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STANDING COMMITTEE ON TRANSPORT AND REGIONAL
SERVICES

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HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON TRANSPORT AND REGIONAL SERVICES

Wednesday, 10 August 2005

Members: Mr Neville (*Chair*), Mr Gibbons (*Deputy Chair*), Ms Bird, Mr Haase, Ms Hall, Dr Jensen, Mr McArthur, Mr Richardson, Mr Ripoll and Mr Schultz

Members in attendance: Mr Haase, Dr Jensen, Mr McArthur, Mr Neville, Mr Richardson and Mr Schultz

Terms of reference for the inquiry:

To inquire into and report on:

- the role of Australia's regional arterial road and rail network in the national freight transport task;
- the relationship and co-ordination between Australia's road and rail networks and their connectivity to ports;
- policies and measures required to assist in achieving greater efficiency in the Australian transport network, with particular reference to:
 - land transport access to ports;
 - capacity and operation of major ports;
 - movement of bulk export commodities, such as grain and coal;
 - the role of intermodal freight hubs in regional areas;
 - opportunities to achieve greater efficiency in the use of existing infrastructure; and
 - possible advantages from the use of intelligent tracking technology;
- the role of the three levels of Government and the private sector in providing and maintaining the regional transport network.

WITNESSES

NYE, Mr Bryan Geoffrey, Chief Executive Officer, Australasian Railway Association..... 1

RAYNER, Ms Kathryn, Manager, Policy, Australasian Railway Association..... 1

Committee met at 9.28 am**NYE, Mr Bryan Geoffrey, Chief Executive Officer, Australasian Railway Association****RAYNER, Ms Kathryn, Manager, Policy, Australasian Railway Association**

CHAIR (Mr Neville)—I declare open this public hearing of the House of Representatives Standing Committee on Transport and Regional Services inquiring into the integration of regional rail and road networks and their interface with the ports. This is the fifth public hearing and comes at the end of public hearings and inspections at Mackay, Gladstone, Melbourne and Portland as part of a program of public hearings and visits that will enable the committee members to examine in depth a number of key inquiry areas. The committee is particularly concerned with determining how well the regional transport networks are equipped to deal with the rapidly growing task of moving freight to storage depots and to ports. Today we welcome a very important witness, the Australasian Railway Association. Do you have any comments to make about the capacity in which you appear?

Mr Nye—We represent all rail interests, from rail operators to manufacturers. We represent 100 per cent of rail in Australia and New Zealand.

CHAIR—Thank you for that. Although the committee does not require you to give evidence on oath, I should advise you that hearings of this committee are formal proceedings of the parliament. They warrant the same respect as proceedings of the House. I have to caution you that the giving of false or misleading evidence is a serious matter and could lead to an action for contempt. Having said that, we will get on with the evidence. Would you like to make a brief opening statement of five to seven minutes to give us the flavour of your submission? Will you be leading, Mr Nye?

Mr Nye—I will be. We have a presentation to lead you through. You have our written submission. What we want to do is concentrate on an aspect of this, the grain industry and the grain lines.

CHAIR—Is this done as an overhead presentation?

Mr Nye—Yes, it is.

Mr SCHULTZ—I move that the committee accepts this supplementary submission.

CHAIR—There being no objection, it is so ordered.

A PowerPoint presentation was then given—

Mr Nye—Knowing the timeframe, I will start, because I want to quickly go through the role of rail. I am focusing on grain because it is good to look at as an example of the issues involved and some of the solutions we are looking at. The role of rail in moving grain around Australia, despite the move to trucks, is such that—looking at the bottom right-hand corner—84 per cent of grain is still moved by rail to ports across the Australian network. It varies—

CHAIR—Which page are we on?

Mr Nye—I have quickly gone through onto the graph on page 3. In the bottom right-hand corner of that, you will see that 84 per cent of grain still moves by rail. In Western Australia, because the distances involved are a little bit shorter, more moves on trucks. You can see that in New South Wales, because of the distances concerned, the majority moves by rail. There has been very little change in those figures.

Moving over the page, one of the issues I want to talk about is the fact that the greatest impacts on rail in the network are the grain handling inefficiencies, not the rail inefficiencies. Some of the issues we are focusing on are in the AWB charter, which goes through the rail inefficiencies and the underinvestment in track and rolling stock and the failure of competition policy.

Moving across to the grain system, I have tried to illustrate what it was like pre competition 10 years ago. It does not take much to pick up that this is an actual line in New South Wales. The double lines are the main lines, which you can get a more modern locomotive on. That is compared to the single lines, where you have to use a 1940s or 1950s style lightweight locomotive. What I am trying to illustrate here is that pre competition the figures between the different ports were not much different. The closer in ones were a little bit cheaper but overall they were not much different.

If you go to the next slide, scenario 2, what has happened is that post competition—where there has been more competition on the main line between rail operators and the trucking industry—there has been leakage from some of the outer lines to the more modern silos because of the trucking industry being able to truck it and give greater odds. What impact has that had? If you move over onto the table on rail revenues—and these are real figures—a good example is RS. If you look at scenario 1, they had 150 tonnes. Now they are down to 90 tonnes and the rates are much the same. That has leaked to the more modern lines.

The impact of that is that there is less grain on some of those regional lines, so there is a smaller profit margin and they are less sustainable. It becomes less economic to move some of the grain on those lines, whereas on the more modern lines, because of competition the rates are coming down. The people suffering the most are those on the outer lines moving in. While there is a lot of pride in people saying in the AWB charter that we have brought the rates down, that has made the network not viable anymore. That is the real issue right across the grain network in Australia: the viability in the whole network.

I will now turn to the efficiency drivers for rail. What we are after are modern silos that can pump out a thousand tonnes per hour, compared to the traditional ones that can pump out only 200 tonnes per hour; longer trains; heavier weight trains and greater axle loads. We are after 23-tonne axle loads, but up in the Pilbara there are up to 42-tonne axle loads and coal lines in Queensland are up to 36-tonne axle loads—so we are not after much. Considering axle loads on some of these restricted lines throughout Australia, it must be understood that you are using locomotives which, looking across the board here, could have taken you to school—they are that old. We are talking about fifty-year-old locomotives. I find it amusing. We ask for more competition on the rail line, but the only competition you would get on some of those would be

from heritage rail, because to the rest of the world they are that old. We just cannot continue with them.

Turning now to the issue of grain storage sites, you will see this slide really demonstrates the problem. There are 717 sites in Australia; of these only 47 are modern sites. Some of the competition issues here are that 20 are in Western Australia, 19 are owned by the AWB, and they are all on main lines. The rest are inefficient sites on grain lines. You can see how that exacerbates our problems. That concludes my remarks about the inefficiency of the silo system.

