is not the issue that is holding it up.

CHAIR—What is the issue, then? How would you define the issue that is holding it up?

Mr MARCHANT—I will get to that. Firstly, there was an impediment about six or eight months ago: the money was also tied to implementing what the governments had agreed in the IGA. That is why governments agree to an IGA; they are supposed to try and implement it. But, for some reason, that has not taken place in New South Wales, and some of that is an issue of detail. That precondition has been put aside. Prior to putting it aside, some joint work was done on what the best method of investing that $124 million was. On the loop program in New South Wales, the only things that are outstanding in finalising the payment of the funds are the conditions that go with the benefits to be achieved from the funds—that is, if the $30-odd million goes to 1,500 metre loops, they are to go in on an open access basis and paths are to be opened up to a range of operators, meaning that operators would have equality of access to those new loops and paths. So there are conditions going around those sorts of frameworks, and they are being settled down.

CHAIR—Are you suggesting that, of these new loops, there are different rules for different operators?

Mr MARCHANT—No.

CHAIR—Up until now, there have been different rules for different operators using loops?

Mr MARCHANT—No, I am suggesting that with the new loop funding there should not inadvertently be different rules between different operators, and that one of the conditions of the funding is to ensure that there are not different rules for different operators. So there are some conditions that are being ironed out between ARTC, RAC, the Commonwealth and the states on that, and their only conditions are, 'Having supplied a large portion of the equity, we want to ensure that the following qualitative outcomes take place after the investment.' It is not a situation where you invest for one outcome and four years later you have another. I will give you an example: there have been investments in freight bypasses in Sydney previously—Lucio would be aware of this—which are now electrified, and you cannot get a freight train on them. So parts of these things have put conditions around that the money goes and stays for its original purpose, or it gets returned.

So firstly, that is where the loop program is at—it is not being held up by a condition precedent, Stephen. Secondly, on the $124 million, although that was dedicated towards a Sydney north-south bypass, when the study of that came through the options showed that a southern bypass with improvement on the southern corridor would get a better investment result faster. As to the further northern part to the Cowan-Gosford, I went through those issues earlier. The hold-up there is to actually get together the other remaining funds, because it is $240 million. The Commonwealth put $124 million on the table. There is a shortfall of funds. We have to come to some arrangement about whether the state or someone else will make up that shortfall.

CHAIR—What is the shortfall?

Mr MARCHANT—The difference between $124 million and $240 million.

CHAIR—And is the state contributing dollar for dollar on this?

Mr MARCHANT—They have not committed to anything like that yet.

Mr MOSSFIELD—I have a rather obvious question, in view of the discussion. I would like to ask Greg: can you give us any indication of whether the government might have a big picture plan for the integration of the three forms of transport—rail, road and air? Are there any ground rules? And what factors influence government thinking in investment in those particular forms—are there any guidelines at all that you can inform the committee of?

Mr GEORGE—There are no formal written-down guidelines as such. The government is trying to make each of those industries as efficient as possible, and it really sees the responsibility for the links between those industries as generally a private sector role. In effect, you are talking about terminals. Individual firms make investments in terminals because they see market advantage in controlling them. At this stage, the cost of building them has not been seen by the government as enough of an impediment to intermodal transport to intervene in that area.

So providing you can get each of the modes working efficiently, the market will determine which is the most efficient mix of modes to meet its needs, and we will put in place the links between those modes which meet its part of the market—its niche of the sort of business it is trying to serve. I think we can see the result of that. The areas where rail has been most successful are where modal interchanges are very efficient. One of the reasons rail has an advantage in bulk is that the movement between modes of bulk material is very efficient. Rail has a big advantage because its line haul costs are lower. Providing we can fix the infrastructure and get a performance level on the rail infrastructure, there will be an incentive there for the private operators to concentrate more on their modal interchanges, so they can take advantage of the line haul advantages of rail. So I think it will naturally follow.

Mr MOSSFIELD—If you look at the capital city travel—from Sydney, Melbourne, Brisbane, Perth—would the government have a view on which form of transport in the long term would be economically viable and beneficial to Australia? Would we be looking at road, rail or air? Is there any thinking along those lines?

Mr GEORGE—The government does not set targets and it does not pick winners in terms of which mode should be doing the job. It tries to encourage the most efficient mix. If you look at market shares east-west, the line hauls there are clearly sufficient to give rail a fairly significant market advantage and it has got a majority of the market share. We should be able to get to a situation where the same applies on other long-haul intercapital routes; for example, Melbourne to Brisbane and probably even Sydney to Brisbane. Whether the line hauls of Adelaide to Melbourne or Melbourne to Sydney are sufficient for that level of market advantage to rail remains to be seen. It depends very much on what sorts of technologies develop between modes for modal transfers. Rail is a bit different from road in that it does rely on road: it cannot deliver a door-to-door service by itself. Certainly, that modal transfer needs to be done very efficiently for rail to win a significant market share on the shorter routes.

CHAIR—Professor Laird, you had another question before?

Dr LAIRD—If I could go back to that point on planning. If we cannot quantify the dollars, can we at least confirm that federal funding for planning for national highway straightening and capacity augmentation is very much part of the budget portfolio?

CHAIR—Greg, what is your comment on that?

Mr GEORGE—I honestly do not know. I have not really been close to the roads program—specifically, what it covers. The Commonwealth provides the funds for the national highways but the states spend them. Whether planning is part of the costs which the Commonwealth covers I really cannot tell you.

Dr LAIRD—I think we might agree that it is important for rail to have plans in the drawer. There is a valid question as to how much the Commonwealth should be encouraging the states to get these plans in the drawer. Would that be fair?

Mr GEORGE—From that point of view, I think that that is exactly what the audits aim to achieve. It is effectively the Commonwealth funding an evaluation of the merits of investing in rail. Certainly, we hope that it will put forward very adequately the arguments for further investment.

CHAIR—But doesn't Professor Laird's question go beyond that? He is talking about straightening of roads and, presumably, he is also referring to the straightening of rail. When you look at the project between Nambour and Rockhampton that QR have gone in for—I think it was worth $300 million or $400 million, the Queenslanders can correct me if I'm wrong—the improvement of times on that route was astronomical, reducing travel time from Rockhampton to Brisbane from 14 hours to seven hours. That is a quantum leap. Is getting those sorts of dynamics into rail the sort of thing you are talking about, Professor Laird?

Dr LAIRD—Yes, in some sections some track straightening will be needed to get the efficiency up so that train operators can offer a more reliable and time sensitive product. We see it for the national highway system; take, for example, the Goulburn bypass. The EIS for that was done in 1985 and the road was opened in 1992. That EIS, as I understand it, was funded with Commonwealth funds. We just do not see the same drive from the Commonwealth government to set a framework where there can be public or private investment in track straightening which will give obvious speed-weight benefits of the sort that you alluded to in the halving of the travelling time for the Brisbane-Rockhampton passenger train. We also doubled the weight of load behind the locomotive between Brisbane and Rockhampton as a consequence of those civil track works.

CHAIR—Does QR want to comment on the benefits?

Mr GARDINER—Since 1992, QR has spent about $1 billion on the Brisbane-Cairns corridor, and the majority of that in the southern half or south of Rockhampton. That has allowed for increased benefits for operators. The journey time reductions for passenger trains have come about as a result not only of that below rail investment but also the above rail investment by the operators in purchasing higher speed rolling stock. It has also provided advantages to freight operators.

CHAIR—Does this audit that is going on—and Mr Marchant and Greg might like to comment on this—go as far as things like line straightening and grade improvement or are we looking at the more fundamental things of loops and getting around bottlenecks and those sorts of things? Have we got into the dynamics of really improving the track itself?

Mr MARCHANT—The audit is premised around establishing objectives for outcomes, such as—

CHAIR—Does it go that far?

Mr MARCHANT—Let me finish. Firstly, the engineers have not come back yet. It actually is premised on the basis of establishing an outcome, in transit time, reliability and average speed. The engineers at this point have a task—and I will go through all the groups who are doing it this afternoon—to come back with the optimum range of options to achieve a variable range of outcomes. That will obviously include straightening and a whole range of other things.

I just point out that straightening alone is not the only thing that actually gives you benefits. I realise that it is a particular engineering hobbyhorse, but you need to look at a range of options, a range of benefits and a range of outcomes. Queensland is a good example where above rail changes were also made to bring home benefits. So it is not just a one tier solution. That national audit will go through an engineering and technical range of options that give you a range of different outcomes; for example, nine hours Melbourne-Sydney: what needs to be done to achieve that as an outcome with 90 per cent reliability, et cetera? So then you get a whole menu of choices of what benefits there are.

The real issue in the last discussion, which I am sure the ARA have been trying to come in on, was the fairness of incentives between government investment and private sector investment between road, rail and sea. I think they have been trying to get your eye for about half an hour.

CHAIR—I am sorry. Does ARA have a comment?

Mr ROBERTS—Yes. Greg mentioned before that the Commonwealth was interested in having efficient transport infrastructure. A big step in that direction would be to introduce road pricing and, in fact, the Commonwealth could direct the National Road Transport Commission to develop direct road charging methodologies. Given the situation currently, there is no relationship at all between GST payments and road use, very little relationship between property rates and road use, and next to no relationship between investment decisions, maintenance decisions on the road network and the payments that are made for road use—a key issue and an outstanding issue. I noticed that it was not commented on in Greg’s overview earlier and I would ask Greg now if he can shed any more light on the Commonwealth’s position in that regard.

Mr GEORGE—If you have views on those sorts of things then you probably should be making those views known to the National Road Transport Commission, which has its third charging review. I am not sure of the exact timing of that, but certainly there is a process there to review road charging arrangements. It is fair for anyone to try to have an input into that, and it would be valuable for constructive input to be made to that.

Mr ROBERTS—The Commonwealth sets the governing legislation which the NRTC is able to make a choice from. That is the issue that needs addressing.

Mr GEORGE—The NRTC was established under Commonwealth legislation, but it is basically a model that was agreed between the Commonwealth and the states. If there is a change in the pricing structure, then the Commonwealth and the states will have to agree to it, and the forums are in place for that to occur. The Road Transport Commission is bound, I would have thought, to make recommendations to the government on what it sees as the most appropriate charging structure. If the government agrees with those arrangements, I am sure it will change the legislation to enable them to be put in place.

CHAIR—Right, we will break for morning tea after a contribution from Wayne James. For anyone who has not spoken on this, we have got a plenary session this afternoon when we can pick up some of the themes that may not have been fully fleshed out.

Mr JAMES—I am still concerned to get clear what the decision making flow is and why we seem to have some barrier to it. Can the Commonwealth clearly state what the network management indicators are that they are using which they say are seeing no improvement, given that they have now neutralised all the operators around the table and said that they are showing improvement? This appears to be where the Commonwealth sees some difficulty with the onus. What I would like to know is: what are these indicators and how do we improve those indicators so that the Commonwealth can help in its decision making flow.

Mr GEORGE—There are no specific indicators which I can point to and say, 'This is achieved; that is it.' Effectively, the Commonwealth is trying to encourage efficiency gains from network management rather than getting jurisdictions to consider what happens outside of their jurisdictions as well as what happens inside their jurisdictions. Those arrangements vary from state to state. At this stage, the Commonwealth is principally looking for progress rather than specific levels of cooperation. I know the Commonwealth is very happy with the outcome in Victoria; it is the preferred model for the Commonwealth. It thinks the outcomes have been very good. It gave the money on that basis, and the projects have been under way.

The result in Western Australia, from the Commonwealth point of view, has probably not been quite as good. But it has released the money, and it has reached agreement because there has been progress. In New South Wales, I am not saying there has not been progress but there has not been agreement on a common direction. David referred earlier to the condition being put aside. I think what really happened is that it has been recognised that a wholesale access agreement arrangement such as in Western Australia will not be achieved in New South Wales. That is really just a process anyway.

The outcome the Commonwealth seeks is better network management and, providing agreements can be put in place which move in that direction between the ARTC and RAC, I think there is a good chance of it releasing the money. At the end of the day, it is a decision for the minister, but the indications are that that is what would happen. I cannot point to specific measures but, providing you can get some level of network management, it will also not be a problem in New South Wales. I think we have been hung up on the wholesale access agreements—and that is probably the cause of the delay—instead of looking at the outcomes we are seeking. We have moved on to looking at the outcomes now, with less attention to the process.

CHAIR—On that note, we will break for morning tea.

Proceedings suspended from 10.40 a.m. to 11.02 am.

Accreditation

CHAIR—Ladies and gentlemen, the second focus area today is that of accreditation. Of particular interest is the harmonisation of accreditation processes, operational procedures and safety regimes. The Commonwealth set a time frame for reform in this area. Because the current state based arrangements for the mutual recognition of accreditation will not be effective in achieving national consistency by mid-2001, the minister has indicated that he will consider establishing a Commonwealth regulatory body for accreditation. This body would also be responsible for standard setting and safety regulation on the national network. I welcome Ms Kathryn Rayner, Director of the Australian Rail Operations Unit, to give us a brief presentation before we move into discussion.

Ms RAYNER—I want to talk about the codes of practice for the interstate rail network primarily but also a little bit about the Commonwealth's approach to accident investigation. Then I will bring up a few discussion points on the longer term regulatory framework for rail. As most people would be aware, the Australian Rail Operations Unit was set up under an intergovernment agreement signed by transport ministers last November. It was set up to finalise and implement a set of codes of practice for the interstate rail network. The work is funded by state governments and the ARA, with a significant contribution from individual rail organisations through the allocation of resources to the project.

The reason why transport ministers are interested in the codes of practice is efficiency—the need to reduce the number of multiple systems that are used across the interstate network and also the need for an improved safety management approach. The codes are voluntary and there is no legislative backing to them. The current status of the codes is that the first three volumes, which cover general principles, glossary of terms and the operations and safe working requirements, are close to being in a final draft format. Transport ministers, at their recent ATC meeting, agreed to finalise and publish those volumes in May next year, but make a final draft available now for organisations to commence developing implementation strategies. Those strategies would include training, cost-benefit analysis, risk analysis, et cetera.

The next step for those first three volumes will really be for individual organisations to develop the implementation strategies. The indications we are receiving are that the organisations on the east-west route will move fairly quickly and we will probably see some efficiency returns in that route by the middle of next year. We expect those on the Melbourne-Brisbane line to move some time after that. The last two volumes—it is a five-volume set—relate to the infrastructure and the rolling stock and they will be progressively finalised for publication during next year. By the end of next year we would have the suite of codes published and that would bring to an end the operations of the AROU. It has a two-year framework. I will come back to that in a minute.

The Australian Transport Safety Bureau has asked me to make a comment on rail accident/incident investigations. The Commonwealth government has indicated that it would like to legislate for an independent, systemic, no-blame approach to investigations on the interstate network. This has not met with quite the level of enthusiasm from the states and territories that one would have hoped for but there are ongoing discussions between the Commonwealth and the states in an effort to progress that. We believe that it is an important issue. It is adopting the model used for both aviation and maritime. In terms of codes of practice, without an open and transparent assessment of accidents we do not have the opportunity to learn from our mistakes and we do not have the opportunity to refine the codes and operational practices.

As to the regulatory framework, the Australian Transport Council last November rejected a recommendation in the Booz Allen Hamilton report that there be a national accreditation authority. That issue is still on the table, I suppose. The Commonwealth codes, while they will be published by the Commonwealth, do not have a legislative backing and I suppose the issue of long-term ownership and management of the codes and the accreditation authority's role probably need to be discussed together. There is a wide range of options that the industry and the government could look at. On the one side there is the Commonwealth legislative approach and at the other end of the spectrum we have got industry self-regulation. There certainly needs to be a discussion of the appropriate role of government in this area—not just the Commonwealth government but also the states and territories.

There is also the question about how much responsibility the industry wants to take for its own operational practices. There are a number of models around that are worth looking at. Certainly the National Road Transport Commission is a model that allows for nine governments to be actively involved in the operational practices on the roads. There are also the models used in Australia for aviation and maritime. There are a number of overseas models that I know some states have looked at. I think that most people would see the UK model as a fairly fragmented and duplicative system that has some interest. The US model is very prescriptive in terms of its codes and its enforcement compliance regime but I know that it has some support. The EU is currently looking at prescribing safety standards which are then enforced at the nation-state level, and maybe that is an interesting option to look at as well. I have a couple of handouts, information updates, that I have put out on the front table. A useful approach might be to discuss broadly the regulatory framework.

CHAIR—To start at a fairly basic level, when we were preparing the report *Tracking Australia* the thing that stood out was—and someone mentioned this in the last session—that we need to have a better public perception of rail. The perception of rail was that, when the four foot 8½ inch link was made from Melbourne to Adelaide, suddenly we had this golden corridor from Brisbane to Perth. In point of fact, nothing could be further from the truth because we had all sorts of other problems, such as different safety codes, different signalling, different operational codes and different radios. I would just be interested to ask, before we start to move into rolling stock and things like that, about those very basic things. Have they improved greatly in the last two years?

Ms RAYNER—The codes will certainly reduce the 20-odd safe working systems that are currently in use and bring it down to about seven. There are a range of examples of the benefits. Freight Australia has indicated that at the moment there are 40-odd safe working rules and forms in Victoria that would be reduced to eight. So, there are those sorts of efficiencies that will come with the implementation. But there is not an indication at the moment from industry that we will have full implementation and that we will have it in a reasonable timeframe.

CHAIR—Is money an impediment there?

Ms RAYNER—I do not believe money is an impediment, no.

CHAIR—Have the radio systems been harmonised?

Ms RAYNER—The radio systems themselves cannot be harmonised. The communications protocol that is used can be harmonised. It is not really possible to look at harmonising things such as the signalling infrastructure. It is not cost effective to do that and it is ageing technology. What we are trying to harmonise is how we respond to that infrastructure.

CHAIR—Are there many cross-border operations by drivers?

Ms RAYNER—I am not quite sure if I understood the question.

CHAIR—Do drivers have to get off at state borders or the nearest town to a state border, or is there, in practical terms, sufficient knowledge of interstate safety regulations that a driver can take a train from one state to another?

Ms RAYNER—Mr Chairman, I think it would be best to ask one of the interstate operators to answer that. I think you would get a more accurate response. You can take crews across borders but you are looking at different training.

Mr TURRELL—We do operate crews across the state border. Our Dimboola crews in western Victoria operate through to Adelaide. We have also, as of about a month and a half ago, instituted an operation from Adelaide to Perth utilising a crew van—very similar to what Paul Zalec, who is also here today, from ASR uses—where our crews operate basically eight hours on, eight hours off on a continuous basis from Adelaide across to Perth. There is cross-border use of crews. We also have crews from Victoria who operate up into the Riverina area of New South Wales.

CHAIR—I noticed that Robert Jeremy had his hand up before.

Mr JEREMY—Mr Chairman, could we perhaps avoid falling into the trap I think we fell into in the last session, which was descending into too much detail, and instead talk about some of these issues at the higher level, and perhaps also respond to a question from Stewart McArthur about where the votes are and how do we attract the attention of voters to these problems.

Kathryn suggested we talk about the regulatory environment and about the sorts of models that we might adopt for safety regulation in Australia. Let me start by saying that I do not think any operator around the table would dispute the fact that we need a safe railway system—and in fact we have one. Relative to other modes of transport, rail is very safe. Unfortunately, when there is an accident and it involves passengers, it tends to be quite dramatic—like aircraft accidents. However, it is a relatively safe system.

In terms of the regulatory environment, it is disappointing to hear that we are being asked to consider the appropriate framework. The Booz Allen study was conducted last year and it consulted widely with industry—in fact, there were some industry members on that panel. The resounding view from industry was that it wanted a single regulatory framework with a single regulator. It did not want to go from 20 to seven safe working systems; it did not want to deal with seven harmonised accrediting authorities. It wanted to deal with one regulator and one set of systems.

Let me put it to you this way, because I think you are going to look at all these issues in this way: what does a truck have to do? What does a road operator have to do? It does not have to put up with this layer upon layer upon layer of bureaucracy, rules and regulations, five manuals, processes that go on forever and ever, to formulate five manuals. A truck driver gets in his truck, he crosses borders and it is essentially one seamless system. Rail does not have that. I do not think the question is: what model should we adopt? The question is: why did the ATC ministers reject the recommendations of the Booz Allen report which involved wide consultation with industry? We have not been given a reason. Why did they reject it? What model do they think we should adopt? Why is that an efficient model? How will that assist rail to generate modal shift from road to rail? We do not have an answer. We do not know why it was rejected. We do not know why they think the current system is better than what Booz Allen recommended and what the industry wanted. We do not know why they think that whatever it is they think we should have will assist rail in its battle against road. I do not think, in fairness to Kathryn, that she is likely to be in a position to answer that question. We do not have the right people around the table to answer that question but, from the committee’s point of view, that is the fundamental issue.

CHAIR—Before I ask the department to comment, Paul, do you have a comment to make about that?

Mr BLAKE—The task that ministers have asked me to perform in relation to this particular issue is to report back to them in May next year, at their next meeting, on the recommendations contained in the four national reports. Of course, the issue that we are talking about here is part of that. At the present time, we have been monitoring the work of the AROU. We have been looking at the various models that are available. I cannot really speak on behalf of ministers in terms of why the recommendation to adopt a single regulator was rejected, but I would point out that it was done at a certain point in time. When the recommendations go back to ministers in May next year, we will have moved on quite some distance from when that decision was made, which I think was last year. From the National Transport Secretariat’s point of view, the ministers have not given me any riding instructions to rule anything out or in. They have simply asked me to come back to them after consulting with industry and governments around Australia as to what should be the next steps in terms of the adoption, modified adoption or rejection of the recommendations that were made in the four reports. One thing is clear and that is that some of the states still very strongly hold the same view that they held at the time when the ministers made that decision last year: that one single regulator is still not supported. Certainly some states are very vocal about that.

CHAIR—If you are not going to have one regulator, you certainly have to have some framework in which the industry can work from a state to state basis. Is there any progress there? It is the second-best option, but is there any progress there?

Mr BLAKE—As Kathryn said, there are a number of models ranging from a single regulator through to the NRTC type of model—where the states actually have a role in steering the national body that is doing the regulation—through to an industry based approach. Taking on board Robert’s comments about the industry—making it clear what their position was—all I am saying is that I have not been given any riding instructions in terms of how I respond. We are certainly looking at those same models that Kathryn talked about and are looking at the relative benefits of those models.

Mr McARTHUR—If the states say they do not want a harmonised national model, what argument can you use? We would be interested to know.

Mr BLAKE—I can speak from my recollection at the time. The states’ view at the time was that the current model—each state having its own accreditation authority and working together to ensure that there were no significant cross-border issues—was suitable.

Mr MARCHANT—I hesitated after the last session to comment, but there are a couple of points. One is that there was an industry-wide report that did go to the ATC which suggested a single national regulator and a single national investigation process. It would have enabled either the states to all own the regulator in a cooperative way, or otherwise—it did not necessarily have to be a Commonwealth thing—as distinct from anything else. The point I really want to make is that there seems to be a consensus to set up a national investigating framework because I think industry agrees that the resources to investigate are very thin in this country and the skills to do that are not available seven times over. So that seems to be happening.

There is a whole range of states' reasons, one of which is never giving up power in any form, and the normal sort of rational arguments that go with that—some of them harking back to the sixties. The issue now is that the whole premise of rail reform and regulation has been a coregulation framework—that is, that there be codes of some form which each of the accrediting authorities in each state overview and that it be a blend between the industry establishing frameworks and the accreditor ensuring validation of those in a risk assessment framework. There have been attempts to harmonise that.

In the last few months, after a major incident in New South Wales—there was an incident in the Blue Mountains—there was a special commission of inquiry which has come up with a regulatory model for New South Wales, which has the potential to actually throw the whole coregulation model out the window and to come up with the British style model. I am not suggesting a view either way on that just yet because it is not politic to do it straight after a report has been handed down, while there is all this moral panic going around in the *Sydney Morning Herald*, and I am not that courageous. But what I am worried about is the situation where, in the absence of coming to a coherent framework nationally—and I thought there was one—it is very likely that, on the cusp of getting some sort of national codes and coregulation model, just when we were about to get there after five or six years of very hard work by people in the industry, a reaction to a particular event is likely to establish a new regulatory regime in at least one state that, in fact, throws out all the framework that came to fruition through a coregulatory model. I think that there should be some attempt, at least, at this point in time, by the policy makers and the moral panic merchants to slow down for a second and actually look back at the options around regulatory frameworks nationally.

I am not suggesting the reasons for the absence of a decision at the ATC meeting were good, bad or indifferent. But I think what has happened is that the horses have started to bolt from the gate just when they were getting them all in the paddock. That is a reaction to a particular event, and in normal circumstances that happens. But the reports and the proposals have actually moved away quite dramatically from the fundamental premise of the coregulatory model. Whether it is harmonised, whether it is under a single national regulator, or whatever variation of the type of flag you put on it, right now there are some options that may in one part of the nation go in a very different direction. I think the window of opportunity for being able to put a policy framework around it is being lost.

If the committee could do anything it could at least raise a flag to say, 'Look, guys, let's pour some cold water here. There is a lot of work being done by AROU. The industry has come in behind that. Harmonisation is attempted'—and I have no doubt that Andrew and the others will go through in some detail how the accreditors have tried to get their act together. The real issue is that, just when you are at the point of going through those options validly, someone has bolted in another direction in a totally different model framework. If you are looking for a nationally consistent industry—and there is no doubt that transport and logistics in rail is a national industry; it does not really belong to individual parochial states and territories any more—there is a chance that the window of opportunity is about to bolt again. That would be sad.

Mr KITTO—I would like to go back 10 or 15 minutes. I do endorse what David just said, but the point I would like to make is that confusion still seems to reign about the difference between the regulatory framework and things like the codes of practice, which Kathryn started to talk about. Operational codes of practice, signalling systems, radio systems, all those differences, are really nothing to do with the regulatory framework, yet the two things often get talked about in the same breath. To add to that—and Kathryn alluded to this—in order to fix many of the problems that still exist in terms of inconsistencies you are talking about investment: you cannot fix radio systems or signalling systems without spending money. I would not want this confusion to spill over into a discussion about the merits of the current regulatory system or its problems, when it is really about technical differences and the investment that would be required.

There is a further argument: is it actually appropriate to have total consistency? I do not think that when you look at it you would really argue that a control system that is appropriate for metropolitan Sydney would be appropriate for the line between, say, Adelaide and Perth. So I do not think total consistency is not an end in itself either.

Mr DI BARTOLOMEO—I would reiterate that. I think maybe too much is being made of some of the technical differences between signalling systems, operating systems or radio systems. If we had our druthers, one system across the whole nation would be great, but we do not have that. And I do not believe that, in themselves, they are as big an impediment as many of the other things that are currently impeding this industry. Drivers can go across all states. I do not think there is any operator that has got any boundary or impediment for a driver crossing a state border. I think all rosters of drivers are dictated by the simple capacity to actually roster a driver to go as far as he can from a particular home depot. State borders do not come into contention at all. If we have got 20 systems now and we are going to go down to seven, that is good, and if we can go lower, that is even better. But, again, I do not think that is the real issue.

Going back to the regulatory framework, I believe that is an issue. We do need a standard regulatory framework for the rail industry and the improvements that can be made there. To my way of thinking, one of the problems that we skipped around with in the first session and again in this session is that we have a clear inability at the political and bureaucratic level, between state and federal, to overcome the differences that exist. Whether those differences are good or bad, the reality is they are impeding the progress of this industry for rail to have a bigger role for transport in Australia, for rail to take more freight off road and onto rail in a manner that is economically and financially justifiable. That is where the problems are.

As an indicator of where this problem actually lies, have a look at the representation around this table in regard to who is here from the critical bodies that manage this industry. Look at the level of representation that is here when it comes to the departments—and I am not pointing to any one particular department; it is right across Australia—and then have a look at who is here from the operators, the people who are actually attempting to make a living out of this industry. I suggest that it is a very clear indicator as to where this industry is being impeded.

Mr MURPHY—Could I ask you to be even more specific, Mr Di Bartolomeo.

Mr DI BARTOLOMEO—I am suggesting that there is no ability to gain consensus between the governments of this country, the state and federal governments, to come to issues such as: how are we going to fund railways? Is there an acknowledgment of how the infrastructure for this rail industry is going to be funded—who, how? How are decisions going to be made? What about the regulatory framework? Who is going to make those decisions and where should it rest? We all acknowledge it is not just a state based industry; it is a national industry that we are talking about. But those decisions are not being made, there are no resolutions being reached. I am saying that some of the key players in, hopefully, attempting to solve some of those problems are not here. We do not have the key representatives of the departments of transport at this table. Where are they? Where is the relevance of rail to the departments of transport? Where does rail fit into their priority listing?

Mr MURPHY—Could I ask you to record for our purposes who you think should be here but is not, for example.

Mr DI BARTOLOMEO—I believe that, if this is meant to be a key body reviewing this industry, where it is going and where it is at, then we should have here at least the directors-general and their equivalents in all the departments—people who are influential, for instance, in the ATC body that comes together. That is where most of the decisions that we then suffer from are coming from, but they are not here.

Mr MURPHY—Are you putting it to this committee that you do not believe that there is the political will, among all the state governments and the federal government at the moment, and previous federal governments, with regard to getting a resolution to these problems because some of the vested and sectional interests who want to promote and expand road transport, for example, may wish to continue down that path in their own interest at the expense of improving our rail system?

Mr DI BARTOLOMEO—I believe that we are not governments and their key representatives. There has been a lot of rhetoric spoken about improving rail and giving rail its proper place in the land transport environment in Australia. That rhetoric has not been followed up by the hard agreements that need to be reached, given that there are a lot of players for this industry, to achieve the sorts of outcomes that they are looking for.

Mr MURPHY—I understand that, and I also understand that it is very expensive to build rail of the magnitude that some people think we should have in this country. I happen to be, like the chairman of this committee, a proponent of building a better rail system. What I am putting to you, because I want to understand this clearly, is this: do you think that others, who have got a vested interest in this matter, are operating behind the scenes to frustrate governments in their attempt to expand the rail system in this country, at the expense of rail transport—yes or no?

Mr DI BARTOLOMEO—I believe the road industry has worked very well at attempting to achieve what it sees it needs and requires for its benefit. I think the rail industry has been very poor at doing that, largely because our history is that we are government owned. We either still are or were government owned, and I do not think our opportunity to influence the decision makers has been anywhere near as strong and effective as the opportunity of the broader road lobby has been over the years.

Mr BRADFORD—To put the question around the other way: if we are not prepared as a nation to have one national accreditation for the national track, why isn't the road industry going back to have state accreditation with different licensing and barriers at the border? Everyone would say, 'That is ridiculous.' You do not want to go backwards in road, so why hold the rail industry up? It is a national accreditation system. To me, it is not altogether difficult. The Sydney metropolitan network for suburban trains could well operate separately with rules for those who come through that network. But, for those operating on the national track and crossing state borders, there should be one accreditation system. Simple things like licensing flow through the codes of conduct. We are told, 'Yes, we are a national operator; our employees have four different identification passes.' If you suggest, 'Just as a simple matter why don't we have one?' the answer is, 'Oh well, it may not suit us. Why would you have a separate licence for each state? You have a national licence for people who are accredited to operate on the national track.'

Mr JEREMY—Could I just endorse, from Toll's point of view, what Lucio Di Bartolomeo just said. Our perception is the same—the problem is one of political will. There is too much jostling between the Commonwealth and the states in relation to these issues. No decisions are being made, and therefore we will not get outcomes for the industry. In answer to an earlier question from the committee, I have not been able to detect some hidden agenda at the senior levels in the state and Commonwealth bureaucracies in favour of road. However, plainly, road gets greater attention and assistance from all governments. The reasons behind the inability to manage these issues at political and bureaucratic levels are complex. But, going back to what Stephen Bradford just said, I think the Commonwealth policy settings are basically correct. The issue is with the implementation. The implementation requires agreement from the states. The question that governments have to ask themselves is whether they want a viable rail industry and whether they want modal shift from road to rail. If they want modal shift from road to rail, then rail has to be able to work in the same sort of environment—regulatory, investment and otherwise—that road benefits from. If a train cannot do what a truck can do, then do not bother. It is really as simple as that. That is the way in which governments and bureaucracies should look at these issues. It is quite a simple approach and it will work. If that approach is taken, then rail will succeed, and the benefits will be there for everyone to see.

I have noticed—and this is not the first time I have seen this—that quite important hearings of this nature have been held to delve into these issues. There is no meaningful state representation, or if there is state representation the overwhelming impression that I get—because very little is said by them—is that they really do not care. I am simply not convinced. I have seen nothing to persuade me that state governments really do care about seeing a national, viable rail freight industry. I think there is a fundamental problem there that needs to be addressed. Whatever the shortcomings of Commonwealth policy and funding commitments are, the Commonwealth tries to address it with carrots and sticks, but it needs far more than that. Some mechanism needs to be set up of a COAG type nature to deal with these issues.

Mr MURPHY—Mr Jeremy, I noted your comment that you did not believe that there was some other agenda on the part of the governments. Could you tell the committee why you do not think there is the political will by the state governments to do something about the need for improving our rail service? Most people around this table—and, indeed, outside this room—believe that that is the way to go, and people have been talking about this for a long period of time. I take your point that it is not happening; hence my questions to Mr Di Bartolomeo. If you are going to expand a rail system and that is going to have an adverse effect on those who have a vested interest in the road transport system, perhaps there is lobbying of state governments to frustrate this process. In the worst scenario, large donations could be made to political parties on both sides of the political spectrum to look after road transport.

Mr JEREMY—I have not been able to detect any hidden agenda. As a large road transport operator—

Mr MURPHY—You have a foot in both camps?