Turning now to consider the AWB charter: currently it is a monopoly—a government approved monopoly. Unfortunately, it can actually use its monopoly power both internally and externally. Part of its charter is to reduce, by increased competition, the amount of leverage on margins within the line. Quite bluntly, they go to a trucking operator and say, ‘This is the rate we’re going to offer you to put grain onto your trucks—you accept this rate, otherwise we will put it onto rail.’ In exactly the same way, they go to rail and say, ‘You accept that rate or we will put it onto trucks.’ That is fine when you have not had much of a season, which we have not, right across Australia, except in Western Australia in recent years. But this year, when it is looking like a big season, there is a shortage of trucks and truck drivers. Rail is at capacity elsewhere on the network moving freight, so grain is going to have a bit of a problem to get its product to market along the network. So the whole AWB charter is effectively saying, ‘Let’s reduce competition, let’s reduce the price in the logistics chain,’ but it has no view at all about what is sustainable in the longer term. That is something of which we are quite critical.

I turn now to rail inefficiencies. You would all have heard about the operating lines that are not economically viable. We continue to do that. That is partly because we have community service obligations. Some of those will expire shortly. Small locomotives and wagons have low speeds due to the track conditions. You are talking about 40- to 50-year-old locomotives and you cannot get a modern locomotive onto those lines, unless you do something to modernise them.

I turn now to industrial conditions. There is the thing about having two drivers and only having them working for a short time. You can imagine sitting alongside a silo where they have got to load over many hours. It will take sometimes three or four days to load a train. The cost of that to the rail operator—

CHAIR—Three or four days?

Mr Nye—Three or four days, going down. The train goes to the silo, it sits there for a long time because of the industrial regulations—that is, the amount of time that the drivers can work and the amount of breaks that they have to have—and then they have got to go to the next silo. So, by the time you get the train ready and fully loaded, you have got to swap crews and have two drivers. The number of drivers we need to move grain trains around, compared to coal trains, is quite remarkable.

Mr McARTHUR—What do you think is the difference between coal and wheat?

Mr Nye—The difference between coal and wheat?

Mr McARTHUR—You say to move the wheat trains versus the coal trains—

Mr Nye—With the coal trains, apart from in New South Wales, elsewhere in Australia they have a single driver, so they can move down the network quite quickly. The efficiency is in actually moving it down the network over the short distance, whereas with some of these industrial relations issues brought on by the RTVU the drivers have got to sit there for four hours, and if they have been sitting on the train for four hours they have got to have a break, and then they move to the next one. So you might have four or five crews standing by to get one train back onto the main line.

Mr SCHULTZ—You have also got another problem with your system, as far as grain is concerned, in as much as you have also got ground-dumping sites that are covered by tarpaulins, where trucks drop it on the ground and then it is augered off that into trucks, again at the end. The inefficiencies are rampant, right throughout the industry. They are alongside existing silos that I presume are full or are nonoperable.

Mr Nye—Yes. Turning now to the inherited maintenance deficit, it is significant on many lines. Recently we have had some federal government money helping us with the Eyre Peninsula to sort that out. But, just to put it into perspective, in certain areas grain trains were down to seven kilometres an hour restrictions—seven kilometres an hour.

CHAIR—Is that on the Eyre Peninsula?

Mr Nye—On the Eyre Peninsula.

CHAIR—That is narrow gauge, isn't it?

Mr Nye—It is narrow gauge. Many of the lines in New South Wales date back to the 1880s and 1890s. The rail track has not been upgraded since then. So that is part of that. The cost of rectifying that is really not economically viable for any rail operator because the rate of return you will get does not make it economically viable. Low-volume branch lines must close because there has to be some rationalisation. There is a reluctance to do that, but we believe quite strongly that we need a rationalisation approach.

I move on to productivity competition. The difference between road and rail pricing lacks transparency and equity. We are priced on two totally different models. We are apples and oranges and yet we are competing with each other. We could discuss that in some depth. Rail's competition is not rail; it is actually road. That is what we are looking at. Rail versus rail is really not competitive. It has a lot to do with the different pricing models that you have. Part of that is that the costs of trucks are masked a little bit. When I say 'masked' I mean they do not pay the externality costs: the damage to the roads, environmental damage—all of those things. The models are totally different. One of the greatest changes we could effect on the transport industry is to have a whole review of the pricing models for rail and road, because that is really inhibiting us right across the network.

With the economic regulation, the service provision and the amount of time that you spend on the track, are what are sustainable over the longer term. Overall, we are in a bit of a negative spiral at the moment. There is no investment and no return. The rail operator will not invest in new rolling stock, because he is not sure whether any new track investment will happen. So more is going onto the roads. If you increase the amount going onto roads, you get more road

maintenance, more trucks, community concerns and, eventually, you will have increased costs to the whole network, and it is just not sustainable. Particularly in New South Wales, the community service obligation for Pacific National to continue operating expires in 2007. Why would they operate a railway line when they cannot get a fair return? They would not, and it would be quite a crisis situation.

So what needs to be done? From our view, obviously the number of depots needs to be reduced; low-volume branch lines should be closed; loading rates and the asset utilisation operation operating hours need to be improved—move to 24 hours, with modern use—and a planned, coordinated road-rail system needs to be established. We are not saying it all has to go onto rail, but somewhere you have to have economic rationalisation: good trucking networks, modern silos and putting long distance onto rail.

The integrated supply chain is about getting into something other than self-interest. To be blunt, trying to get the AWB and GrainCorp to come to the table so that we can actually discuss some of these issues is proving quite difficult. Their public view is that it is up to government to sort out this problem. We believe that by working together we can come up with a better solution and some of that includes looking at the whole supply chain model. It will require some government money—probably state and federal government money—but the federal government and state governments do not want to invest unless they have a sustainable supply chain.

Mr SCHULTZ—You have that right.

Mr Nye—We do not have that at the moment and we are well aware of that. We believe it will take dollars from the grain industry, the rail industry, the road industry and governments, but let us come up with a supply chain model. Our bottom line is: let us come up with a solution, not a problem. We are having some trouble getting focus from the grain industry at the current time. I will pick one element. We could go right across the network, but grain—across the whole network across Australia—is really in a crisis situation. If we have a bumper crop this year, that will be a challenge.

CHAIR—In a way I am a bit disappointed—although not with the quality of your submission—because I think we were looking for your view on some other matters, such as the connectivity to the ports and the arterial rail systems. You have concentrated most of your submission on grain.

Mr Nye—Not in our written submission. This is a supplementary submission. I could take some hours going through the connectivity of the whole system overall.

CHAIR—Yes, I see what you mean.

Mr Nye—So I am just trying to focus on what is a good example of all the problems that come out in rail.

CHAIR—This being sort of symptomatic of other problems.

Mr Nye—It is symptomatic. You can talk about iron ore or coal—the whole freight scene is a very complex situation. If you look at the problems of the grain industry, which are so pressing at the current time, they are symptomatic across the network.