Mr JEREMY—Yes, we have a foot in both camps. It certainly has not been our policy to adopt any hidden agenda, but I have thought long and hard about why it is that state governments are so attached to their train sets. It is a bit like little boys with their train sets: 'It is my train set. I must control it, I must have it.' I think the problem lies in the fact that the railway systems in Australia are traditionally state owned instrumentalities. Until very recently they have been run as and set up as government departments. It is only recently that they have been corporatised, separated, restructured or privatised. They have been used by state governments as instruments of government policy, and those policies have extended beyond merely providing efficient freight transport systems. There is the passenger element. Even today the passenger railways and the freight railways under state ownership are effectively run under one umbrella—for example, Queensland Rail. They are used as devices to support employment policies, and they are used as devices to disburse government funds for non-commercial CSO type objectives. The issue that state governments face is trying to unwind themselves from those other agendas and at the same time deliver an efficient freight transport network, and I think they have not found a solution to that problem.

Mr MURPHY—In light of corporatisation, why hasn't that occurred, why hasn't the culture changed?

Mr JEREMY—I cannot answer that question. Corporatisation comes in different forms. In Queensland, the government chooses to run Queensland Rail as a corporatised entity with passenger, freight, coal and CSO type commitments. In New South Wales, there is a different structure, and in Western Australia we have just seen the passenger and freight systems separated and the freight system privatised. I do not know the answer. If there is an answer, it will differ from state to state.

CHAIR—The government's response to our report said that if the current processes of the rail industry coregulation under the state-Commonwealth accreditation and operational codes are not working effectively by mid-2001, the Commonwealth will seek agreement by jurisdictions to establish a new institutional framework for the rail industry similar to the National Road Transport Commission using Commonwealth jurisdiction. That is pretty heavy stuff. A few of you have had a belt at the government and, by implication, the Commonwealth for not having the will to do it. I put it to you: have you the will now to go back to the government and say that that is what you want?

Mr JEREMY—Just a point of clarification. I think the Commonwealth government's policy settings are correct, and I think the industry supports them. There is no criticism of the Commonwealth government's policy settings. There are concerns about implementation, which is inextricably linked with what the states want and do, and about funding, which is not just a Commonwealth issue but, I would say, predominantly so. The answer to your question is that, although those are pretty strong words, at the end of the day it is only a commitment to consider.

CHAIR—The question I am asking you is: would the industry approach the minister to implement it?

Mr JEREMY—Yes. But the minister said that he will not do that until—

CHAIR—It is not far off; it is only seven months off.

Mr KIRK—I would like to endorse the comments that have been made. I think that the minister's response was correct. The question is, why wait until then? Why not start the process immediately? It is quite clear that the states have been unwilling to forgo the responsibilities and the powers they have got, and I think it is time the Commonwealth should actually implement that scenario. If you go back to history, the reason the rail system has developed as it is was that the states all wanted their own system, and we had the break of gauge problem. That has largely been resolved in terms of linking up the capitals, but we have still got the same mentality operating at a political level: they all want to hang on. I fully endorse the comments that Robert Jeremy and Lucio Di Bartolomeo have made: simply, the states need to recognise that they are the problem—the bureaucrats and the politicians at state level. They are the problem, and they should simply give up some of those powers in order to create the efficiencies that we need. Let's not wait; let's get into it.

Mr McARTHUR—How would you lean on the states to bring them into the tent?

Mr KIRK—I am not sure what constitutional powers the Commonwealth has to do that, but certainly, with regard to the road sector, it used very much the carrot and stick approach with regard to funding and funding conditions, to get the various states to harmonise their road regulations. I cannot see why there cannot be similar economic carrots and sticks applied to make sure they do the same thing for rail.

CHAIR—Wasn't it Mr Marchant's idea that, in forming a new regulatory body, you give the states part of the driving power—not to block it, but to make them drive it?

Mr MARCHANT—Effectively, that was one of the options about how to get the configuration together. Effectively, that is one of the reasons why the road excise works—the states are actually in the tent pissing outwards rather than out of the tent pissing inwards.

Mr GIBBONS—I would like to ask the department, given the recommendation that the chairman just mentioned a while ago, have you had some discussions with the minister about the likelihood of having to implement that—and, if you have, what has been his response? If you have not, do you intend to do so?

Ms RAYNER—Certainly we have had discussions with the minister on it. Having been at the last ATC meeting, I am quite aware of the Commonwealth-state dynamics on this issue. The minister certainly is serious in terms of putting that agenda on the table; it is a serious commitment. The department will start actively looking at reviewing the effectiveness of the co-regulatory approach and the operational codes, as per the decision, mid next year. One issue that does concern me is that the Commonwealth's constitutional powers are limited in this area. Is it a desirable outcome for the industry for the Commonwealth to set up an accreditation authority for the interstate network but still leave them dealing with a multiplicity of state bodies for intrastate work. I am not sure how industry feels about what could be a likely outcome.

Dr LAIRD—Mr Chairman, firstly, the discussion reminds me of the previous Deputy Chair's comment—Colin Hollis—of the 'state-centric nonsense' that passes for transport policy in this country. Secondly, it took a lot of effort to get road reform. We had the interstate commission going throughout the 1980s and the NRTC—the Road Transport Commission—in the nineties. That was a COAG initiative, or at least it was an implementation of COAG or its predecessor, the Special Premiers Conference. A Senate committee looking at national competition policy earlier this year had as recommendation 31: 'Given the significance of road and rail infrastructure, that transport be a matter of priority consideration by COAG.' The next recommendation was 'that the NCC address the issue of road/rail competition for freight as a matter of urgency'. So there are other groups, apart from your committee, Mr Chairman, who are concerned at what is not happening out there in transport. One wishes the National Transport Secretariat all the best but, in the past, the ATC process has had its limitations.

The Railway Technical Society's immediate response to the minister's response to the committee's two road and rail reports from Smorgon and the Productivity Commission was to say, 'Let us have a national rail transport commission this year.' We really need to try to push this reform. We do not have the luxury that road had 12 years ago. We live in an increasingly competitive world and we have to respond more quickly as a nation than we are at the moment to drive down our transport costs.

Finally, if you think it is all done, it is not. You can go and see a wagon commissioned this year by National Rail for the haulage of limestone from Marulan to Port Kembla and on that wagon it has painted 'Not to be taken into Victoria'. This is the year 2000. It is not like 1987 when you could go down to Islington and see AN 5-pack wagons were not to be taken into New South Wales or Victoria. This is the year 2000, near the centenary of Federation, and we still have a system in place which means that you cannot sort that out unless you put ladders on the side or the end of the wagon.

Mr GRAHAM—I think we have a sense of urgency on some of these policy initiatives particularly of the Commonwealth government. I think it is absolutely fair to say that there has been some very substantial progress from the perspective of a national operator on a number of fronts on the agenda of the Commonwealth. Under the stewardship of ARTC we have certainly seen some very significant improvements and investments in the corridor for which they are operationally responsible. I think that under the AROU we have seen some very significant and substantial developments on the operational codes.

However, where we have gone backwards and not forwards, is in the area of accreditation. Over the last two years, as a national operator, the number of bodies in this country requiring us to be accredited has increased not decreased because the Northern Territory has decided it would be a good idea to get into it as well—and they are, of course, the owner and operator of a very substantial rail network, as we all appreciate. That accreditation process not only requires us to invest in substantial management time but this financial year will cost us a quarter of a million dollars in accreditation fees to be paid to these half a dozen accrediting authorities. My road competitors pay nothing to anybody for that particular privilege.

I think the other very substantial issue to reflect upon is the Commonwealth's intention to proceed to an NRTC equivalent mid next year if progress has not been made on this accreditation front. I do not think there is any rail operator around this table who will not foreshadow to you and to your committee the need for the Commonwealth to proceed in that direction and to do it now not mid next year. The reason for that urgency is that we operate in a very dynamic market. Next week the Commonwealth will announce, according to the press, a substantial road funding package. That substantial road funding package, if I am not disappointed, will not include any rail component in it whatsoever. I live in hope that it does but I do not expect that it will.

As governments collectively continue to invest in road infrastructure they are providing market advantage to the road industry. Rail is the substantial employer in regional and rural Australia. The lack of governments' policy initiatives to address the imbalance in infrastructure investment—in regulation and access pricing—inevitably means that we in the rail industry are going to be defending redundancies in regional and rural Australia in Junee, Cootamundra, Dimboola, Taree, Parkes and Grafton, because of the lack of passion to address these issues.

Mr BLAKE—I would like to caution the group a little bit. We need to remember that, while the NRTC was set up by a national agreement, in fact, all of the changes that have occurred to road regulation through the NRTC have actually been enacted by state legislation. The NRTC develops a model piece of legislation, it is agreed to with the states, it is voted on by all the ministers and it is implemented as state legislation. That was not originally intended. Originally, there was to be this template approach, where the NRTC would develop legislation and it would be automatically enacted in the state parliaments. I was involved in it at the time, and that stalled for about two years. Nothing happened before this idea that perhaps we had to get a national activity going on, where the NRTC developed a model and then the states would individually implement that legislation. Once that happened then things started to move. So I think we have to be very careful that we do not call for the Commonwealth to wave the big stick—or, indeed, to apply the big stick—because we could find that we do not get the outcome that we are looking for at the end of the day.

The other thing we need to remember, if we are comparing rail reform to road reform, is that there are still a lot of differences in road regulation across the nation, where states have a particular requirement. They have the opportunity, under the NRTC model, to develop a particular state based regime. Livestock loading of cattle is a good example of where the states still have differences in their road regulation. The road reform agenda has been able, though, to focus on those issues that really make a difference in the national scene, and to say to the regulators, 'Look, can we sort out these national problems? If a state wants to have a particular activity or a particular scheme going for some particular local transport need, well, you can be a little bit different, as long as you do not try to take that scheme across the border.'

I have often heard the story about the wagon that has the sign on it that says, 'Not to be taken into Victoria.' In the road model there are many vehicles that do not have signs on them but have regulations that say, 'You can't take that vehicle across the border.' I do not think that is a particular problem unless you actually want to take that thing across the border. In talking about national regulation and national uniformity, we should concentrate on those things that are really going to make a difference—that are going to help the rail industry move forward at a national level.

Mr DI BARTOLOMEO—I am not sure that anyone here is attempting to identify a model that should be adopted. I am not sure we have that particular answer. I think it is being argued that it would be good to have a consistent model across the various modes. So if you are actually wanting road and rail to be competing on some reasonably level playing field—I know it is a much abused term—then let us put similar sorts of solutions in place. The NRTC model—and Paul has just described certain aspects of it—may well be the sort of model that can solve many of the problems.

Mr MOSSFIELD—You were heading in the direction that I was going to ask Paul about. Would you be suggesting that the model you have been referring to would be the appropriate model for the rail industry?

Mr BLAKE—That model—as Kathryn pointed out earlier—is one of the models that is being looked at. The point I was making was that I think that, when road reform started, people in the road industry thought they wanted everything to be the same right across Australia. When that started to be delivered, they suddenly realised, 'Oh, maybe we don't want everything the same; we just want the things that matter. Where we cross state borders and where we've got different systems in place and so on, we want those things to be the same.'

CHAIR—It is lunchtime. Originally we allowed an hour and three quarters because it had been our intention to have a farewell address from Vince O'Rourke, but other factors overtook that. Would you like to go on till a quarter past 12 on this subject? Is there anyone who has not had a go yet on this subject? I will come back to you after that.

Mr JOWETT—Thanks, Chair. I have just a few comments. A number of contributors have referred to the fact that the Centenary of Federation is coming up. That is an important benchmark, one for reflection. We had break of gauge as the dominant issue we could point at during the 20th century; in a physical sense that has been overcome. But when we look at the issues of state and federal rights, in some ways one thinks one is going back before 1901.

We need to have a look at the development of our industry. People talk about train sets and state politicians. The reality is that not many state politicians have many train sets in the year 2000. They have been taken away for a variety of reasons and are now in the hands of quite different operators. That point needs to be made.

Also, we need to keep coming back, again and again, to modal issues. The simple question of what it takes for a rail industry to have the seamless service of a truck seems to be avoided continuously. Our industry is going and has gone from a state industry to a national industry; and now we have international players, but we are still using levers and instruments designed in another century.

In relation to co-regulation, our experience has been that the benefits are, at best, highly questionable. There was a bill introduced into the New South Wales parliament last week which will change it radically, so once again we have the industry unable to reach agreement on something which has already been bypassed. A few lessons need to be learnt from that.

We think there is a vital issue as to the future custodianship of national codes of practice. It seems that once again we are going to get caught in the vice of constitutionality and our friends the lawyers could be in it again. We need to have, as an underpinning principle, industry ownership of those codes, with the Commonwealth government providing the framework to ensure that the industry is not put in a situation where legal liability deters it from what, in our view, is the correct ownership and custodianship of the industry—which is an important issue.

In relation to our national regulatory structures, from our point of view the question is one of resources and whether we have a multiplicity of safety investigation units, for example. The real issue is: do we have second-rate, state underresourced units, or do we have a first-rate unit using the limited resources available?

They are a number of issues which we see as needing to be addressed. Then, at a number of levels, it comes back to an issue which was highlighted in the *Tracking Australia* report: the question of leadership. When we have a look at the factors which led, for example, to the formation of the NRTC, we see that it was because of decisive leadership by a premier of our largest state and the Prime Minister. In comparative terms we have not got anywhere near that.

CHAIR—Roger, on a point you were making there: you were saying that the states do not have train sets. I am not quite sure what your emphasis was there. Were you saying that, because they do not have as many trains that they run themselves any more, the will is gone?

Mr JOWETT—No, what I am saying is that they have rediverted their attention. So when one operates a business such as V-Line Freight—that was its name a year ago but it has now passed through a process to a new operator, Rail America—the focus for generations was how that business ran, what types of carriages it used, where it ran them, its investment, the quality of its rolling stock, its operating revenues and expenditures, et cetera. Now that is the province entirely of another body outside their direct control and influence, yet this body seeks to control and influence the industry through a variety of other mechanisms.

CHAIR—So your premise is that the state should get out of those areas where it no longer has a role?

Mr JOWETT—Yes, basically, and I think it goes beyond not only areas where they do not have a role but also, in the areas where they still have a role, there needs to be a re-examination of that role in what is a new century.

CHAIR—Good point.

Mr KITTO—It just seems to me that a lot of this discussion is really about things that are not a huge problem. I believe that the real problem in the rail industry is the infrastructure and the lack of productivity of the infrastructure. When you look at what I call the western corridors, there is about a 75 per cent market share as opposed to 10 per cent or 15 per cent in the north-south eastern states corridor. What are the reasons for that? There is good track, we can have double-stack containers and long trains, and long distances are perhaps an advantage. But there are some very significant reasons why that corridor works well and the corridors in the eastern states do not, yet we seem to be very distracted by arguing the pros and cons of different regulatory models and different structures. I understand that that has been going on for a long time and there has been no real focus on the most fundamental problem—that is, the quality and the productivity of the track and the associated infrastructure.

CHAIR—Yes, I know what you are saying, and I think there is a certain amount of validity in what you say, with 70 per cent being carried on the western corridor. Nevertheless, both in the report and since, the clear message comes through that, in things like access and harmonisation, there are unnecessary impediments to other things happening. In fact, the Commonwealth appears to be holding up its funding for the Sydney bottleneck problem because it cannot get understandings. Whether the Commonwealth should just step away from getting understandings and try to get it done or whether it is appropriate that it tries to get understandings out of the state before it spends the money, I do not know. That probably has to be a matter of judgment for the minister.

Mr KITTO—So are you saying that the real problem is in New South Wales and, in particular, in Sydney and that it is not across the whole country?

CHAIR—No, I do not think you can say that. That is probably the key issue—the single biggest issue. Would that be a fair statement, Mr Marchant?

Mr MARCHANT—I think it will come up this afternoon when we get on to the markets. Obviously Sydney is a very key area to unlock. I am sure RAC and everybody else thinks that as well, because it is an impediment to a greater market. But in a regulatory framework there is a big difference in the conduct of the accreditors and regulators in Western Australia, South Australia and the eastern states. The regulatory regime in New South Wales and the degree of overview, oversight and framework is changing quite dramatically. That does have a big cost. The reality is that the industry keeps on telling me that what they have to go through in the regulatory framework—I am not talking about RAC—in New South Wales and potentially now in Victoria at times, is well in excess of what they have to do in, say, South Australia or Western Australia. What is said to be harmonisation should be one regulator accepting the accreditation assessment of another regulator, but in fact what happens is that is 90 per cent done and then you get another 10 per cent added on by the individual proclivity of the accreditor, and that 10 per cent could add quite enormously to your costs and framework. So effectively, part of the debate about north-south and east-west is also a debate about regulation, safety, accreditation and risk, and what is to be acceptable and not acceptable.

I agree with you about infrastructure. There is a whole range of issues on that. I am not discrediting or putting that down—there is a whole range of infrastructure issues on north-south. But in a competitive market—listening yesterday to an export conference about chains and linkages, the absolute need to get a flow-through of information from ‘produce to plate’, as they call it—the cost to the industry of having to deal with the individual proclivities or priorities is quite great. The personality of the regulators differs. One regulator comes from a signalling background and what you end up having then is 50,000 additional conditions on signalling that were not agreed to by the other two. So, effectively, that does add a significant cost to the gig.

I also think it adds significantly when you get issues such as those arising now in New South Wales where, in fact, the regulator—as distinct from going through a self-accreditation process—may be establishing a situation of inspecting every train before it leaves the wharf in Sydney. That is an enormous cost that you would not expect in a coregulatory environment, that delays the services quite dramatically. Those costs affect competitiveness when one is competing against Toll’s trucks. When Toll, internally, wants to compete to pick up stuff on rail, it has got to prove it is better than its trucking business. The first thing they say would be, ‘Well, how long does it take you to get out of the port?’ ‘Well, after the inspection, they delayed us an hour et cetera and we are now only 15 hours Melbourne-Sydney rather than 9 ½ hours the truck went.’ So those things do create a big impediment.

Mr McAVOY—I would like to endorse some of the comments made by Andrew. Whilst accreditation and the issues which were discussed before are all important to us and we agree with Robert’s comments, from SCT’s point of view there is not enough focus on associated facilities with the interstate rail operations. For example, there is no use having the best rail, double stacking or the best loops in the world, if you haven’t got a terminal. SCT came to the last set of hearings and I think we basically expressed the view that the access rates needed to be reviewed before we would even consider going into the Melbourne-Brisbane corridor. Since then we have built terminals in Melbourne and Perth costing about $40 million. We have looked at Melbourne to Brisbane. We have discussed train paths with Peter Gardiner’s group, and that is a problem with QR and RAC, but SCT has a rail terminal at Acacia Ridge and we cannot even get access to that terminal. So that is a facility that is extremely important.

With the privatisation of AN, now WestRail, and possibly NR and FreightCorp, our real fear is that governments are going to overlook essential infrastructure, allow that infrastructure to pass to the new owners and then leave it to existing operators—who have ploughed a lot of investment into the country—to negotiate with those new owners and, failing that, to force them into an arbitrated access outcome. Frankly, when we are competing with road, transport margins will not allow us to go through those lengthy arbitrated processes which, for example, SCT did with the NCC on the New South Wales route and which also occurred with WestRail, probably a few years ago. We have a big concern with people overlooking very important infrastructure which supports the rail corridors.

CHAIR—Are you talking about a government funded, multiaccess port in each capital or something of that nature?

Mr McAVOY—In SCT’s case, for example—a one man show—it has put $40 million in. I agree with Stewart’s comments. We are arguing about $250 million when one private company has already ploughed $40 million into terminals and infrastructure.

CHAIR—Should the Commonwealth subsidy be directed to getting that right? I am not saying that they should build the whole thing, but—

Mr McAVOY—SCT has put that investment into terminals because we believe that corridor can support our investment in those terminals and in new refrigerator rolling stock et cetera.

CHAIR—Which corridor are we talking about?

Mr McAVOY—Melbourne to Perth. But when we are talking about Melbourne to Brisbane, obviously the economics may not allow SCT to duplicate a rail terminal we have at Acacia Ridge somewhere else. The economics just will not support that. So we have to look at the next thing, get access to our rail terminal at Acacia Ridge and, frankly, we cannot get access at this point in time. So we can talk about 75 per cent on the Melbourne to Perth corridor and 15 per cent or whatever it is on the Melbourne to Brisbane corridor but, let us not kid ourselves, there are operators trying to get operations in that corridor and they cannot at this point in time.

CHAIR—Does QR want to comment on that?

Mr GARDINER—I am not sure that it is true to say that operators cannot get access to Acacia Ridge. It is difficult to get access to Acacia Ridge because of the location of the sidings that abut the major yard and the leased area. But it is not impossible to get access.

CHAIR—Thank you.

Proceedings suspended from 12.16 p.m. to 1.44 p.m.

Access and Alternatives

CHAIR—Our third focus area this afternoon is Access and Alternatives. This was one of the key issues as we went around in the first inquiry, and it remains a core issue in track access arrangements. As with the issue of accreditation, the minister has put forward a time frame for ensuring seamless access to the National Rail Network. The minister has indicated that if the track arrangements, as pursued through the ARTC, are not working effectively by mid-2000, the review of the ARTC required under the intergovernmental agreement will be needed to develop a new institutional framework. This may involve a network manager, based on Commonwealth legislation if necessary and practicable. We are also interested in exploring alternatives in rail development, such as new rail corridors—for example, the Melbourne to Brisbane inland link—the Speedrail link between Canberra and Sydney, improving rail to road maritime links and proposals to develop inland ports. For this session this afternoon, I welcome David Marchant, Managing Director of the Australian Rail Track Corporation, to give us a brief presentation before we open this matter of access and alternatives to debate. On that note, David, we are in your hands.

Overhead transparencies were then shown—

Mr MARCHANT—Members, very valued customers and other rail industry people—I thought I would go through this quickly, because the discussion is more important than the presentation, to set a couple of very succinct themes. Before we get too excited about regulation, accreditation and all the rest, the simple fact is that the market share for rail on the east coast is dramatically lower against road than probably would be the best mix for a national transport logistics strategy. Regarding Melbourne to Sydney, the reality is that rail holds less than 18 per cent market share. Melbourne to Brisbane, which should be a good long haul corridor, is 22 per cent and has been growing in the last couple of years, historically, but has a low market share overall. Sydney to Brisbane is about 20 per cent. The east-west corridor long haul, Melbourne to Perth, is now at about 74 per cent of market share between rail and road. It is the most competitive inner modal corridor in the world and has more operators. The operators are at 35 to 40 per cent lower prices than you would get on a unit anywhere. Melbourne to Adelaide is a short haul corridor and is only about 30 per cent. Sydney to Perth is only at 50 per cent. Given the comparison, there are obviously areas for improvement. I want to put that context in because, no matter about all the debate, in the end it is about trying to make rail attractive. We know where we fit in the market and we know that there are opportunities for improvement.

I thought I would touch on the national audit very quickly because of the very context of the figures we saw then. The national audit is broken up. It is under one consultant—Booz Allen Hamilton—to bring together but, in fact, it is three different studies from an engineering and operational sense. There is an east to west corridor study, which GHD are doing. There is a Melbourne to Sydney study, the short-haul study just on its own, to look at what improvements can be made in infrastructure, maybe even including line straightening. Then there is the Sydney to Brisbane corridor study. Then there is Brisbane to Melbourne coastal and Brisbane to Melbourne inland, so there is a coastal route study and an inland route study as well. One of the objectives of this study is to provide a menu of investment dollars against benefit in capturing market share—a graduation of dollars against a graduation of benefits on reliability, timeliness, axle loads, train lengths and speeds, et cetera—all of which are interlinked. That will be finished by the second week of January or by the end of January.

This study should put rail in a situation where the menu of investment options is large enough so that, no matter what bite is made, there is always a future analysis of what extra things could be done for extra benefits, putting us in a very similar situation to the road industry—that is, at least having a broad menu. It is the first study done by corridor. All previous analyses have been done on individual engineering projects rather than doing it via transport corridor to see what the gain in the market place is. I think that that will have some additional benefits. It will be tested against the externalities principles, such as safety, hospitals and the environment, et cetera. All those will be covered in the reports. The interstate rail operator group is represented on the study directorate. There are two operators selected by the operators to represent them—the National Transport Secretariat, the Commonwealth department of transport, and ARTC because someone has to pay for it. Essentially, that is where it is at and it will be on 2 January.

I would point out though, because there seems to be a lot of discussion about engineering infrastructure improvements, that operational improvements are fundamental. It is not just about building nice new engineering pieces, having shiny engineering and finding that people are not operating at maximum utility against that. It comes down to train control, it comes down to network management principles and who gets preference in what, et cetera. Many of those things make significant changes to what the outcome is in the marketplace. It is not just an engineering exercise. It has to look at the way in which the train systems and the networks are managed. Those issues are not issues that come up a lot but they make a very big difference to what the outcomes are in corridors.

Part of this is also to give a status report. At the present time, against the Australian Transport Council standards, we are about here. South Australia and Victoria—1,500 metres; in New

South Wales, work is in progress on 1,500 metres, with a few more things to be done; and Western Australia and Queensland have them. On the long-haul east-west corridors, there is 1,800 metres in South Australia, 1,500 in New South Wales—there is work to be done in New South Wales—and Western Australia has contracts out for the materials, et cetera, to do the loops and the framework. Queensland is unknown to me yet. Regarding the temporary speed restrictions, the target was less than two per cent that the network managers were to try to achieve. At this point, that has not been achieved across the interstate network. Twenty-one tonnes at 115 kilometres an hour were the objectives that the Transport Council established as short-term objectives and, as yet, they have not been fully achieved. Twenty-one tonnes to 25 tonnes at 80 maximum, with an average of 60, has not been achieved across the networks yet. It is not all about Commonwealth funding. Those issues are about will. You only get funded if you give it a priority to do it. Not all of those things would have been paid for from Commonwealth funds.

In the market itself, at the present time there are a number of things that are going on that are actually quite constructive. RAC and ARTC have undertaken a joint study together on what could be done for Melbourne-Sydney, including the Sydney bypass. That produced the 11 to 11½ hours result—that for $240 million, improvements can be made on the Sydney to Melbourne track to bring it down to about 11 to 11½ hours from the centre of the city to the centre of the city, or Chullora. That is 9½ hours from Seymour to Campbelltown. For $240 million, that would also provide the freight route into Chullora from the south as well—practically a dedicated one. The port at Melbourne has been connected on a temporary basis—Appleton Dock. There are presently studies under way to standardise connections to Geelong port. The Sydney freight bypass has now been the subject of a detailed analysis. An engineering analysis came up with three good propositions. The northern side of Sydney would be done with the Cowan to Gosford realignment, or stand alone, but that produces congestion at Gosford. That report is there and can be acted on. It is about $500 million in total to do the northern part with the additions to Cowan-Gosford.

The inland route is presently under analysis. That analysis will confirm that, for $1.2 billion, there could be a connection—Melbourne to Brisbane—double stacked, travelling at ATC standards and speeds and, in fact, making the delivery time on maximum efficiency, 24 hours, and the reliable 95 per cent at 27 hours. That looks like a plausible project to be worked through. It will require, if access prices are put into the competitive zone that I think the operators are after, 0.3c per GTK, or thereabouts. With respect to the figure of $1.2 billion, a subsidy of $300 million would be needed from government to actually enable the access charges in a private sector funded proposal to be held at that level for interstate operations. I think that is a serious thing that government should consider. Is it a public policy outcome that is worth an investment of $300 million? That will also be tested in the national audit against coastal investments because both corridors actually serve slightly different markets, by the way. They are not really in competition. There are different markets.

Everybody knows about Alice Springs-Darwin, so I will not touch that one. It is going to be a very expensive branch line. Effectively, they are the things that are being looked at right now. The national audit will draw out a lot more with regard to the competitive choices. I want to emphasise that the audit is being done with the operators, but with outcomes as targets. It is not saying: what are the best engineering things to do? It is saying: these are the targets the industry wants. What are the variable engineering things that can achieve those targets, and at what price? Therefore it is outcome focused. The outcome focus is on timeliness, reliability, axle loads, speeds et cetera, so it is hardly worth doing the engineering unless you can deliver the product quality.

The performance outcome at this point is at axle load maximum speeds I have touched on. The speed restrictions have actually moved reasonably quickly in Victoria, South Australia and part of Western Australia. I do not want to labour those. People can read those in other reports. I would emphasise that reliability is a very fundamental management item of a network. I am not suggesting the network manager is totally responsible for a liability, but it is hardly worth having the best infrastructure sitting on the ground if, in fact, train control and network management do not act to make freight reliable. We are part of a logistics chain and if in fact the connections to that logistic chain are missed it outprices rail against road. If in fact the trains are not there on time for distribution networks—people seem to think that two hours late is acceptable to train operators—they have to pay for those people to stand there, ready to unpack, waiting for two hours and it actually prices them out in the end. So they are very critical issues that I want to touch on, at least in this opening, and in that context I will touch on a couple of others.

It is nearly impossible for new entrants to actually get into terminal spaces in Brisbane. Acacia Ridge is very difficult. It is constrained by the urban development around it and the rest and, in fact, is actually making a constraint for opening up the market. The second major constraint in Queensland is that it is really difficult to get to the port—and, let’s face it, the port facilities on intermodal frameworks are absolutely critical—and the access to the ports by all operators are actually quite difficult. Sydney is the same. It is very difficult to actually get reliable movements in and out of the ports and, therefore, Melbourne, Geelong, Fremantle and a bit of Brisbane are actually acting very hard to see if they can get a competitive advantage—because in the next few years the sea business is actually consolidating and actually going to move to bigger, higher ships and one-stop shops, with land-bridging out of that. It is a great opportunity for rail, but it is only a great opportunity if we have the connections that are reliable and we can make the things move closer together. To that end, looking at the interstate corridors on their own without looking at the handshakes between the ports and the rail operations is missing the point of what is happening in the global market, and that is the fact that the shipping industry is consolidating and moving to one-stop shops as well, and we may lose that to other types of variables, such as trucks.

The one-stop shop is, I have to say, a work in progress. We cannot take any great credit that ARTC has done a brilliant job here. We have not been able to put it together. It is very hard to put together on commercial principles a political nonsense, because most of the negotiations are about politics rather than commercial reality. In Victoria, the Victorian governments, both Liberal and Labor in the changeover, have committed themselves and executed agreements with ARTC, initially for five years and now for 15 years, to try and create a one-stop shop concept. Western Australia has agreed a wholesale agreement but it will not, in itself, fully ensure the quality of the product. In the other states, particularly New South Wales and Queensland, it is a work in progress, and we will continue working at it.

One of the important things is that we did have a draft wholesale agreement for New South Wales and Queensland, and it papered a one-stop shop together—that is, with respect, politicians could say they had one, because there was an agreement that said there was one, but it actually did not ensure quality of product and it did not ensure that there was no duplication of effort and negotiations between ARTC and the local service provider, and the rail operators unanimously said they would not wear it. On that basis, it was not worth doing—because if it did not achieve what the industry is after in quality product, reliability, single access framework, indemnities and the rest that actually give them certainty across the system, then they were not going to wear it; and we are not going to push it just for the sake of having a paper tick for a one-stop shop.

Those issues are things that we have to work harder at. To a large degree we need to move a little bit of the politics out of it and deal with some of the stuff we dealt with in the last agenda to see how we can actually come together on a unity ticket that delivers to the customers, rather than protects the power base of the players.

As an end to the discussion starter, trying not to be provocative, the way ahead in our view is obviously to get the national corridor audit done in an objective way and give as many agendas to the industry as possible. We definitely need to renew our efforts to get single access contract terms, but terms of access and conditions are not the only things that are needed. The performance with regard to network management and control which the operators are seeking some certainty about needs to be bedded down. It does not necessarily have to be with one access provider, but they need to get the outcome measures they are after. They do not really care whether it is ARTC, RAC or the moon; what they are after are the measurable outcomes. That goes to reliability, timeliness, the way they are treated with regard to getting back on configuration of their trains, getting common configuration frameworks and lastly, through this, the investment framework much more based on a more unitary process and, obviously, safety and security.

I say the unitary process because many of the states—we have not got an agreement with two—have indicated that this should just be funded like roads. The Commonwealth should just throw the money in. That is a fundamentally flawed concept. You can have the shiniest rail you like but they will never be like roads because when NR go out on a road—if they were in the road business—they could choose how many people they pass and the average speed. When they go on a rail system they are part of a conveyor belt and the quality of their outcome depends on how they manage that process, what passes are enabled, how they are scheduled, et cetera. Road and rail funding are nice for money purposes but they actually do not dictate the quality outcome. It is really the qualitative outcome stuff that must go hand-in-hand with any dollar framework. You are dealing with conveyer belts—single processes. Scheduling trains in opposite directions and ensuring how they get round to the end result is a much more critical art in the rail industry than the road industry. Putting money into roads you can get a quality product and the individual driver can choose how they navigate to get to an end objective. In the rail business that is managed by the network manager and the train controllers, schedulers and the rest. Therefore, having a disaggregation of that means that you must have at least common measures of outcome and quite clear contracts of performance if you want to get the same qualitative end result as a road industry could get.

CHAIR—Thank you very much. That was excellent. I might start with the operators and ask, since we had the last inquiry, what is your experience of getting access?

Mr JEREMY—It is certainly not getting any easier to get access in a national sense. I think that our experience and the experience of the interstate operators who are now working together much more closely through the interstate rail operators group is that access through the ARTC component of the network has substantially improved. The commercial focus of ARTC, the work that has been done on the infrastructure on the part of the corridor they control and the willingness to work with operators is certainly, compared with what we had to put up with before, a marked improvement.