CHAIR—Why is it that iron ore and coal can get their act together but not grain?

Mr Nye—Because iron ore and coal are willing to invest in their supply chain. With iron ore, the operators, the mining companies, invest in their own supply chain.

CHAIR—Do the grain organisations pay a levy or a royalty towards rail upkeep?

Mr Nye—Only the access fees that are set by the access owner, which is state governments. But the competition is road versus rail, and rail sets its fees on what is available on the road.

CHAIR—Can we talk for a little while about Victoria, because we have just come back from there and we looked at the port of Portland and the connections to Portland from north and north-west Victoria, and also into the Mt Gambier-Penola area of South Australia. It seems to me that, if you look at the map of the grain lines in that area, all the ones along the borders are the ones that have closed—presumably because neither state wanted to take responsibility for them.

Mr Nye—There has been no investment in regional rail in any states except Western Australia and Queensland. They just have not invested in that infrastructure.

CHAIR—How do we get to a point of deciding what lines stay and what lines go? If you look at Victoria, all the spines go out from either Melbourne or Geelong, with some from Portland. The spines go out like that. Some of them go into southern New South Wales as well. What is the solution? Have you guys got a priority? Have you done a study on which lines are viable and which ones are not?

Mr Nye—You can do a study from a rail perspective, but you need to get the grain industry in the room at the same time. What has unfortunately happened with grain in the past is that they have actually been trying to outdo each other. You have had the competition between grain groups trying to say this is a supersilo, with AWB versus GrainCorp. It is a historical fact that they are trying to outdo each other. What we really need to do is sit in the one room and say, ‘What is the most efficient transport network’—it should not just be a rail network—‘and where should the silos be put in the future?’ Some will require quite a lot of trucking towards those supersilos in regional areas, and then it should be networked down to the ports by rail.

Mr McARTHUR—That is completely counter to what the Australian Wheat Board were telling us just a week ago. The thrust of their submission was that there was no competition between the grain handlers and that the Wheat Board and wheat growers had been disadvantaged. I did point out to them that they had a monopoly position and that it was surprising that they were suggesting that GrainCorp and the other grain handlers were not competitive. I also raised the issue of cherry-picking—and that is supported by your evidence. You might add another comment that they were picking the main lines to put their three or four depots on. Could you help us a bit with that argument?

Mr Nye—That is exactly right, and they have been quite open about that in their submission to—

Mr McARTHUR—Except that, in their submission to us, they were very defensive. They said, ‘Oh, we’re not cherry-picking; we are just being more competitive.’ It seemed to me, on your evidence this morning, that that is a perfect example that they did not want to look after the subsidiary grain lines and so, when there was a big grain harvest of 23 million tonnes, the whole place was going to be in chaos.

Mr Nye—Yes. That is exactly right. AWB is competing with GrainCorp.

Mr McARTHUR—What are you suggesting as a rail operator? Are you suggesting that you should get them in the one room and belt their heads together?

Mr Nye—That is exactly right, and that includes our rail operators also sitting in the same room with the transport operators. And we have to do that, but they are not willing to come to the table at the current time.

Mr McARTHUR—Who are they?

Mr Nye—AWB, GrainCorp and others. If you look at their submissions, you will see that we have to put more money into infrastructure. A lot of this is not infrastructure.

Mr SCHULTZ—It is more complicated than that, is it not? We have a situation where your organisation says that to make the system efficient you have to reduce the number of depots, you have to close low-volume branch lines and you have to do that in an environment where you have 717 storage sites. Leaving aside the people you are talking about who cannot get together and make a decision, you have political decisions having to be made by state governments who own the branch lines and they are not making decisions because they are getting political pressure from the producers who want the branch lines opened. As far as the federal government is concerned, it is a very difficult situation to be placed in because you have a multitude of things compounding the problem and a multitude of vested interest groups who are all over the place in what they want for more efficiency in their business. It is very difficult. Do you want to comment on that?

Mr Nye—I totally agree. One of the submissions we are trying to get coming out of another review at the moment is moving towards a national transport regulator, like the energy regulator, and the federal government taking over. Having seven state regulators looking after access regimes across seven states is just bizarre. We have seven safety regulators and environmental regulation. We have 70 different regulations impacting across the whole network. That is just not sustainable over time.

We are sorting that out on the intercapital network and we have made major progress on that. Getting to the next level where we have the regional hub sorted out, we really have to start making some progress. We are quite keen on a national transport regulator. A good example is what we achieved on the Eyre Peninsula where we got—unfortunately the one unknown at the moment is the state government—some money from the federal government, the Barley Board put some money in, the growers association put money in, the local council put money in and the

railway operator put money in. We went to the federal government, under their AusLink program, and said, 'Here's a combined approach, a way to solve the situation,' and the federal government provided money.

Mr McARTHUR—To upgrade the infrastructure, though.

Mr Nye—To upgrade the infrastructure only.

Mr HAASE—I want to qualify that. When you say 'upgrade the infrastructure' are you talking about the rail track or are you talking about storage facilities?

Mr Nye—The rail track because the federal government money went into rail track only and the Barley Board money went into upgrading storage facilities.

Dr JENSEN—It appears to me that what you are saying in effect is that transportation costs, what is actually charged to the people using the service, are too low. If governments and other organisations are having to top up to get the infrastructure right—you mentioned road costs and parity and I would agree with that—it appears to me that the people who are using the lines or the trucking services are not paying commercial value.

Mr Nye—That is exactly right.

Mr SCHULTZ—Can I introduce a new element in this which people may not have thought about. When you make a comparison between the eastern states and Western Australia, you are looking at chalk and cheese in terms of the difficulties of investing in infrastructure. It is chalk and cheese because you have a population spread in small communities right across the eastern states and in Western Australia there are vast distances between population bases, as an example. Any move that you make to remove branch line infrastructure such as silos is going to have a social impact on the small communities which, in many respects, are dependent on those silos. So there is an added social problem that people have not thought about, which makes it even more politically difficult for the states to remove or shut down branch lines.

CHAIR—You just cannot lift up a silo and move it.

Mr SCHULTZ—It is a very serious issue in relation to what the federal government is trying to do to keep our small rural communities viable. This is an inherent danger for the survival of many small rural communities. I just make that point for what it is worth. Whether it is right or wrong is an academic argument that you can take on in many ways, but the reality is that once you start removing silos—717 silos—from all around the countryside that leads to the situation where the branch lines close and you take away all sorts of things that could assist in keeping those communities viable, such as running tourist trains et cetera.

Mr Nye—There are some models overseas. What happens in Canada and the US with some of those sorts of lines is that the local grain growers and the local councils buy the lines and operate them in a different way—but they only buy them after the federal government has brought up the infrastructure to a usable standard. The whole model that we are currently operating in Australia is not sustainable.

Mr SCHULTZ—They would use those as spur lines feeding into—

Mr Nye—They use the spur line to take it to the main line, where it is picked up by one of the super operators that takes it to port. That is a different model that we just do not have in place in Australia.

Mr McARTHUR—Unless investment is put into rail, which this committee has said over a number of years, the system will fall over, disregarding some of these social arguments my colleague was talking about. What you are saying to the committee is that the lack of investment, particularly in these spur lines, is such that in the foreseeable future they will just stop.

Mr Nye—They have been privatised. Why will a private operator continue to operate if he cannot make profit? He should not be forced to, unless the government is willing to provide him some community service obligation to do so.

CHAIR—What is the ownership of most of these grain lines?

Mr Nye—Each state is a little bit different. In Queensland they are still politically integrated. In New South Wales the state government still owns the line. In Victoria they own the lines and have leased them to PN but have put on an access regime to keep open access. In South Australia it is owned and vertically integrated by ARG. In Western Australia it is leased to ARG through WestNet. So each state is a little different. In Tasmania, which does not have a grain industry, it is owned by PN.

Dr JENSEN—What is your view on how to go about looking after the infrastructure? Governments, state and federal, fix up the rail line but then the rail operators have to charge a fee to whoever the users are to make future infrastructure maintenance competitive so that the actual rail owner can afford to continue maintenance on the rails; and as far as road users are concerned, with trucks and so on, I guess they put on a tax for road damage and so on to make it competitive. How do you end up with a parity situation? It appears to be that, as we had discussed before, the actual end users of the rail or road services are not paying market value for the service that is provided. So how do we fix it?

CHAIR—But they might argue that because the states have allowed the infrastructure to fall to such an appalling level, why should they?

Dr JENSEN—Yes, but what I am saying is: let us assume that we actually upgrade the rail to acceptable levels. We do not want to go back to the situation that we have now so that in 30, 40 or 50 years we are looking at exactly the same thing again.

Mr Nye—There are some real policy levers there. One is the competition policy lever, and currently there are the different models that road and rail are priced at. If you allow competition to just stay there, eventually the trucking industry, because it has a different pricing model, will take most of the grain. Is the highway network capable of handling it? Are the ports capable of handling all those trucks? The answer is no. So you really have to make a fundamental policy decision at government level as to what you do want. Do you want a road and rail balance? Where do you really want to do that? What is best for the future of the community? Once you have made that decision, what are the policy levers you need to apply to actually do that? We do

not have that currently. We have said, 'Let the market sort it out', but the government does intervene because it puts different pricing models on the two operators.

Dr JENSEN—So how do you fix that up? How do you balance that?

Mr Nye—With respect to pricing, we think the Productivity Commission should do a review of the pricing models between the two sectors. We are trying to push that through COAG right now. With respect to infrastructure, I think it is a matter of sitting down with the grain industry and asking, 'What is the most rational network we can have?' Some branch lines will close, because some of them just are not viable. But we need to put the silos in places which suit not only the transport network but also the environmental and social networks in some of the regions.

CHAIR—If we leave it for another five years, even more will close.

Mr Nye—I am not talking about five years; I am talking about this year. If we have a bumper crop—

Mr SCHULTZ—You are absolutely right.

Mr McARTHUR—What about an open silo system instead of concrete, so that you just put a tarp over it—you put the grain on the ground and pump it out?

Mr Nye—With a modern silo—and you have probably visited some of these—you can get 1,000 tonnes per hour into a train, the train is there for a very short time and then it goes straight to the port.

Mr SCHULTZ—I painted the scenario earlier of the grain being dumped on the ground and covered with tarpaulins. That is already occurring because the system cannot cope with the volume of wheat that we have had in the last 10 years. We are looking now at a bumper crop, so that problem will be compounded to the extent that more grain will be dumped on the ground and double or triple handled. It will make it more inefficient than it is now. Getting back to the points you have made, who is going to pay for the super silos? That is the first question. Do you have any figures for this committee in relation to the cost per kilometre to upgrade or replace the track that needs to be replaced to feed the super silos?

Mr Nye—It is a bit of a chicken and egg situation. We are not quite sure where the grain industry wishes to put their super silos. That is why—

Mr SCHULTZ—There must be a ballpark figure, surely, for a cost per kilometre.

Mr Nye—We can try to come back to you with a figure, but it would be based on our guess as to where the super silos should be located because we do not have that information.

Mr SCHULTZ—Could you give us a scenario or a model? It does not necessarily mean that the model has to be based on reality, but you must have some indication, from the problems around the countryside, of where you would need to put them. Could you give the committee

that information? It is very important that we have that sort of information so that we can make recommendations.

Mr Nye—We will come back to you on that point.

CHAIR—I would like to go a little further than that, if I could.

Mr McARTHUR—The Wheat Board in their submission made no comment on the super silos. They basically said, ‘More competition.’

CHAIR—Building on what Alby said, let us not have a theoretical model. By all means give us the optimum theoretical model but can you also give us the example of a track where you might implement this, where you might close part of the line and do a—

Mr Nye—We are trying to give AWB and GrainCorp a kick-along.

Mr SCHULTZ—I know that track. I know exactly where it is. Why can’t you use that as an example of what you are proposing? It is not necessarily going to happen, but because of the spur lines and branch lines that are going into that system—and I know it well—you should be able to put a super silo there and give us an indication of costs.

Mr Nye—We want to pick one line that has a combination of AWB and GrainCorp on it. To be blunt, getting GrainCorp and AWB to come and discuss a rationalisation has been quite difficult. We have put the offer out to them, because we want to put a model together.

Mr McARTHUR—They don’t want to talk to you?

Mr Nye—You have seen their submission: the government should put more money into infrastructure to solve the problem. We do not believe that is the answer. We do need some money in infrastructure but there are other levers that governments can use to sort out some of these problems.

CHAIR—Would it be fair to say that the deregulation of rail—I am not talking more broadly about trunk routes—or the so-called competition model worked on branch lines, on grain lines?

Mr Nye—No.

Mr SCHULTZ—You can’t get a more compelling answer than that!

Mr Nye—When you look at rail, the intercapital network from Perth all the way through to Brisbane, you could not get another container on there currently. It is at capacity. Until money is provided by the government to upgrade the ARTC, it is absolutely at its capacity.

Mr McARTHUR—Which one is this?

Mr Nye—The network from Perth all the way through to Brisbane—the intercapital network. It is at capacity right now, and it will not improve until we get funding to upgrade the lines.

Mr McARTHUR—Make that argument strongly to governments that the east-west line is working very well on long-haul stuff. We have to mount the political arguments. The public do not understand some of this technical stuff. They understand 90 per cent east-west and they understand 20 per cent north-south, and we need to get those sorts of arguments into the public domain, in my view.

Mr Nye—We try hard to do that.

CHAIR—Coming to that point, can we finish on grain because I want to get into some other areas with you. Are there any more issues on grain?