The national scene, though, is still a shambles. Unfortunately, the Western Australian component of the network has been sold into private hands—although a wholesale agreement has been negotiated, I understand, without any clear policy direction on access to that part of the corridor, which of course is essential. New South Wales stands alone and Queensland stands alone up to Brisbane, and then it is treated as an intrastate movement from there on. So it is still disaggregated. Terms and conditions differ from jurisdiction to jurisdiction, as do pricing, network management and train control. Again apart from the ARTC component of the network, it is certainly no better and probably worse. I do not know if other operators would have a different view.

Mr CAMP—I would endorse that statement of the situation. We are still finding that, although you can probably operate quite successfully on the east-west in terms of ARTC's control, trying to look at the north-south corridors at this point in time is really an exercise in futility. Things have not improved. In fact, I think there are fewer paths to be gained, particularly Sydney to Brisbane. We have been told that we should not really look at that area until probably the end of 2001 and possibly into 2002. From the point of view of rail operators trying to get business from road to rail, that sort of situation is just untenable, but we are told that it cannot happen earlier than that time. From our point of view it is becoming just as difficult as it was before.

CHAIR—Who or what are the main impediments?

Mr CAMP—There are a number of impediments. If you focus on just the issue of the north coast, the actual geometry of the track, the crossing loops, the train paths, the scheduling—

CHAIR—This is the Sydney-Brisbane leg?

Mr CAMP—Yes. It is just at a state where physically they cannot fit additional suitable paths—paths that can be utilised in terms of a return to the operator. A major exercise needs to be done there as well.

CHAIR—What is the maximum length of train that can go on that line?

Mr CAMP—You can run 1,500, but only to certain paths. You cannot run all at 1,500. We would probably be restricted to 900, maybe even down to 600. That means you are not competitive.

Mr JEREMY—With those short 500, 600, 900 paths, the timetabling is not suitable for the marketplace. It is not the length of train; it is the timetabling issue. You are not getting out; you are not departing and arriving in times to meet the market.

CHAIR—Is the track itself reasonably fast?

Mr CAMP—I would say no.

Mr GRAHAM—I would like to join in with my colleague operators on this particular issue and add to the overall support for the improvement that has been generated under ARTC on that east-west corridor. Looking behind and understanding the reasons for that, I think ARTC have two significant benefits that are not shared by RAC. The first is that ARTC are in direct management control of the traffic controllers for the route. ARTC directly manage the signalmen, the network controllers, who are directing the movements of trains on a minute to minute basis. That is not the case in New South Wales, where RAC do not directly employ network controllers. They are employed through another authority, the State Rail Authority. We have our access agreement with RAC and they have no direct management control over the air traffic control equivalent in the rail industry. That is issue No. 1 that represents a substantial difference.

The second significant issue in addition to the traffic control issue is the operational rules that ARTC have in place. We, as an operator, understand what train control decisions are going to be made if our train runs late because of our fault, locomotive failure or wagon failure. We know that if our train is running on time and another operator’s train is running late, under the rules that are published, we will have a priority. Again, that is not the case in RAC territory. There is a legislative requirement in New South Wales to have late running passenger trains given priority over on-time running freight trains. That is clearly an issue, particularly on the north coast of New South Wales where you have three XPT trains operating in each direction on most days.

On the crossing loop issue, we, as an operator, have invested $7 million of our own capital in extending crossing loops to enable us to run selected paths at 1,500 metres. I think the issue discussed earlier in the day of uncoupling the federal funding in New South Wales to get more loops lengthened for 1,500 metres is an important short-term issue for us all.

CHAIR—Would anyone else like to comment on that aspect before we move on?

Mr MOSSFIELD—Could we get a solution to that problem that you have just been outlining with New South Wales state rail? How would you overcome the difficulties?

Mr GRAHAM—I think we need to learn from our successes in this. There is absolutely no doubt in my mind that replicating the model that ARTC operate within Victoria needs to come through to non-metropolitan New South Wales on the interstate corridors. Having the access manager in direct control of train control decisions on the interstate routes is a fundamental requirement to achieve the outcomes that David Marchant outlined in his presentation. If we are going to move freight off the human Pacific highways between Melbourne and Brisbane, 95 per cent reliability is an absolute must. We will get 95 per cent reliability if we are successful in having one—at the most two—traffic control centres direct the train from origin to destination, not the five traffic control centres that we currently have to deal with between Melbourne and Brisbane.

Mr BONES—I would like to comment on a couple of the points that Gary and Vince made. First of all, both Gary and Vince commented on the north coast. I guess, as the current owner of the north coast line, I would have to endorse both of their comments. The north coast line is effectively at, if not beyond, capacity at this point in time—probably beyond capacity to the point where we cannot operate reliably. Vince mentioned the funds that the NRC provided some years ago for loop extensions, both on the north coast and elsewhere. RAC also invested its own funds in five loop extensions—I guess, in expectation that the Commonwealth funds would eventually be forthcoming for the remainder of the loop program. As Vince said, getting access to those funds, in particular for the north coast line, is certainly right at the top of my agenda when it comes to unlocking those interstate corridors.

Secondly, Vince commented on the fact that ARTC currently has direct control over the network control function. The network control function and where it sits is being reviewed as part of the restructuring of the New South Wales rail industry. There is legislation currently before parliament that provides that the network control function will initially sit in RAC unless vested to another rail operator. It is the stated policy position in New South Wales, as per previous ministerial announcements, that metropolitan network control will be vested in the State Rail Authority but, at this point in time—as I understand it—there have been no final decisions made on the network control function for New South Wales at a governmental level. Finally, on the question of operational rules, as Vince has pointed out, there is a legislative requirement in New South Wales for priority for passenger services. That does remain under the new legislation. Given the importance of passenger services in New South Wales and, in particular, within the Sydney metropolitan area, I think that is something that we have to live with on the non-passenger side of the rail equation.

CHAIR—This is perhaps a bit unfair: it is a policy question and I will not be offended if you do not want to answer it. Do you think the RAC would be more inclined to give the ARTC a free hand if there were a separate, dedicated freight corridor around Sydney?

Mr BONES—When you talk about a separate, dedicated freight corridor around Sydney, are you talking about a complete bypass of Sydney?

CHAIR—Yes. The half we talked about this morning, and the more expensive, northern part of it.

Mr BONES—The issue that we tend to face in New South Wales is that the vast bulk of the New South Wales rail network, including that which is nominally called the interstate network, is used for both interstate and intrastate purposes. In fact intrastate traffic is dominant over the vast majority of the network. So it is not quite as easy to segregate interstate and intrastate as it is necessarily elsewhere in Australia. The question of handover of track from RAC to ARTC is definitely a governmental question.

CHAIR—You say that there are three XPTs on that northern line. What is the situation, say, in Victoria with passenger trains using the same route as freight?

Mr MARCHANT—The Victorian and South Australian situations are the same as New South Wales, in the sense that they use the same track.

CHAIR—Who becomes responsible then for the scheduling?

Mr MARCHANT—There is no distinction in Victoria and New South Wales between interstate or intrastate. Trains that are healthy are healthy because they are on schedule. We do not distinguish between interstate and intrastate. Passenger services have the same rules applied to them as the freight services do. The Countrylink services run from Melbourne to Sydney on our corridor now.

CHAIR—Who is the controlling body?

Mr MARCHANT—The ARTC controls Victoria and South Australia.

CHAIR—It is a bit like a dog chasing its tail, isn't it? What do we need to break that nexus? I suppose that is the next question.

Mr JEREMY—Mr Chairman, I wanted to pick up a comment that Terry Bones had made. It may at least help start the debate on your question. We need to go back to basics here. Terry talked about intrastate freight and interstate freight. Part of the problem with the system at the moment is that it thinks that simply because some freight is moving on the intrastate network it is intrastate freight. But is that the right approach? I think it goes back to a comment we made earlier, which is that it is a national network which serves a national market. The intrastate/interstate distinction that we have lived with over the last five years or so is becoming outmoded. It is time to revisit it. The governments involved need to approach the management of the network as if it were one network serving a national market.

At the moment, if a customer of ours has a box of freight to move from regional Queensland to Melbourne, we can provide a truck to do that, and the truck will pick up and deliver it in essentially one movement, and the driver will not blink when he passes the border. The rail system regards that as an intrastate freight movement from regional Queensland to Brisbane under one set of terms and conditions, pricing and train control. Then it is an interstate movement from Brisbane to the border, under different terms and conditions and pricing. Train control may or may not be different; I am not sure. Then it is an interstate movement from the border to the border with terms and conditions, pricing and train control all different. Then it is an interstate movement from the border to Melbourne, under ARTC's terms and conditions, pricing and control. Getting back to the question of what will persuade the voters to look at this differently, when I explain that to people who have no familiarity with the rail system, they think it is laughable; and it is laughable: it is inefficient and is not serving Australian industry in any respect whatsoever.

The approach to the network needs to change at a policy level if we are to address some of these issues. It needs to be looked at as national infrastructure serving a national market, just as the road system is viewed. That is a big ask, I know. That requires a leap in terms of policy, but it is almost as though we all have a long-term illness and we have had it for so long that we are just used to it. We are just used to this mess that we are in; we think it is normal, but really it is not. We need a big dose of antibodies to bring us back to realise how this system should operate if it is going to operate efficiently. That is our perspective.

Mr ROBERTS—I am relatively new to the rail industry but I wonder if there have been any analyses to express the sorts of benefits from a national network approach—to put it to decision makers in a different way as to what the benefits to the economy, to regions, to local communities actually might be. It is an open question, really. If anyone is aware of that sort of analysis or if you think it is a good idea, please say so.

CHAIR—I was going to move ground a little to ask whether inland ports are a feasible thing. I am particularly interested in what Toll, Patrick and National Rail might have to say about that. Is there a role for semitrailers to terminate somewhere—perhaps Parkes or somewhere like that—and be able to redirect freight on rail, north and south and east and west? I have heard a lot of debate about this over the years, right back to my days in Regional Development. I remember going to Parkes and having a look—it must have been 15 years ago when it was in its infancy. I would just like to hear the views of people in the industry and to move from that into other intermodal activities—first inland ports then perhaps maritime links.

During the inquiry—this is something I am interested in—we saw a number of methods of trailer-to-rail operations. One was the hook-on bogie underneath, the semitrailer just being hooked into the train, so to speak. Another one we saw was a flat-top arrangement, a drive-on drive-off type arrangement where the prime mover could position the trailer and then drive away leaving the trailer on a flat bed on lower bogies closer to the rail. The idea would be to shift 50 or 60 of these a time from east to west and, notionally, there were huge fuel savings on that. I would like to hear your view on these—what appear to be innovative—ideas. Is there the will to implement them? Are the distances sufficient to justify them? Is research and development money required for them? What is the future of innovative intermodal activities, not necessarily in Brisbane, Sydney or Melbourne, but perhaps more particularly, as I said, in Parkes. Would someone like to have a crack at that?

Mr GRAHAM—Could I pick up two of those points—first of all, the inland port issue? Since the time you have been there, Parkes has continued to develop and develop reasonably successfully under the ownership of FCL. They have a facility there that is used as a regional hubbing location. Parkes of course is the most easterly point where double stacking can occur for a westbound movement. FCL are taking the opportunity to consolidate freight ex-Brisbane by road into Parkes, and several days a week now we are double stacking a five-pack wagon out of Parkes and adding to Sydney-Perth services. Clearly, the market is seeing an opportunity and clearly that opportunity is being developed.

On the second issue of innovative intermodal approaches, National Rail of course does have the road railer or trailer rail technology in place and operating. In more recent times, we have invested a further $10 million in additional road railer equipment in order to commence a service from Sydney to Perth on a twice a week basis. We already operate twice a week Melbourne-Perth with the road railer technology. Because of the increased speeds, we have achieved significant market penetration and attracted freight from road to rail because of the express speeds at which we are able to operate. A 10 p.m. departure ex-Sydney on Friday night is a 5 a.m. arrival in Perth on Monday morning and that is a very attractive service for customers who would otherwise operate express road across the Nullarbor.

Clearly, there is a demonstration there that not only can rail achieve market growth, but we are doing it at premium prices. That particular service rates at a higher price in the market than what our conventional container traffic does. Since introducing that Sydney-Perth service, we have not only seen a reduction in the road count at Norseman of trucks going across the Nullarbor but we have seen something like a 40 per cent year-on-year growth in that particular section of our market. It is reinforcing the future of rail. Get your transit time competitive, get your reliability competitive—and we do: we achieve 95 per cent reliability into Perth on that service—and it will work for rail.

CHAIR—Are those trailer trains dedicated trains or can they be mixed with conventional freight and containers?

Mr GRAHAM—They can be mixed with conventional container wagons and we do mix those trailer rail units and conventional container wagons that are more lightly loaded to enable us to operate at express speeds.

CHAIR—What about that flat-bed type? How would you describe it? A drive on, drive off type of arrangement where you do not have to hook a bogey underneath the wheels.

Mr GRAHAM—I think it is still under development in a number of parts of the world. The management of one of the Australian freight forwarders, CRT, located in Melbourne, has an ongoing interest in that technology and my understanding is that they intend to invest in that some time during the course of the next calendar year.

Mr McARTHUR—I raise the issue of the charge rates of ARTC and RAC. The committee had a number of interesting discussions about that when we prepared the report. I notice that nobody has really tackled you on that, David. How much are you going to charge the user? I would be interested to know what you think about it and what the users think. Some of our discussions revolved around what the market would bear, what is the true cost, should the Access authority make a profit and should it be totally responsible for the replacement of the asset. I make a personal observation that our competitors in the truck industry really do not provide a road user charge. They just use the infrastructure for a very small amount of money. I wonder if you would help us with those issues.

Mr MARCHANT—I will try and help you. I think the first principle on which their would be unanimity amongst my customers here is that they would rather have lower prices. I think that would be a unanimous vote in any forum that I attended with them and certainly in any negotiation on prices. I think it would be fair to say that you will get a unanimity of opinion that they would like lower charges. The second thing is that the charges presently—our charges are all on our web site so you can look up the charges at any time—are, when you average them through, a mix of 50 per cent fixed and a flag fall and then a variable charge based on gross tonne kilometres. In fact, the mix has changed because of two things—the getting rid of any surcharge because of longer trains and axle load changes as well as average speed. The fixed component has actually come down as a proportion of the charge.

I think, on an objective analysis, Access charges east-west about two years ago would have made up about 30 per cent of the prices of an operator. These days, they make up about 21 or 22 per cent. Part of that is because of fuel prices at the moment, which I am going to take as a credit point. Their percentage of overall prices has come down, but that is mainly because of differences of fuel prices at the moment.

Lastly, on that point, because of the increased train lengths framework, the yield, the charge per unit of train, actually improves the more you come to longer lengths. It goes from about 0.31c for a very short length down to about 0.28c a gross tonne kilometre. If you go to the 1,800 maximum length framework across the Nullarbor, you would get it down to 0.27c or 0.26c, depending on how you pack your train. The charges, in that sense, are relatively low for an intermodal train but never as low as the customers would like. The excess charges have in fact held in normative terms for four years, but in real terms they have actually gone down each year. In that sense, in relative proportions they have held steady or gone down—in real terms downwards—but I expect that the customers would always like them to be lower.

Mr McARTHUR—What about starting an operation, though? Can you maintain the track with this amount of revenue coming in, or do you need governments to give you a big chunk of money?

Mr MARCHANT—ARTC is a corporation under the Companies Act, and therefore the directors are obliged to ensure that our revenue exceeds our long-term liabilities. Our actual maintenance costs are, without doubt, the lowest in Australia. We are running at about $9,000 to $10,000 a kilometre to fully maintain our track—maybe some of the other track owners would like to disclose what their average cost is on the interstate standard gauge—and that is very low. We are doing major work in Victoria, including major capital maintenance work which is short term—drainage and the rest to overcome mud holes—so the charges are up to about $11,000. But that is only a short-term thing for the next couple of years. Subject to the bet that the company has taken on helping to grow the market, that revenue stream, subject to good management, proper maintenance disciplines and efficiency should be, with the growth in the market we are anticipating over the next five years, enough for us to reinvest in sustaining the asset.

My preference is for CSOs and subsidies not to go to track owners as a matter of policy, because they would be tempted to get fat and lazy. As you would see, Mr Chairman, my sort of figure getting fat and lazy would be a major turnaround. Therefore, what they do is to become lazy in the way they manage their infrastructure and their maintenance, et cetera, and they start to top-up the CSO against their balance sheet rather than have the determination to run efficiently.

If there were to be CSOs, I would prefer they were done either on the basis of direct benefit for a public policy purpose—for example, if it is for grain processing, it goes to the grain producers and they put the grain out to competitive tender for people to hook and pull—or, if it is a subsidy for intermodal operations as a surrogate for Access charges against road, I would rather it be done as a cents per GTK subsidy to the train operator. That is at least in a competitive market against other train operators, and a subsidy will always be tested by the marketplace. If you put it into a track owner who could be considered to be semi-monopolistic, certainly for rail, then the temptation is for them to lose a bit of the discipline about being efficient, and they take the subsidy as a method of slowly becoming lazy.