Mr McARTHUR—You have talked about the grain collection in the inland. This committee is a bit concerned about getting rid of the grain at the port. We saw some interesting stuff at Portland and Melbourne. Would you care to comment on the relativity? If the rail system broke down how would you get rid of the grain at the port facilities through the road network?

Mr Nye—If you have seen some of those networks and the number of trucks—Portland is a good example—how many trucks can come through the city centre and how quickly can they offload? You would be slowing down the whole operation.

Mr SCHULTZ—Absolutely.

Mr McARTHUR—We looked at Melbourne port, Portland and Geelong—the loop lines. If you do not have a rail network to run into the ports you will have an impossible situation with 23 million tonnes.

Mr Nye—One rail network or one simple train with its carriages behind it takes 150 trucks off the road. It does not take much to work out the difference between—

Mr McARTHUR—If you take the rail system out of the ports, could the system work? Let us be very political about it.

Mr Nye—No.

Mr McARTHUR—I think you ought to be making that point.

Mr Nye—We have.

CHAIR—Make the point again.

Mr Nye—The equivalent of one train is 150 trucks off the road. Some of the other savings are 44 tonnes of diesel fuel and a number of tonnes of greenhouse gases. That is in our submissions elsewhere.

Mr McARTHUR—It seems to me that it would be impossible to discharge 23 million tonnes through the port system with the road network. It would be impossible.

Mr Nye—It is impossible.

Mr McARTHUR—That is the political point you should be making: if the rail network breaks down—

Mr Nye—I made that point yesterday at the Agriculture Australia Conference—

Mr SCHULTZ—Good.

Mr Nye—and I do not think I was welcome when I left. It is true but the whole rail network—

Mr McARTHUR—That is this committee's charter. We checked it in Portland. We are upset that they are not going to put a loop line in there. Unless the rail network is improved you will not get rid of the 23 million tonnes, or potentially 30 million tonnes, through the road network. It just will not work because the infrastructure is not there. No matter what you do, you will not make it happen.

CHAIR—While we are talking about Portland, with the part of the line that has been standardised, what is that missing link from?

Mr McARTHUR—Heywood.

CHAIR—If that missing link were put in from Heywood to—

Mr McARTHUR—To Mount Gambier.

CHAIR—The other one, coming down from the Mildura line.

Mr McARTHUR—From Ararat to Heywood. The question was whether the rail operators would discharge their grain to Geelong, which was more economic on the standard gauge, or bring it down to Portland through a more complicated set of arrangements.

Mr Nye—I do not have the detail.

Mr McARTHUR—I am just saying that that was the question.

Mr SCHULTZ—In fairness to Mr Nye, he cannot really answer a lot of the questions that we are putting to him today. He cannot really answer them because the biggest problem that we have on this issue, from the briefing that we received from him and the information we are getting, is what is the best way of achieving national cooperation on major infrastructure projects such as this. The biggest problem is getting all the people together. How do we achieve that? How do we get the industry together as a whole—the rail operators, the grain producers, the grain handlers and so on—and convince them that they have to do something cooperatively to overcome what is going to be a very serious problem?

Most of the lines that you are talking about have got lightweight rail on them and red gum sleepers that have not been replaced for many years, so you are looking at a major upgrade in any case if at some stage private operators take over some of the spur lines. How do you get people together to talk about the issue cooperatively rather than looking after their own patch? They have vested interests in looking after their own patch and they have no interest in the issue.

That has been done to the detriment of the country as a whole, because it creates enormous pressure on the producers and, at the other end of the operation, the people on the export side of it trying to get the grain in and out.

Mr Nye—To be fair, AusLink actually does a lot of that on the national freight network. But that freight network is the intercapital network; it has not looked at the regional areas. Sadly for Australia we normally wait until we have got a crisis and then we come back and have a look at it. We are trying to be a bit proactive and say, ‘Let’s come up with a solution before we end up with that crisis.’

Mr SCHULTZ—They will need a crisis like we saw, Mr Chairman, with the coal ships sitting out off the coast of Queensland—

CHAIR—At Dalrymple Bay.

Mr SCHULTZ—There were 65 of them waiting to be loaded with coal because there was an international demand for our high-quality coal, and we could not cope with the demand.

Mr Nye—But there are some good examples of where industry has worked together. There is the coal network in the Hunter Valley—I do not know if you have visited there. The two train operators Queensland Rail and Pacific National, together with the actual coal mines and the port have got a management committee and, of interest, they have actually shortened the length of the trains. By shortening the length of the trains to the port, they get more into the network, into the path, and increase the productivity of the port. I would not like to be held to this figure, but I think they have increased productivity by 20 per cent without spending a penny, by all sitting round and rationally working together. That is a model I like, but we have not got that far. I do not think the precipice is close enough for others to sit round the table and start talking about it.

Mr McARTHUR—It might be this year, though, if we get some more rain.

Mr Nye—Yes. I think that is the case. And I think it could be too late then.

Mr McARTHUR—From Dunolly to Maryborough?

Mr Nye—I will have to take on notice. I am not an expert on the whole Australian rail network.

Mr McARTHUR—Can I just say on the record that that is a perfect example of rail versus road. The Victorian government saw the merit of putting an extra bit of standard gauge between Dunolly and Maryborough to save the road network. If you did a bit of work on it, you could bring it back to the committee as a perfect example of the relative merits of capital investment into road, which would be ripped up by wheat lorries, and capital investment into better, upgraded rail track.

Mr Nye—Yes. There are many examples of that all round the country.

Mr McARTHUR—We could give a few more, but that is the best one in Victoria.

CHAIR—We might leave the bit on rail for a minute and talk about some other things. You touched on the intercapital network, Mr Nye. We would be interested to hear your views on an inland rail line from Melbourne to Brisbane, Melbourne to Toowoomba or Melbourne to Gladstone even.

Mr Nye—As the co-chair of the study, I obviously have a very positive view of it. The investment that is going into the east coast track from Sydney to Melbourne and Sydney to Brisbane at the current time—the \$1.5 billion or \$1.6 billion that will go into that track—will take it up to a certain level. It is overcoming a deficit from the past. That line will reach capacity—part of the study has found—in between five and 10 years. Then it will need another major investment. When it reaches that capacity, you will have only taken a small percentage of freight off the road network and onto the rail network.

If you know the geography of the North Coast, with all those headlands as the rail loops around, you can appreciate how the cost of tunnelling through all the headlands to get double stacking models would probably make it less cost-effective than putting in a railway link from Melbourne to Brisbane. It is only a matter of time before we need that link. I am not going to say where the track will go. That is part of the study's view. But the need to move freight efficiently between the capital cities will demand that that line be built sooner rather than later. Why it has not been built now is partly to do with the geography of the country. It will have to have some government assistance to get through the Toowoomba Ranges. If it were not for the Toowoomba Ranges, you could do it now.

You have got to get down into Brisbane somewhere. We believe it should go from Melbourne port to Brisbane port. It should approach Sydney to alleviate some of the problems in Sydney coming from the south-west and the north-west, and the centre of Sydney is well to the west of Parramatta so that will relieve some of those areas. The industry is solidly behind putting together the economic case for that. The economic case will require some government money, but I can say quite clearly that Queensland Rail and Pacific National, the two major operators, are quite keen on investing in that railway line. It will be a modern railway line. We are talking about 100 kilometres-an-hour trains that are two kilometres long, with double-stacking the whole way. If you think about trying to double-stack container trains out of Melbourne right through to Sydney, with the number of bridges you would have to modify and all the different infrastructure you would have to change, sometimes it is better to actually come up with a new line. Even at the most optimistic level, you would probably take less than 50 per cent of the freight off the road onto the rail, but it would change the whole east coast transport network. It needs intermodal hubs. Trucks will bring the freight there and use the rail far more efficiently than we currently do.

Dr JENSEN—Dollars for the inland line?

Mr Nye—The estimate we have got is \$2.5 billion, which compared to freeways is not that much. The figure is \$2.5 billion to \$3 billion. The federal government, in the discussions we have had, have said they would fund up to a third of that. The funding of that third is to overcome the geography problem around the Toowoomba Ranges. The private sector would then have to spend about another \$2 billion on modern rolling stock to put on it. The average age of locomotives in Australia is over 30 years, compared to the US, where it is only eight years. We

need a new injection in that. There is a keenness to do that. We probably need that sooner rather than later.

Mr SCHULTZ—On that particular program, does that plan include the stretch of line between Wagga and Cootamundra: the inland route?

Mr Nye—One of the requirements of the inland route, which the project will be looking at, is the optimum route.

Mr SCHULTZ—The reason I am asking that is that I was leading up to asking you, once I had this answer from you, about one of the problems that you have in that particular section of rail: the loop at Bethungra. That is steam train era stuff. Have you got many of those on the proposed route? Would they have to be removed to make it more efficient?

Mr Nye—There are quite a lot of those to remove. The initial thinking is not to replace; it is to use the corridor from Melbourne through to Cootamundra and Parkes, and then follow the Newell Highway up there. But I not going to come out and say that that is the route, because part of the study is to actually provide the optimum route. It is not going to stop at every town on the road. This is going to be a high-speed train network between the capitals. Once you have got that you will have the ability to actually build a better regional rail network that feeds into that.

CHAIR—You see the western and central-western New South Wales area feeding onto that just there: spur lines onto that?

Mr Nye—If you had an efficient rail network it would do that.

CHAIR—Could it handle grain as well?

Mr Nye—It could handle grain.

CHAIR—Would that require going through Werris Creek, through the Morundah range to the Hunter Valley?

Mr Nye—That is part of looking at where you would go. Would you take grain down to Newcastle when grain is competing with coal through Newcastle? Would you then have a longer-term view and take grain to Brisbane, to Fisherman Islands, which has a capacity to take more, or would you go down to Melbourne? I think you really have to look at what is the best logistic chain. I am not in a position to say at the moment—I know what we have got now is not right—but part of this study is saying what is the optimum. Coming down through Werris Creek there is difficult terrain.

CHAIR—When you say \$3 billion—and you qualified that \$1 billion of that would have to go into the Toowoomba range—for the other \$2 billion you talked about rolling stock. What is the raw cost of the track?

Mr Nye—Price? It costs about \$1 million per kilometre—that is the gut reaction—to build the railway.

CHAIR—But a lot of this is already built, and I know it has got to be upgraded. What is the actual cost? You say \$2 billion has got to be spent by private industry and state governments. How much of that \$2 billion is the actual line, as distinct from the—

Mr Nye—That is the whole line: the line, the tunnels, the network, the bridges.

CHAIR—That is the \$2 billion?

Mr Nye—It is \$2 billion to \$3 billion, and I think that is what the study is going to try—

CHAIR—If the federal government provided the \$1 billion on the Toowoomba range, do you think that private industry would provide the rest?

Mr Nye—I can go on record and say that Pacific National and Queensland Rail said quite clearly in a letter to the Prime Minister that they are very keen on that and willing to invest in that type of railway line. And they are the two biggest railway operators.

CHAIR—When will you have your report?

Mr Nye—That report is due to finish in June next year.

CHAIR—That is the detailed engineering report, is it?

Mr Nye—The biggest issue is not the detailed engineering, because I think that has been done to death by so many operators; it is actually the economic analysis to say when the east coast line, currently Sydney to Melbourne, tops out on capacity and what is the economic case for building a new railway line. That is the important part of the study.

CHAIR—Who will be the operator of that line—ARTC?

Mr Nye—We have not worked that out yet. That is an issue that the industry has to sit down and discuss with the federal government. That is a difficult question but something that we need to resolve.

CHAIR—Will your committee be giving consideration to alternatives? That is something Mr Schultz just mentioned. There are two or three crossings from Victoria into New South Wales. When we were doing this Victorian thing, someone commented that, if we followed one of the grain lines up into New South Wales, that perhaps solves another problem—replacing one of the grain lines.

Mr Nye—I have many letters from many people saying, 'If we went this way, we would sort this problem out,' but that is why we are having somebody independently look at the whole thing and that is why I will not say where the route should be.

CHAIR—It is to be hoped that one of those tracks would do that, isn't it?

Mr Nye—I think if there is track in place that has been modernised, that you have spent money on and is capable of being used then you would want to do that. But if you do have a

modern railway line from Melbourne to Brisbane you would change the whole transport network throughout Victoria, New South Wales and Queensland.

Mr McARTHUR—So you basically have it becoming a greenfields site railway?

Mr Nye—The current thinking, and it is only the thinking, is to use the current line from Melbourne probably up to Parkes, then greenfields from Parkes through Toowoomba into Brisbane—Brisbane Port, not into Brisbane. That is what the study has to do; to justify that.

Mr RICHARDSON—Mr Nye, my question is a bit out of left field. You talked in your submission about apprentices and the skills shortage. Is the rail industry strong on the apprenticeship program and does it know where it is going?

Mr Nye—We have established what is called the Rail Skills and Careers Council, for the first time trying to get the rail industry to work together. We are trying to, firstly, identify what our shortages are and do that cooperatively. We are looking at programs such as T3, which you might know about from the automobile industry. We are looking to use that type of program, possibly in Western Australia, because we have a small area there that probably suits that. For the first time we are trying to quantify right now what the shortages are and how as an industry we can approach those, from graduates all the way down to train drivers.

Mr RICHARDSON—Where are you at with that study? Have you identified any key or core areas that are urgent?