If there are subsidies, I think as a matter of policy I would rather put them into an area where there is competitive testing, and either give it directly to the beneficiary that you want the service for—a grain group or whatever to put out for tender for hook and pull on trains—or, if it was in the intermodal market, I would rather it was more a bounty where certain cents per GTK were given back to the operators against their costs than it go to the track owner, because it moves the discipline off the track owner to manage smartly. CSOs are a temptation to slip.

Mr McARTHUR—If you have your methodology right for the use of Rail Track as the operator, do you think you could suggest to the road industry that they have a road truck user charge for heavy vehicles and that you could make it work?

Mr MARCHANT—There is no doubt in the world that you could actually bring in a mechanism for tolling trucks for their use of the national highways. With the technology available today you could do it on distance haulage, quite separate from the car users—that is, do it on the people who get commercial benefit from damaging our roads; the big trucks—and get them to pay a fair share. They could pay the fair share on an access basis, the same as trains do now, and you are able to track them to do it: you just need to do it.

Mr McARTHUR—Is there only a political difficulty in doing it? If the railway industry is now paying for the use of their track, there is no rational reason for the trucking industry not to do it, if you have the methodology to do it.

Mr MARCHANT—In fact, good economics would say that is exactly what we should be doing; that in fact for the biggest commercial users of an infrastructure asset, like a road, those users who get commercial benefit from it should contribute at a higher level than the public purpose for the rest of the infrastructure. That is, you and I, as citizens driving along, pay for it through our registration fee but we do not do it for commercial gain, we do it for movement through our nation. For the trucking industry—who, in my view, pay a higher proportion of the charge for the economic benefit—there is no reason why that could not be done. In fact, the only obstacle to doing that is the will to actually implement it.

Mr McARTHUR—Are you prepared to comment on the RAC in New South Wales, as to whether their access regime is fair and equitable, compared to yours?

Mr MARCHANT—I have enough trouble dealing with my own problems. I am very cautious. This morning I mentioned something about tents—and at this point of time, with glass houses, I would be careful.

Mr GRAHAM—I will follow up on Mr McArthur’s question on this access pricing issue and put on the record what we have included in our supplementary submission to the committee. Rather than look at this issue as the fairness or otherwise of the current rail access charges of ARTC and RAC, I would like to give the committee the benefit of our analysis on road and rail access pricing for moving the same quantity of freight on the national network—in particular, between Melbourne and Sydney; between Melbourne and Brisbane; and between Sydney and Perth. The comparison we have taken here is 62½ tonnes, which is the capacity of B-double truck. What we have looked at is the access price paid by a B-double truck to move a gross tonnage of 62½, compared to what rail has to pay in its access charges to ARTC and RAC for the same movements.

The detailed numbers are included in our submission, but let me summarise it this way. On the Sydney-Melbourne corridor, in terms of road rail access charges, where road charged is calculated by taking its 20c a litre fuel excise as a user charge and adding it to its annual registration charge, and rail's access charge is taken as the amount of money we pay to RAC or ARTC, we find on the Sydney-Melbourne corridor that rail is paying 52 per cent more in access charges compared to our road competitors. The impact over time of not addressing that is jobs in Junee. On the Melbourne-Brisbane corridor, we pay on the same calculation 68 per cent more for access to the national network compared to road. The implication of leaving that unaddressed is jobs at Junee, Taree and Grafton. On the Sydney-Perth corridor, compared to road, we pay 67 per cent more. The implication of leaving that unaddressed is jobs in Parkes, Broken Hill, Port Augusta and Kalgoorlie.

My argument is not that road and rail should pay the same dollars—not at all. My argument is that road and rail should have their prices based on exactly the same assumptions. If rail access providers want a return on capital plus their operating costs back in their access charges, fair enough; no objection. Let us just make sure, for competitive neutrality, that our road competitors are paying on exactly the same basis—which clearly they are not, and the implication, Mr Chairman, is jobs.

CHAIR—South Australia is next, and then ARA.

Mr ROONEY—I will wait for a second, because my point is slightly off the track.

Mr ROBERTS—Just to echo comments made earlier about the technical feasibility of introducing direct road charges to heavy vehicles: that has been demonstrated in Tasmania and in New Zealand, and it is increasingly being applied in other parts of the world. There is no question about the technology being feasible and capable of being cost effectively implemented. The question is, it seems, one of political reluctance. Government advisers tell me they are not allowed to use the 'P' word. That is not really helpful in getting dialogue under way on this very important issue. Politicians need to feel relaxed about using the 'P' word. Also, the federal government is under a lot of pressure to increase funding for local roads. The Local Government Association of Australia is looking to double the amount of funding for local roads from the federal government's fuel excise. In the main, the call for that increased funding has been driven by the damage that heavy vehicles are doing to local roads, but at the moment there is no relationship between the payments made by those heavy vehicles and the funds that are channelled through various circuitous routes to local authorities to maintain those roads. So there is quite a distinct political issue, an efficiency issue, which could be addressed quite efficiently and effectively through implementing direct charging technology.

Mr ROONEY—Through you, Mr Chairman, to David: some of your pricing and the comments you made were predicated on a particular growth. You were saying that the tonne/kilometre rate, in terms of being able to renew your asset in the longer term, was predicated on a particular market growth. You showed on the map figures of 74 per cent on the Melbourne-Perth corridor; presumably that was 26 per cent road. What are those figures showing when you take into account sea transport? My understanding from anecdotal evidence is that, while rail may be gaining in percentage terms on that corridor, on that corridor there is considerable transfer across to sea. So some of the reduction in truck numbers through Norseman may be due to a transfer across to sea freight, and you may be getting a larger percentage of a shrinking market or a not so fast growing market. Have you got those figures?

Mr MARCHANT—I have got a graph of the figures. The overall rail market has grown, but not at necessarily the same rate as the total transport market in Western Australia and vice versa. Western Australia essentially grows, generally, at a higher gross domestic product than Australia. The transport task generally goes in alignment with gross national product of the nation. So the total task usually grows around three to four per cent, and in Western Australia—for obvious reasons—it usually grows two to three percentage points higher than that. We are actually still getting overall growth. In the last year or so there has been some stealing onto the sea market, as you would expect with activities, but it is only a few percentage points. It may get worse but it is a few percentage points at this time. There has been a change of mix of market. The intermodal market is actually moving at about nine per cent in two years cumulative growth. The biggest growth we have seen is, in fact, Perth to Melbourne. The back-haul growth in tonnage has actually been dramatic in the last two years. It is 11 plus about 11. So there is a change of mix between road and rail which is taking place; there is a change of mix between road, rail and sea. The underlying growth has been reasonably good in the intermodal market, but a little bit stolen by sea.

Mr ROONEY—Mr Chairman, I asked that because Colin may want to make a comment in terms of what that shift across to sea is doing to the efficiency of some of their rail operations.

CHAIR—Colin, you got cut off in the middle of this debate.

Mr EGGLESTON—Before I get to that, I want to go back to ARTC before. I think there is an ingredient that we have not brought up, as yet. We talk about long trains and heavy trains, but the opportunity for an operator to run a train and find a train of that size on a regular basis is very, very limited. Toll, if we took the Melbourne-Brisbane corridor, could probably start a service—probably; but not guarantee it—of that size from day one. The way the cost is currently structured, with high flag fall and cents per GTK, is an impediment for a company like Toll to get a new service started. And it is not just the Melbourne-Brisbane corridor: we currently run three services a week to Perth and return; but for us to start a fourth service and find 1,800 metres and 5,000 tonnes on day one is impossible. So for the rail industry to see about a modal shift off road and onto rail, that that aspect needs to be understood, because it has severe limitations in its current text.

Mr Chairman, I come back to your thoughts on innovation. We were involved in the new tray wagon concept with TNT Car Carrying when we first started; but it was not just the wagon nor just the 10-foot six high, 51-foot box nor the eight-foot six high box, 51-foot long that sat on top of it to go from Adelaide to Perth to maximise the axle weight and maximise the cube. It was not the IT system that we put into Mitsubishi, and it was not the low-bed trailer or the low-bed prime mover that we specifically had designed to handle that; but it was the combination of all that that gave us the opportunity to get to go on rail a customer that had never been on rail. I think it is looking at a bigger package, and what rail can have as an offer for the future, of course, is to be very customer specific—if you have a train; and that is where the catch may lie.

Coming back to your transfer at perhaps rail level or slightly higher, I think you will find that the reason it has not commenced to date is that the type of road unit is severely restricted in loading gate size that would be able to travel on it—as compared to a road unit being able to go up the highway. If we look at the current costs of running Melbourne-Sydney on road with B-double, as against putting a cost per tonne on the train, it is cheaper to go by road. If we look at going B-double between Melbourne-Brisbane and Brisbane-Melbourne, it is exactly the same and there are less transactions involved with the road movement.

So somewhere along the line, if we are talking about being innovative and smarter, if we do not come back to the sort of opportunity we saw put up on the board—the double-stack inland railway opportunity which also then has a connection to Parkes—we are going to be very restricted in the sort of innovation technology that we can bring to the table to go forward. I would just like to make a mention of Parkes and endorse how Vince was talking earlier about Parkes. If we were to take the inland route and the opportunity to Perth, we see Parkes very much as a hub in that scenario. There is also, as my dear friend Billy of FCL has seen, a great market opportunity out there, but I think he is only just touching the tip of the iceberg, so to speak. Certainly in Toll, in the surrounding region we have carried out market research on the area and believe there is substantial business that we could bring to rail, if we were able to commence a service in that area.

Mr JOWETT—I am representing the Rail, Tram and Bus Industry Union. In relation to network and access issues, there is one dimension which has remained untouched during this afternoon’s various contributions, and that is the labour component. Of course, there has been the recent excellent report into fatigue, commissioned through the House of Representatives. That does bring a whole lot of issues to bear about the relative position of the road and the rail industries in relation to hours of work: in a number of parts of the road industry, they seem to be voluntary, the hours between 12 and 24, or 24 and 36 continuous. In the rail industry it is well regulated; but there has been very significant change.

If one looks at the hours of work for locomotive operators, generally—and this is only a quick overview—they have changed from nine hours to 11 or 12 hours in the space of five or six years. On any reckoning, that is a considerable productivity improvement for employers, and maybe there is a need to revisit that in terms of some the experiences we are seeing, particularly with some of the smaller rail operators who have the greatest economic pressures on them. There are other issues underlying fatigue and hours of work, in relation to drugs and alcohol—

CHAIR—You might like to expand on those in the plenary session.

Mr JOWETT—Yes. I will get to the other two issues I wanted to touch upon. I am certainly happy to expand on those remarks. One goes to policy issues and the fact that there is such a divergence, and from our point of view so many of them remain unaddressed. That is directly costing jobs. What we had in terms of rail reform and the promise of, on rail competition, the quick application of national competition policy, has not provided the evidence of a great modal shift.

CHAIR—I was about to ask the NCC and the ACCC to comment, but we have pretty well exhausted this session. I was going to ask them to address that in the plenary session.

Mr JOWETT—Fine. The third area I wanted to comment on in this session—

CHAIR—I put the NCC and the ACCC on notice that we will barrel them in the next session.

Mr JOWETT—I am looking forward to seeing it. In relation to the third raft of issues, it goes back to the role of the market and whether or not the invisible hand will resolve certain problems. We heard this morning, in relation to coordination between modes, that that was the preferred policy outcome and the means of obtaining it, yet when one examines the real problems in the real transport world in relation to access to rail or ports in Brisbane or access to rail and ports in Sydney, it quite obviously is not working. That means in the short term that commercial decisions are being made in relation to a whole range of multimodal transport issues. I think that is one important area which needs—

CHAIR—You have a similar dynamic to the problem we found with slotting and warehousing of products or semitrailers and B-doubles into supermarkets and warehouses. If you do not have the proper facilities at those spots—and, if I understand you correctly, you are paralleling those with the terminals in rail—and if they are not efficient, then the rest of the transport sector, from service to the customers to fatigue for the drivers, all collapses.

Mr JOWETT—That is one dimension of the problem, yes.

CHAIR—I think we pretty much recognise that. Have you all read the report on fatigue—*Beyond the midnight oil: managing fatigue in transport*?

Dr LAIRD—Good midnight reading, yes.

CHAIR—It will help relieve your fatigue as you go to sleep at night. It is a very interesting report and it picks up a lot of the things Roger is talking about. You can have a driver who is on his 12 hours and is slotting. He may get in from, say, Brisbane-Sydney or Sydney-Brisbane, which is about a 12-hour run, and then he has to horse around for three or four hours trying to get his slot. People might argue that that is not heavy work, that it is only passive work, but it is still work. It does take his day out from 12 hours to 16 hours, it deprives him of the opportunity to have a sleep or a rest before he has to go and do it all over again, and it adds to the inefficiency of his other customers. I think the point Roger raises here is that there is a parallel type problem in not having efficient terminals in the rail system as well, where all those problems we identified in that last report would be compounded in this scenario.

Mr ROONEY—If Colin does not mind, I will explain what he explained to me at lunchtime about the effect of shipping on the Perth-Melbourne run, for example. My understanding of what he was saying is that shipping is tending to pick up the 20-foot containers and take those by ship, which means that there is not the right mix of 20-foot and 40-foot containers to sit on the train. Hence the train ends up with a lot of 40-foot containers or whatever on wagons that are actually designed for 60-plus feet and therefore not only is some of the freight shifting across but what is left on rail then runs less efficiently. It is those perverse effects, if you like. Have I got that right, Colin?

Mr EGGLESTON—Absolutely.

Mr ROONEY—It is those perverse flow-on effects that, while it looks like a small shift across from rail, say, to shipping, actually have a flow-on doubling-up effect in terms of the efficiency or inefficiency of rail. So it is those things that are happening in the market, and as fuel prices go up—and they are likely to continue to go up rather than down, I would suggest, in the long term—then the impact of not coastal shipping but shipping along the coast—because there is a difference—may have quite an effect at the margin on the rail business. Certainly, we in the SCOT Rail Group have been very aware of looking at not just road rail but road rail marine as the corridors, and trying to get a fix on what may be happening in the future.

Proceedings suspended from 2.57 p.m. to 3.14 p.m.

Plenary Session

CHAIR—We now come to what we call the plenary session. I would like to round off that last debate a bit. What I intend to do is give the NCC and the ACCC the chance to comment, especially in regard to keeping the playing field level and their investigations into the fairness and otherwise of access and access arrangements. On that note, I would like to call on Deborah Cope to give us a five-minute update so that we understand where the NCC is coming from, and then Margaret Arblaster would like to speak from the ACCC's perspective. We do not have time to go into the whole philosophy.

Ms COPE—Not in five minutes anyway.

CHAIR—We could probably spend a whole afternoon on that, but more in particular to what we were debating in that last session.

Ms COPE—There are three paths to access. I will not talk about the declaration path because there has not been a lot of activity in rail in that area recently. In the recent past, there has been but there is not much that is active at the moment that really cuts to what we are talking about. So there are probably two parts to what is currently happening that are of interest to this group. The first one is a role for the National Competition Council and the second one is a role for the ACCC. The first one looks at state based access regimes and the effectiveness of those regimes. There has been quite a lot of activity in that area with the council over quite a period of time. When we have been dealing with those regimes, we have always been highly cognisant of the fact that, while they are state based and while there is a lot of intrastate traffic which relies on those regimes, there is also interstate traffic and there is a need for those regimes to link into the interstate processes.

What that has meant over time as we have dealt with those regimes is that we have been looking at mechanisms for those regimes to link in with other regimes to provide a more seamless process. In effect, the outcome has been that the New South Wales regime, which was certified as effective, had a pretty short fuse on it. When we made a recommendation on that regime, interstate processes were relatively uncertain and we did not feel that we could lock that regime for a long period of time without going back and revisiting those issues. So the effectiveness of that regime expires at the end of this year. The regime still applies. It is still in state legislation. It does not stop the regime from working but it means that it no longer has the effectiveness stamp from the National Competition Council. Whether we reassess the effectiveness of that regime will depend on when, and if, New South Wales applies to have it recertified. We will look at the issues then.

There are two other state regimes that are particularly relevant to the interstate network. Queensland's regime was originally put in to us for certification. We said that we were not willing to do that until we had a better understanding of where the QCA—the Queensland

Competition Authority—was going to come out in terms of the undertaking. Queensland withdrew that application until they got through the QCA processes. My understanding is that the QCA is planning to come out with something public towards the end of this year. The third regime was Western Australia. I might throw over to Michelle to give you an update on where we got to with the Western Australian regime.

Ms GROVES—The Western Australian regime process went through a couple of public processes from the council's point of view. There was some very strong representation from industry as to the effectiveness of that regime and quite a number of changes were made to that regime by the Western Australian government. My understanding is that the regime has now been passed through parliament, though not yet proclaimed, and that the Western Australian government is waiting for the establishment of their independent regulator's office before they make the regime operational. The council's certification process made it fairly clear that it was very difficult for the Western Australian government, on its own, to deal with the interstate issues within its regime as an entirety.