Mr Nye—Train drivers. Anecdotally we are told we are 1,000 train drivers short, but I do not want to respond to that until I know exactly, and so we are going to each of the major operators—fortunately, in rail there are not that many—to find out exactly where they are short of people and their future projections et cetera. Overseas, technology is moving forwards so that, on certain train lines, trains carrying coal and iron ore do not need drivers. So we really have to work out, ‘What is the best training we are doing?’ To be fair, the industry has only started to work together in the last five years.

Mr RICHARDSON—What about the implementation of the recruiting project?

Mr Nye—That is very much under way and they are trying to move to ads nationally and find better ways of doing it.

Mr RICHARDSON—Thank you.

Mr HAASE—Bryan, it is good to see you here around the table. I am concerned with Western Australian situations, in the main, although as part of this important committee I want to advance the solutions to transport problems across the nation. You have specifically picked on the grain handling system in the nation, and as a Western Australian I am acutely aware of the current state of play with grain handling in the west. I seldom waste an opportunity to highlight the fact that the monopoly that is Co-operative Bulk Handling in Western Australia is one that works very well. I note that you are proposing that a guarantee of the supply chain and a model that gives certainty is something that you believe would be desirable. Is it a model similar to that of the rail and handling monopoly that CBH has in WA or do you see a strategy that is more akin to

Pilbara iron ore producers? Would you like to explain your stance on the basis of those two contrasts?

Mr Nye—I think you have to consider another element. In Western Australia, the Western Australian government has recently pulled CBH, ARG and others into the room and sat down and reviewed the whole state of rail in Western Australia for the grain network. They have just completed that study. That was done by STB working with the Western Australian government. So I think overall the grain network in Western Australia is probably in a better state than the grain network in the rest of Australia but it will need major investment in the next five to 10 years.

But again there is a rationalisation and you will see in these figures that there are more super silos in the west than there are anywhere else in Australia. That is part of the rationalisation that they are moving towards. In Western Australia—in your home state—they are actually doing something about it, but that is like an island. It is working reasonably well over there, but those are some of the principals that I am talking about. The Pilbara railway is totally vertically integrated. When you have competition between roads and rail, there are two different models. Rail that ships ore directly from a mine into a port handling facility is almost like a conveyor belt and that is an efficient operation. Grain has a different, vast network like a spider web and you cannot compare it. But you need to have a network that uses both road and rail in an efficient way, and I do not think we have an example of that anywhere in the country.

Mr HAASE—Can you give me any highlights of the outcome of discussions between CBH and Western Australian rail?

Mr Nye—We have not seen that report yet. It is a government report and I really want to reserve my comments until I see it. I know it was not an easy discussion but we have not seen the outcome of the report yet.

Mr HAASE—You mentioned vertical separation of infrastructure and rolling stock and yet the experience in Western Australia—as a result of the unique arrangements for the sale of track—was that it created a situation where the lessor of the track infrastructure is the same as one of the track users, didn't it?

Mr Nye—Yes.

Mr HAASE—Do you see that in that situation there is any greater profitability? You made the point that where the vertical separation has taken place it has driven operators and investment away. In that Western Australian environment does it conversely encourage the operator to make investment in the track?

Mr Nye—Not when he has a user access regime where he is only allowed to charge a certain rate and the rate that he can charge is what is being recovered from the roads. Where he is in competition with the roads the whole time he cannot actually charge a market rate to enable him to get sufficient return to put capital investment back into the line.

Mr HAASE—I presume I am reasonably correct in assuming that rail nationally would expect government simply to come to the table and make a capital contribution to rail

infrastructure so as to make it more efficient and effective for rail operators to charge a reasonable rate and make a profit. Is that the basic thrust of your argument on behalf of rail?

Mr Nye—You have road and rail priced in two different models. If you are not going to look at that issue, the only way around that is to say: ‘Okay, we accept there are two different models, so we are not going to change the way that rail is being priced. We are going to have to make some investment to make up those differences to make it economic.’ That tends to be the way governments view investment in rail.

Mr HAASE—On reflection, do you see that potential buyers were a little overanxious to acquire what was basically government infrastructure?

Mr Nye—I think they saw the opportunity for running a railroad. There was some naivety in the understanding of the complexity of the regulations in place and that they were not able to recover some of it.

Mr HAASE—And yet we had some pretty well experienced international high-flyers involved in the market process, didn’t we?

Mr Nye—But they came out of the US market, where you have a totally different model. They have an economic regulator in the US—the Surface Transportation Board—which actually sets the economic pricing regime for rail in the US right across the country.

Mr HAASE—From the point of view of those American owners of some Australian infrastructure now, you would have us believe that they are of the impression that the American system is better?

Mr Nye—Without a doubt, yes.

Mr McARTHUR—Except that the Americans had a great chunk of taxpayer dollars to keep it alive.

Mr Nye—Without a doubt—the Staggers bill went back and changed the whole configuration. You have seen a whole series of rationalisations.

Mr McARTHUR—I had to get that on the record. The American rail system nearly fell over totally until Congress came in with a few billion dollars to resurrect it. We have to make sure that is clearly understood.

Mr Nye—Congress still funds passenger transport. An amount of money goes in because of the community value that is seen in that. Governments around the world cannot walk away from transport infrastructure because it is part of their community need. The private sector can never fully do it unless it charges a toll and gets a rate of recovery to do that. But toll roads are not the same as toll railways. It is totally different.

Mr McARTHUR—It is worth noting that the actual infrastructure in the north-east of the USA fell over because there was no investment until the government picked up a massive reinvestment about 15 years ago.

Mr Nye—Yes, it did.

Mr HAASE—That was the federal system.

Mr Nye—Yes.

Mr HAASE—The point I am getting to is that it ought to be in best practice, surely, that, if the federal government makes a contribution to rail infrastructure, it ought then to be able to have some say in the freight model, the supply chain generally and perhaps the manner in which rail is made more efficient for some locations as opposed to others. Yet that is an area where, of course, in the past, state governments have been specifically and singularly involved.

Mr Nye—Yes. That is why we really promote this move towards a national transport regulator to look after the economic regulation of transport across the whole of Australia. By transport I mean not only rail; we should be looking also at covering the port infrastructure as well as trucking in terms of economic regulation.

Mr HAASE—We have a national regulator currently proposing some radical changes to the trucking industry. That has not proven to be very successful.

Mr Nye—It is one element only that they are looking at. That is the difficulty. Currently you look at different elements of it without saying, ‘What is the logistic chain and what is the most efficient way of doing it?’ The federal government did that with energy. You now have one energy regulator. The impact of transport on the economy is so huge—it is 9 per cent of GDP. The need to do that for an efficient operation is pressing. If we do not do it, it is going to impact on the economy of Australia.

Mr HAASE—The rail infrastructure today has the capacity to take only a small portion of the increased freight mass over the next 20 or 30 years.

Mr Nye—Without a doubt. Even with the investment on the east coast to improve that east coast corridor, we will not increase our share. As the capacity increases, we will still keep our share. At the most optimistic we can get to 30 per cent, and that is not what anybody wishes to see.

Mr HAASE—I am sure that we, as a federal government, would like to see a preparedness amongst those freight carriers on rail to be very cooperative in the development of a freight model. If they were to get a windfall of funds from the likes of AusLink then we would expect to see some cooperation there.

Mr Nye—One of the fortunate advantages that I certainly have as the CEO is that I see there are not that many rail operators around there. They are all my board members and some good examples are on the eastern goldfields railway line. The two major operators on that line are quite willing to make quite sizeable investments in cooperation with the state and federal governments to improve some of the efficiencies on the lines. It is a bit more difficult in the trucking industry—where you have 90,000 different economic units operating around the country—to get a consensus on that. But with rail you can achieve that. Modern rail, which has

been privatised only in the last few years, is willing to work cooperatively together to rapidly progress some of those issues.

Mr HAASE—Your members frequently use the term that they are concerned with improving the freight model ‘in the national interest’.

Mr Nye—Without a doubt, because the impact we can have on the economy if we improve that freight link is in the national interest.

CHAIR—Following on from that question, the former transport minister used to say there was 35 per cent freight on the Melbourne-Brisbane coastal corridor, but you say it is 30 per cent. Do you have freight projections for upgraded lines and what they could achieve?

Mr Nye—We produced a report called *The future of freight*. It is quite a sizeable report, and I think the committee has a copy of that. It goes into some depth with respect to those figures. Our reason for putting that report together is that in the past Rail had said, ‘We need faster trains, straighter trains’—all those things, without putting forward the economic necessity of why it should be happening. That report was quite costly, but it goes into some depth, including establishing what the economic benefits of rail versus road are. Those figures are contained within the report.

Mr McARTHUR—I raise the issue of the position of New South Wales of moving grain to the New South Wales ports. Would you like to give us a view as whether it is working well or it is reaching capacity? What is the state of play?

Mr Nye—It is not working well and it will not get much better—it will get worse. Already, in Newcastle you see, with the demand for coal, that getting paths for wheat trains into Newcastle will become more difficult because the pressing need is to get the coal out. But, as you know, the problem in New South Wales around Newcastle is that passenger trains have priority over coal and wheat trains, even though there might be only one person on a passenger train and that often seems to be the case. So there is a problem there. The ports are at capacity now. The ability to transport that grain has not been called into question in the last few years, because there has not been a great grain crop. I think you will see a difference this year. From my discussion with the rail industry, I do not think it will be able to deliver if we have a bumper crop.

Mr McARTHUR—Are you saying that, in the current scenario, with coal exports being at buoyant levels and a good grain crop that you could have a chaotic situation on the Newcastle grain line in the forthcoming harvest season?

Mr Nye—You certainly could. There are no train paths available so, when you are using every train path available to move coal to the port, what will you pull out? I know what the train operators will be telling us.

Mr McARTHUR—That is what this committee is really on about: how do we get these commodities from inland to the ship and how do we get through that supply chain?

Mr Nye—A major investment is happening now in the Hunter. ARTC has been given an extra \$120 million to sort that out, but you cannot build a railway line overnight. That investment is

happening right now and that will sort out the Newcastle problem. My personal view is that Port Kembla—because of the geography; a train coming down through the escarpment there—does not have a long-term future as an efficient rail operation. But its capacity has not been called into question in the last few years, because there has not been a bumper crop.

Mr McARTHUR—What about the freight line through Sydney? Is that operating yet—the Pacific freight line?

Mr Nye—No.

Mr McARTHUR—Is that within range of being decided?

Mr Nye—No. I wish I could be more optimistic about that. There are some difficulties—environmental impact studies and all those things have to be done. Sydney is a real problem. The problem with getting freight through Sydney is one of the major reasons why you would build a Melbourne to Brisbane line. The planning requirements and other difficulties are beyond belief, as well as the cost of doing it.

Mr McARTHUR—Are you telling us that that dedicated freight line—

Mr Nye—It will go ahead, yes.

Ms Rayner—That is the southern access one.

Mr Nye—Yes, the southern access one.

Ms Rayner—South of Sydney.

Mr Nye—It does not go through Sydney.

CHAIR—It can never be double-stacked, so it is only taking some of the pressure off Melbourne—

Mr Nye—It is interesting in that when you talk to the Sydney port authority they are a great proponent of the Melbourne to Brisbane railway line. They are very enthusiastic about it because they know they have a capacity problem. How do you resolve that? Part of the answer is to take some of the pressure off freight coming in to the west of Sydney.

Mr McARTHUR—Can you be more definitive about the rail freight line freight into the Sydney port? What are you saying about that?

Mr Nye—The ARTC rail line currently does not go into the Sydney port. There is the southern freight line to Chullora, and that is where it ends.

Mr McARTHUR—After Chullora, how do you get to the port?

Mr Nye—You go on that single line down to Port Botany. The state government has said it is keen to upgrade it.

Mr McARTHUR—Are you telling us that that is a major difficulty?

Mr Nye—Yes. But you will never be able to double-stack that.

Mr McARTHUR—So what is the long-term future of Port Botany with this sort of access?

Mr Nye—Limited.

Mr McARTHUR—The committee really wants to find out that sort of information so that we can make an observation regarding the future.

Mr Nye—You just have to observe what happens when you come in to Sydney and look at Port Botany—the road network out of Port Botany and the one single railway line out of Port Botany. They say, ‘Let’s double the capacity to Port Botany.’ How? That is the question I would ask.

Mr McARTHUR—I think you should give us a supplementary submission on that point. We have had arguments about access to Westernport Bay. We had a look at Melbourne port, where, generally speaking, they have very good access in terms of port facilities, rail and road access. They handle the biggest number of containers in Australia. In their presentation they did not foreshadow too many difficulties having regard to port interface with rail and road networks. You are saying to us that in Sydney, from your perspective, it has almost reached crisis point. Is that what you are telling us?

Mr Nye—Yes, that is right. We can come back to you with some more information on that.

Mr McARTHUR—I think you should give us a bit more information on that.

Mr Nye—We can do that.

CHAIR—Mr Nye and Ms Rayner, I would like you to come back again. You are pivotal in this regard. Your knowledge of and interaction with the rest of the rail and rail freight industries are well known. Thank you for appearing today. Your evidence has been very important. We trust we can come back to you on other matters, including the supplementary submission that Mr McArthur asked for. Perhaps as a first step towards getting that interactivity with the wheat organisations, the committee might have a roundtable discussion involving wheat and rail interests. If we are going to make a recommendation on lines, we cannot do that if people go into their own fortresses and do not interact.

Mr Nye—I would welcome that opportunity.

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

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

Committee adjourned at 10.44 am