The need for there to be some seamless process between people needing access across the Western Australian border—it is actually not the Western Australian border as it is beyond Kalgoorlie—could not be accommodated within the WA regime standing alone. The council sees the interstate issues as very significant and it did not believe that it could make a recommendation that that regime was effective for all interstate and intrastate traffic. It was not possible for the council to recommend the regime as being effective just for intrastate traffic, so the Western Australian government has withdrawn its application for certification at this time, with the council pending the resolution of the interstate issues. From the council's perspective, the interstate access issue is absolutely crucial to be resolved in order for state and territory access regimes to be found to be effective against the clause 6 principles, as it covers all of their networks.

Ms COPE—That probably brings us to the second part of the picture, which is the intergovernmental agreement that there will be a national regime that goes over the top of the interstate network. While we have an interest in it in terms of how we deal with the state regimes, I should probably throw this matter to the others that are involved in that process to talk about where that is up to, because it is not directly our responsibility.

CHAIR—I have one question. You said that you did not want to go into the matter of the declaration regime, but we made this recommendation that, where a designated minister did not act on a declaration within 60 days, rather than the lapsing of the declaration being taken in the negative, it should be taken in the positive. Has there been any work done on that or has there been any recommendation to government on that?

Ms COPE—Yes. The comprehensive work that is happening on access generally is going on at the moment. The Productivity Commission has a review into part 3A and they are looking at the whole of that process—the best way to manage access regulation. I am not sure if they have identified that issue particularly but, generally, they are looking at the whole of the effectiveness of the process and what amendments, if any, should be made to the whole of the access regulation.

Ms ARBLASTER—First of all, the ACCC has a very general role in relation to administration of the Trade Practices Act and, therefore, some of the anti-competitive provisions in relation to rail and other industries. That includes things like asset sales in mergers and predatory pricing issues. Apart from that, we have a role in administering parts of the access provisions in part 3A of the Trade Practices Act, in which there are two specific roles that might impinge on rail. One of those is arbitration of an access dispute for a piece of track that might be declared under part 3A but, at this point in time, as heard from the NCC, there is no track actually declared through the part 3A process.

The other role would be in assessing and accepting an access undertaking from rail operators. It was envisaged, as Deborah Cope articulated, that, under the intergovernmental agreement, ARTC would be putting up an access undertaking for the whole of the interstate track. To date, that has not happened. So we have been in an essentially responsive role, just preparing for the event that there may be some arbitration or an assessment of an access undertaking. In other industries, of course, we have been a lot more active—for example, electricity, gas, telecommunications and, to a lesser extent, airports—but, to date, we have not been called upon to undertake one of our access roles in rail. However, we do stand ready to assist and to respond to any industry initiatives that come forth.

CHAIR—At this stage I would like to swing over to Speedrail. A few people have alluded to Speedrail today. It is a new horizon for rail if it goes ahead in Australia. I thought it might be appropriate if we asked Dale Budd to give us five to 10 minutes on where the project is at, because it too will have implications for any upgrade of Sydney-Melbourne or Sydney-Canberra, Canberra-Melbourne. It might introduce a whole new dynamic into that market. On that note, could we hear from Speedrail.

Mr BUDD—Thanks, Mr Chairman. Yes, it is a potential new dimension for rail transport in Australia. I will make a few points based on the submission which we have put in to the seminar today.

We are perhaps a little bit removed from many of the topics that are being discussed today but there are linkages, as you have mentioned. High-speed rail is a subject which gets quite a bit of mileage in the report of the Rail Projects Taskforce. We are primarily planning a passenger service, but we are interested in carrying high value urgent freight, the sort of freight that currently goes by air or overnight road express. We are really about attracting travellers out of cars and aeroplanes.

Sydney-Canberra Speedrail is a $4.8 billion project, of which approximately 70 per cent would be funded by the private sector. That is a world best for high-speed rail: elsewhere these projects are almost universally funded wholly by government. In the case of Speedrail, after a concession period of 35 years, the whole of the business would transfer to public ownership, so all of the assets of the business would become owned by the taxpayers and the taxpayers would own the very significant transport infrastructure. We must and do meet the test of building and operating this railway at no net cost to taxpayers.

The project has very substantial economic benefits. The net benefits from Sydney-Canberra amount to $5.3 billion in NPV terms. On a very rigorous, conservative economic analysis, it will stimulate 2,400 new permanent jobs. Experience from our colleagues in Europe suggests that the actual figure might be more like three times that, around 7,500. It has a benefit-cost ratio of 2.2. It has significant benefits for airports. On Sydney-Canberra alone, through diverting passengers out of aircraft—there are 90 movements every day at Sydney airport, a total of 90 take-offs and landings accounted for by Canberra flights—by taking all or most of them we would delay the need for a second Sydney airport by two years. That is just the Sydney-Canberra project alone. We would integrate with air services both at Mascot and at Canberra, where the terminal will be at the airport, built into an expanded terminal.

All of these benefits are very much greater if high-speed rail is ultimately expanded, as we hope it would be, to a Brisbane to Melbourne network. There are a number of figures on the benefits in the submission for this seminar. There are particular benefits for the Sydney airport issue from that network. Because of the diversion of travellers from regional flights from Newcastle, Taree, Coffs Harbour, et cetera, up north, and Wagga and Albury to the south, many of those travellers would have a faster, more comfortable, more reliable service by high-speed rail. That would take a lot of regional flights out of Sydney airport, so much so that our consultants estimate that the life of Sydney airport would be extended for 20 years, and we open up links to additional airports such as, say, Newcastle.

If you doubt that high-speed rail really can attract people out of aircraft, I will give you just two examples from Europe. Between London and Paris, as between rail and air travel, at the moment rail has 60 per cent of the market. It is 60 per cent to rail, 40 per cent to air. These are people using the Eurostar service through the Channel Tunnel between London and Paris. Rail is killing air on that market. Between Paris and Brussels, which is the same distance as Sydney to Canberra, the TGV service has 60 per cent of the total market, not just the rail-air but throwing in road as well. That is, 60 per cent of all people travelling between Paris and Brussels do so by high-speed train. It has been reported recently that Air France is planning to cease flights on that route and will buy blocks of seats on the high-speed train service.

A Brisbane-Melbourne network would bring 75 per cent of Australia's population within 1½ hours of a capital city, and that would bring major benefits to regional centres all along the corridor. There are connections and spin-offs—and the chairman touched on this—for other rail services or the existing rail industry. Speedrail would certainly bring leading edge technology to Australia in terms of advanced signalling, communications and control systems, and I am sure they would flow through into other parts of rail. We have already used a very advanced simulation to develop the optimum package of access improvements in the Sydney area. Our trains will start from Central, go via the airport, the East Hills line and the main southern line, down to just south of Campbelltown. In developing an optimum package of infrastructure improvements for those sections of the Sydney urban network, we used, in close consultation with RAC and SRA, an advanced simulation technique, which I think will flow on to use in Sydney. Of course, the infrastructure improvements on that route will be of benefit to other rail operators. They will not be dedicated for our exclusive use; they will be shared with other rail operators.

Where are we up to? The project is in front of three governments—nominally, New South Wales, the ACT and the Commonwealth—but by agreement between the governments the Commonwealth is in the lead role. So we are, effectively, right now awaiting a go or no-go decision from the Commonwealth government. It is public knowledge that it is being linked fairly closely with a decision on whether or not there will be a second Sydney airport at

Badgerys Creek. The public statement has been that the government hopes—I think ‘hopes’ is the right word—to make a decision by Christmas, which is close. In terms of today’s seminar, it is perhaps worth noting that this is potentially a very substantial new dimension and potentially a new and very large expansion of the rail industry currently awaiting a Commonwealth government decision.

Mr MOSSFIELD—You indicated that there would be an impact on airports, particularly Mascot. What about Canberra Airport—would there be any potential there for overseas aircraft flying into Canberra and then the passengers travelling to Sydney? Would that have a long-term effect on Mascot by reducing the number of flights?

Mr BUDD—Yes, there is some benefit there. I do not think Canberra Airport is a full alternative to a second Sydney airport. The runway is not long enough, and terrain considerations mean that it could not be extended to take 747s—a 767 is the largest aircraft that can regularly operate into Canberra. Subject to that limitation, I think there is scope for some international services into Canberra. Certainly, the new owners of Canberra Airport—and it is designated Canberra International Airport—are hoping to attract international services there—regional, charters or both. Certainly, they see the high-speed rail link to Sydney as adding very substantially to the role of the airport to work in that way. And we think that having the high-speed rail terminal at the airport really will make that a very effective hub, not only for those longer air services but perhaps for local regional air services as well.

CHAIR—Let us return to the themes of the day and any others that we might not have touched on. Does anyone have some views?

Dr LAIRD—With regard to signalling, I think it would be nice to think that we could improve interlocking or safe working, so that the type of incident that happened at Ararat 12 months ago did not reoccur. If anyone better qualified than I could address that, I would be grateful. I would like to comment on a remark when someone said that between Melbourne and Brisbane there were five signalling systems. I counted more. I started with CTC, Centralised Traffic Control, now from Adelaide—and congratulations to ARTC for that. That takes you from Melbourne to Albury; and then there is New South Wales CTC from Albury to Junee; then there are various systems in New South Wales to Sydney; and between Wollombi and Harden, and Marulan and Exeter, there are two things called ‘block telegraph’ which were advanced technology 100 years ago. They are great for generating employment in rural areas, but I think Australia’s two largest cities deserve something better. We come into Sydney and we have other problems. On the north coast between Maitland and Casino there is CTC again, but then we go into territory where it is staff working—which is done, I believe, by drivers—and again it is decades old and was the subject of a *7.30 Report* two years ago. What is the hope of this signalling being brought safer in Ararat, and up to speed between our three largest cities in Australia, please?

Mr MARCHANT—The national audits will deal not only with infrastructure but also with operational requirements. That includes signal systems and the rest, and so they will be averted to in those reports. In addition to that, a number of organisations have looked at alternatives to the conventional signalling systems. In fact, at the moment we have had something on a web site for the last two months, going through an evaluation and moving away from signals altogether to automated block controls, and maybe moving to a process using GPS and live systems and actually having life frameworks between trains, rather than it being based on physical things between distances on the ground. All those things will end up rolling into the national audit in some form. If in fact there are significant transitional costs—say, to go to a much more modern technology—then we hope that would fit into the audit requirement and be identified, including the cost to the operators.

CHAIR—Does anyone else want to comment on signalling? I have often wondered—whether it be signalling, radio systems, or just basic signage—what sort of money would be required for the whole of Australia to convert to one system? Obviously the states and private operators hang back: if there is not a will to do it, they will hang back because, if the system that is affecting them is adequate for their current services, they will be inclined to stick with that. What sort of injection of, say, federal funds, would it require to stimulate a quantum change?

Mr MARCHANT—The honest answer to that will come out of the national audit, I think. The second exercise, on moving to a totally different technology, such as moving block, will certainly come out in the next four or five weeks and go into that process. For a total, common across the system change, excluding urban passenger systems—which, short of retrospective caesarean section, the states are not going to give up for a different system from the one they have got, regardless of anything other than the reality of never getting between a politician and an urban voter—effectively, you could be looking at anywhere from $100 million to $300 million, using the traditional type of signalling stuff. Next to lawyers, the signalling market is probably the next largest extraction industry!

CHAIR—I suppose the predominant theme in *Tracking Australia* was getting the below-track operations right. I have heard today, in fact for the first time in many years, where there has been talk about the above-track rolling stock. I wonder whether even with going for this audit and taking out the hot spots, so to speak, what is the objective? What is the world’s best practice we should be aiming for? Should we be aiming for what QR have done between Brisbane and Rockhampton—which is quite remarkable? I fly over that area because the two major towns in my electorate are there and I often get a charter. I fly over that, and the engineering is quite remarkable. The curves, the bridges, the grades: everything about it appears, with my limited knowledge of rail, to be world’s best practice, and it certainly delivers the results. It has halved operating times. What should we be aiming for as all these new projects come on stream, such as the inland route from Melbourne to Brisbane? Certain sections of that are going to have to be new track. What should our objective be? Should we be looking to a time in Australia where all freight and passenger services will not travel at less than, say, 150 kilometres an hour?

Sorry for harking back to this line, but it is the only one that we can really talk about in Australia. Recently at Avondale, north of Bundaberg, the tilt rail, fully loaded on an uphill grade over a measured kilometre, did 210 kilometres an hour. That is on narrow gauge. Have we been too modest and held back too much? Have we not let our vision run forward a little bit, to set new objectives? Have we become so bogged down in some of the messes of the past that we have not seen a better vision for rail in Australia? Would someone like to comment on whether we could set some sort of standards to be aspiring to, rather than be constantly talking about bandaids?

Mr KIRK—Just a couple of general comments. Your question really goes to the heart of what the ARA and the rail industry, in particular, have been advocating—that is, integrated transport planning. I guess it is a big disappointment when this concept gets so readily rejected as being too difficult and too hard. To pick up the point that David Marchant made in his presentation, what we are seeing with this audit is the first real look at corridor outcomes, and this is what we should be looking at. What do we want from our transport networks? What do we want the outcomes to be? Do we want an efficient transport network that is going to actually enable us to survive globally with a competitive economy? These are the high level outcomes that we want.

The rail industry is like other industries. It is really very easy to get bogged down on the detail—as we have been trying to avoid all day today. We are very good at anecdotes. We are great at focusing on some of the engineering things, but we often lose sight of what the big picture is. What is it that we really want out of our transport network? When we start looking at what the outcomes are going to be and then where we should fund the various modes—whether it should be road, rail, sea or air—that is where the real intellectual grunt needs to be thrown. It is an area that has been constantly avoided like the plague. Nobody wants to touch it. We just have to keep harping on the fact that we have to get back to integrated transport planning. We do need a national plan. We do not need to have one that is imposed on us. It can be something that can be developed cooperatively with all the various industries. But we do need to have some kind of a plan so that we can structure the various investments that we need to make in order to achieve the sort of outcomes we want as a nation from our transport industry.

There are a couple of other really hard things in there that we have to also embrace. One of those is that rail has always been treated differently. We do need to be a little affirmative, if you like. Some affirmative action is required in the rail industry because it has been neglected for so long. But we cannot walk away from the competitive neutrality issues that are really fundamental to the survival of our industry. How long are we going to tolerate the trucking industry rewriting history and reworking the facts and figures on competitive neutrality? When are we going to see some objective and intellectual integrity applied to these kinds of issues? I guess it comes back to will.

We are also concerned about the fact that, in achieving these outcomes, there are always strings attached to anything in the rail industry. We heard comments today about the need to unbundle some of these strings. In order to achieve these outcomes that we might look at in the future, let us have a look at them with new paradigms, not in the existing ways that we have continued to look at them. My plea is that we move away from the traditional ways of viewing transport on a separate modal basis and look at a whole new way of solving what we really need for our transport network in this country.

Mr McARTHUR—I would like to ask John to add to that on the great win that we had as railway people on the Olympic Games and moving the people there. Why aren’t we capitalising on that public relations physical exercise in transporting large numbers of people in Sydney, where the voting population actually saw the effectiveness of railways in action? You put out a very good press release on that. Could you just add to it about that very good success?

Mr KIRK—It is like a lot of things in the media. The Olympics was a good example, because it was such a huge success and so the media did focus on it. But often good news stories are not really looked at, or are not treated seriously. We are seeing a constant succession of correspondence to the media now debunking the rail success of the Olympic Games as being just a one-off and people being in holiday mode and these kinds of things. Because it was a success and it has pointers for the future perhaps in the way we look at transport policy and demand management and so on, that has got a lot of people a bit scared, because it is actually challenging the way they have traditionally viewed transport outcomes. It is up to the rail industry, and one of the things we need to focus on ourselves as an industry is to be out there, being more proactive and letting people know of the successes that we have achieved and of our ongoing role in the transport network.

Mr McARTHUR—As a very quick summary for the uninitiated, if you were talking to another transport group, what was the win of the Olympic Games?

Mr KIRK—In a nutshell, rail was able to move millions of people very effectively, safely and efficiently.

Mr McARTHUR—And that would not have happened by any other mode?

Mr KIRK—It would have been simply impossible.

Mr McARTHUR—Why aren’t you demonstrating that? Why aren’t you saying that more and more?

Mr KIRK—I think we are, Stewart. It is a matter of who is listening.

Mr JOWETT—I would certainly like to pick up on that while the topic is on the table. It is interesting to look at the role of the public sector in terms of a comparison between the Atlanta Olympics, where private sector transport was the Achilles heel of a successful Atlanta Olympic transport effort, and also in Sydney, where rail provided the mass transit and a private sector initiative around Bus 2000 planned the contribution that the bus system may have had to the success. And two days out from the start of the commencement of the Olympics, it was panic stations in relation to that private sector bus initiative. Ultimately, several hundred employees from the public sector—operator, rostering and timetabling experts—had to be brought in to repair it and put it on the correct course.

I think there are a number of lessons, and I think it is the potential to add a new paradigm to how we see livable cities, because the overwhelming feeling of Sydney was that it was a fantastic success. When you went to the Olympic events, at one stage towards the end, the announcer came over with, ‘Let us give a hand to the Sydney public transport system’ and it received a standing rousing ovation. So I think there are a lot of lessons to be learnt. In this whole transport planning and *Tracking Australia* and the involvement of the federal level of politics, Australia distinguishes itself from other federal systems in that, in fact, there is no involvement. I think there are some issues there, particularly when one looks at environmental issues. Today is starting to wind up as the end of one of the largest conferences ever on the environment, and it has not been mentioned once.

CHAIR—Just before Queensland Rail leave at a quarter to four, I would like a comment on something that was raised before and we did not come back to it. It was said that on the north-south corridor, it is difficult to get to the port of Brisbane: what is the difficulty there? Is it a structural one, or is it an access one?

Mr GARDINER—The interstate corridor interrelates with the metro system on part of the network north of Acacia Ridge to get to the port, so there is an issue there. There is adequate capacity at times, but not necessarily the times that suit the market. The port itself has a limited length within its terminal that is a minor impediment at this stage. I think they can still get around that, given the traffic that is going there currently, but I suspect the issue that is being raised is more about the interlinking with the metro network and also the environmental issues of getting trains to the port through the Brisbane suburban area and the noise factors resulting from that.

CHAIR—Is there any alternative?

Mr GARDINER—No.

CHAIR—Can it be done with bafflings as they do along highways and things?

Mr GARDINER—There has been significant investment spent on noise barriers on the corridor already in sensitive places. QR has a noise management plan in place which sets limits in accordance with the legislation on what noise levels should be, and over time we are monitoring the noise levels emitted from locomotives and trains in general, with the view to trying to ensure that the newer technology locos are used on that corridor. Let me put it another way: we are trying to make sure that newer generation locos and rolling stock are used on that corridor to keep within the allowable noise limits, rather than just letting anything go down there.

CHAIR—I see, fair enough.

Mr ROONEY—Mr Chairman, I think I would like to pick up that point. I was going to raise it, and now it has been raised. The EPA organisations around Australia and Standards Australia are looking at new noise standards for rail, and I think it would be good for the committee to monitor what they are doing. I say that for two reasons. My understanding is based on the sort of standards they are putting in, the standards that the population is reverting to and the fact that the EPAs are being asked to intervene in many more cases than they used to. The standards they are developing I think even the most modern locomotives would have trouble complying with them. A lot of the locomotives in Australia are older generation and, in fact, the way for many new entrants to come into the market is to buy into organisations or get rolling stock that is older. We have a real challenge ahead of us to make sure that the noise criteria that apply to rail corridors are not so restrictive that we actually impede the competitiveness of those vis-a-vis road corridors.

There are two aspects to that. As many people would know, one is just the exhaust noise and fans from noise from dynamic braking et cetera. The other one is wheel squeal, which some of us around the table are very aware of. That is a real issue in some parts of Australia, particularly in near urban areas and urban areas where we really do need to get together as an industry and solve that problem before we get a regulatory solution to it which may not be to our liking. So it is just something that you have raised about noise in corridors.

There is certainly a lot of public sensitivity around the few rail corridors in and out of cities as opposed to the multiple number of road corridors that go in and out of cities. There are restrictions in terms of time, given the times of rail services between some capital cities. They of necessity operate either in the evening or the early morning and that is a time when many people are very sensitive to rail noise. It is just something that we really need to monitor and watch because the standards are more restrictive than for road.

Mr JEREMY—Mr Chairman, I just want to come back to your question about how high we should set the technology hurdles for rail. I know that Lucio wants to say something about that too, so I will be quick. I want to say that the very positive thing about the ARTC audit is that it is looking at what the market needs and what the market wants. That is not Toll, ARTC or FreightCorp, it is our customers: the people who send the freight. There are a few fundamentals in the transport market that are quite easy to work off. What are your cut off-times to collect your freight from industry and get it to the terminal? What sort of time do you have to get it there in the morning to be able to deliver it to the customer basically before noon? Your benchmark is usually road in the general freight market that we are talking about.

The ARTC audit will, I think, through the process of consultation with the industry, generate some very useful benchmarks or outcomes against which ARTC can decide the appropriate engineering or come up with some engineering options. It is very unlikely, in our view, that those will demonstrate a need to move freight at 150 or 200 kilometres per hour. In fact, in some instances it may say we should slow down the trains and this is something that we are starting to talk to ARTC about. On some of the very long corridors, Adelaide to Perth, say, is there any gain in getting there five hours earlier? You would be there at 11 o’clock at night; what do you do? Sit around until three or four o’clock in the morning and do nothing? In some instances, in some parts of the corridor would it be beneficial to slow down the train and so have less track wear, lower fuel cost and so on with no disadvantage to our customers?

I think we need to be careful that we do not get blinded by the sort of high-speed rail mentality, to keep our feet firmly on the ground and look at what the customer industry needs to keep turning over efficiently. I think through that route, we will make sure that we do not spend more dollars than we need to get the right result. We have to concentrate on really getting those departure and arrival times right, on getting our reliability up to very high levels and not using speed as our main criteria.

Mr DI BARTOLOMEO—I think Robert has covered it fairly well. It is important that we do not get carried away with what technically is possible, because what technically is possible has got nothing to do necessarily with what the market is requiring. What we have got to do is deliver to the market a service that they want and deliver it as cost effectively as possible. So over engineering is not going to be to anyone’s advantage.

Certainly some of the technical capacities that, for instance, the passenger market requires is very different from what freight requires. What might be very good for passengers—high speed and all the added safety issues so there is very high level of automatic train protection et cetera—may not necessarily be the applicable requirements for freight. We have got to ensure that on the one hand we move away from 19th century curves and grades and signalling systems et cetera, but it is no use putting in something that simply happens to be the best technology available, if it is not necessarily the best commercial solution available.

I certainly would not want to be pushing for funding that is unrealistic and will never get the justification to receive it. I would rather set ourselves at an appropriate level of funding and that has got to be commensurate with what the market is willing to pay and what is going to ensure that we are competitive with road if that is a primary objective. I think that should be the criteria.

Philip Laird for a long time has spoken about the grades and curves. It is not necessary to eliminate and reduce those grade and curves. It is not necessary to get a high top speed but to get a good average speed. If you could average something over 80 kilometres an hour on the Sydney to Melbourne corridor that would be a fantastic outcome but at the moment we are nowhere near that. It is likewise with the signalling system. Even the notion of having one signalling system right across Australia may not be the best outcome. You would want maybe a graduated form of signalling system that is appropriate for the territory you are covering, the sort of track you have and the density of traffic et cetera. What is important is that we have to be smart about it. We have to make sure we invest whatever money is available wisely if we are going to compete against road.

Mr JEREMY—If the policy makers decide that they want passengers to travel at 200 kph, but that it is appropriate for freight to travel at 100 kph, which is all that freight needs, do not ask freight to pay for the 200 kph track. That is a very important issue for the freight industry. The costs associated with those different standards need to be separated and allocated appropriately.

Mr DI BARTOLOMEO—I could add one extra point to that.

CHAIR—This is Bill and Ben, the flowerpot men.

Mr DI BARTOLOMEO—Not only should the freight operators not be asked to pay for a level of technology we do not need and do not require but what I would not like to see in any upgrade for the Sydney-Canberra route—or for that matter the Canberra-Melbourne one—are the flow-on negative impacts of those fast passenger train on freight operators where there is common track. From the discussions that I had very early on with the various proponents for Sydney-Canberra route, I believe there is probably more downside than upside, to the extent that we are mixing fast passenger trains with slower freight trains, than there is upside as far as freight trains are concerned. We are just simply going to have to be pulled out of the way to let the fast trains through all the time and that is just going to add to our journey times and not reduce them.

Mr BUDD—I could just comment on the last thing and then I will make some remarks more in a private capacity. The Speedrail proposal does not involve conflicts with freight. We are talking about operating on an independent track from a point south of Campbelltown. Between Campbelltown and Central, we are talking about substantial investment to achieve adequate performance for all train operators. I think there might have been a misapprehension in what we have said there.

I would just like to contribute a few personal thoughts. I would be interested in David Marchant’s comments on this. It seems to me there is a challenge to try to find a way for the private sector to invest below rail; we have a lot of operators here today who are investing in above rail. Everybody talks about getting more money from government to fund infrastructure. What is the scope for getting the private sector to invest below rail? We have one proposal emerging, which is the Brisbane to Melbourne inland freight route, where the private sector are saying that they can fund perhaps nearly all of it. I think finding a corporate structure for that to happen is going to be complicated because we are talking about linking a lot of existing track and then certainly some new track.

I wonder in terms of the outcomes of the audit whether it would be possible to find projects which would justify and be attractive to the private sector as investments. I guess there is a parallel with what we see with toll roads where government finds it cannot afford to put in road links but it can devise a package, a BOOT scheme, where a particular segment of road is built by the private sector so the users get the benefit of the road. The government does not have to pay for it, and eventually it becomes publicly owned. I wonder whether there is some scope to identify investment projects below rail which the private sector could fund so we are not asking government to fund all of this. Perhaps there is scope for public-private partnership. I would be interested in David's comments and any other comments on that.

CHAIR—David, before you answer that, let me ask you a similar question. Are the reasons that the private sector has not got involved two-fold: first, the access regime is so convoluted that the private sector cannot see the trade-offs and second, perhaps the private sector wants to see the colour of the government's money, not so much the quantum of the government's money but the commitment to rail? It would be obvious to all of you here that I am a bit of a rail freak. I have always liked it and I could not have been given a better job in the parliament than this one. No-one enjoys it more than I do. Ministers in state and federal, on both sides of politics are all very much enamoured of rail. They travel on the new trains and put out laudatory press releases. They make all the right noises until it comes time to show the colour of their money. They remind me a little bit sometimes of Saint Augustine, 'Make me pure, Lord, but not just yet.' I often get that feeling sometimes from government that we would like to put some money in but not just yet. Could you comment on that point, Mr Budd's point and the other two points? What would perhaps be holding back the private sector at this stage?

Mr MARCHANT—I will deal with that quickly and then try and get back to some priority issues. The first one is competitive neutrality. You are asking the private sector to invest in a marketplace of which the rules are not clear to it.

CHAIR—Is that just competitive neutrality or is access part of it too?

Mr MARCHANT—Competitive neutrality and access are interlinked. I am about to invest a few hundred million dollars into an exercise of which the rules around my revenue stream and the rules around the framework of my customer security can be changed overnight at the whim of a particular state. If I am running a network which is a continuous pipeline, just like a gas pipeline or an electricity distribution grid, and the rules on the grid are going to change from boundary to boundary, irrelevant to my customer base, it does not give me confidence to invest. When you come down to competitive neutrality between road and rail and you say, 'We would love to see private sector investment in rail', we did not have any trouble getting private sector money for our potential to try and buy into Western Australia.

It is not difficult to get the money together. The difficulty is you are asking them in greenfield areas and/or in existing areas to invest on an unsatisfactory set of sovereign rule risks. They know where the road industry is. They are going to assess how many passengers are going on. They know what the road rules are going to be and therefore they are down then to their market risk of whether they can in fact have enough truck or cars on it. But in the rail industry the rules can change from one place to another overnight. The safety regime can change in one state practically instantaneously overnight and add a fortune to your risk or more. More particularly it can scare off some of the customers to move back on to truck because the cost of access to comply with the safety regime for reasons other than risk become a risk factor to the investor. That is the first reason. So competitive neutrality is not only an issue about the rail industry saying, ‘We want to see access charges on trucks the same as they are on rail’ or conversely, ‘We both get a discount,’ as the customers are arguing.

The second part is that if you really want private sector investment, give them clarity of the rules. That is not only rules of economic charging but rules about safety and safety of input costs. They are not saying it should be the same for 40 years but the rail industry is at the whim of every politician in every state and then they want to pretend it is a national industry. Nobody is going to invest in that environment. The only big investment that I have seen take place in the rail industry, from Alice Springs to Darwin, has taken place with more legislative support and regulatory neutering—sorry to the NCC and the ACCC about that—where they have given away competition policy to get it up. The neutering of it has been because of all the other risks that go around that marketplace.

Melbourne to Sydney and Melbourne to Brisbane is an excellent marketplace for a private sector investment—it has a huge population, huge logistics movements and the rest. So what is impeding that? The answer is that there are three states involved. Even if I tried to do a Melbourne to Brisbane arrangement, Dale Budd is absolutely correct: trying to bring those three Kahunas together in a consistent way, even if they believed in it, is like trying to get three lawyers to agree with each other in the one room at the same time. So it is a hard thing just to put the institutional framework in there, even if it is a good investment. Most of the work on that sort of stuff is really about the institutional work. Getting the money is actually the easiest part of the gig—well, I should not make it sound too easy; it is pretty hard—but it is the institutional framework where the risks are. Quite frankly, open access regimes have become much better understood by the finance sector worldwide, not because of rail—in fact, rail is the most conservative—but because people are used to electricity open access, they are now used to gas open access in the US and Europe, and therefore a similar sort of sunken asset with a stream of flow is something that bankers can get used to. So it is the system around it.

That brings me back to one single theme: competitive neutrality. Get the rules clear and coherent. For example, under the EPA rules on noise, the noise level on rail is lower than it is on road. Why the hell would that be the case? The EPA rules on noise are tougher on rail than they are on road. Competitive neutrality within all its meanings is a very fundamental theme. A second theme is that you cannot get investment over flow streams if they are under four different asset owners, they have four different agendas and they cannot come together to get a consistent economic outcome. You are not going to invest in a part of a pipeline when the other two parts of it can screw you and you are connected to it. Unless you get into one coherent income stream, or at least have a contractual framework around it, you are scared about the other components to the stream. So that comes back down to one-stop shops, consistency of access, et cetera—not necessarily the engineering but the contractual arrangements around it. Those two things—competitive neutrality and getting a one-stop flow, regardless of who owns it—are pretty critical to answering your question about private sector investment. They are the very things that the industry is worried about in trying to move forward anyway.

Ms COPE—A lot of what David said I agreed with. There was a small bit that I did not, but I will talk about that at the end. I think it is very much the state of flux in access arrangements in rail which is causing the uncertainty. If you look at access arrangements more generally, in the gas industry, for example, there are large amounts of investment going on within an access regulation environment because people know what the access regulations are. Whereas in rail we have got a commitment that there will be an interstate access regime but people do not have a handle yet on what terms and conditions that is going to generate.

In terms of investment and access, it is really important to think of both sides of the investment coin. It is not only the investment in the infrastructure that means you have to get the access prices right so you are getting the right returns on the infrastructure; it is also the investment in the above rail activity, or the activity that you are getting competition on through access, where you need to get the access arrangements right. So you have a balance of two types of investments that you are trying to get.

On the Darwin to Alice Springs rail line access regime, although I do not think we have got time for David and me to have a full-blown debate on the issues there: when we were putting together and negotiating through that regime, we were very conscious that we had a situation of a greenfields investment, where we had to make sure that the regime was consistent with the principles of other access arrangements around the place but took into account the fact that you had a risk structure facing an investor who was still trying to raise money on the project. If you put in a regime which only took into account risk after the investment had happened and the actual returns were realised, you would actually prevent investments from happening, because you would cut all the top end off any risk profile when people were looking at whether or not to invest. So that regime is the combined result of making sure you take the right risks into account when you are calculating the return and putting together the principles in a way which is consistent with what is happening elsewhere—a regime which balanced those two.

CHAIR—Ladies and gentlemen, that brings us to 4.15 p.m. I know a lot of people have commitments from 4.30 p.m. I would like to confirm that all participants will be provided with a copy of today's *Hansard* report, and later when we table our report in the parliament we will also send you a copy of that. If any of you want to expand on what you have said today, could you contact the secretariat in the next three or four weeks. We want to write our report for tabling in mid-February, so we can give you three or four weeks if you want to enlarge on anything you have said today or if something that you have heard today triggers some other response that you would like to feed into the system.

I thank you all for attending. I have found this very enlightening, as I am sure my colleagues have. It gives us a much better feel for where this debate is. I know the emphases I had at the beginning of today's proceedings are quite different from the ones I have this afternoon. That only comes about by the synergy that is generated by people like you, who are quite expert and adept in your field, and people who are prepared to come and share their thoughts in a corporate sense. That is very important.

I suppose it would be fair to say that the committee was not terribly happy with the government's reponse to *Tracking Australia*. I think that in some respects it would have been better if we could have had a response to it when it was released, rather than having to wait for the Smorgon and Productivity Commission reports also to be tabled. That diluted the focus somewhat. But if we come back now with a restatement of the facts and some of the things that have happened since, I think we will be better able to get a good response from government.

Thank you to everyone who assisted with the organisation today: Hansard, the secretariat, all the participants, including you, Roger, for bringing another dimension to it—it is very important to understand the people who work in the industry—the government agencies, especially the NCC and the ACCC. To all of you, thank you very much.

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

That this committee authorises publication of the proceedings of the rail reform seminar this day.

Committee adjourned at 4.18 p.m.