



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

**HOUSE OF  
REPRESENTATIVES**

STANDING COMMITTEE ON TRANSPORT AND REGIONAL  
SERVICES

**Reference: Transport networks inquiry**

WEDNESDAY, 17 AUGUST 2005

CANBERRA

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES



## **INTERNET**

The Proof and Official Hansard transcripts of Senate committee hearings, some House of Representatives committee hearings and some joint committee hearings are available on the Internet. Some House of Representatives committees and some joint committees make available only Official Hansard transcripts.

The Internet address is: **<http://www.aph.gov.au/hansard>**

To search the parliamentary database, go to:  
**<http://parlinfoweb.aph.gov.au>**

**HOUSE OF REPRESENTATIVES**  
**STANDING COMMITTEE ON TRANSPORT AND REGIONAL SERVICES**

**Wednesday, 17 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 Gibbons, Ms Bird, Mr Haase, Dr Jensen, Mr McArthur, Mr Richardson and Mr Ripoll

**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**

**MRDAK, Mr Michael, Deputy Secretary, Department of Transport and Regional Services..... 2**

**POTTERTON, Mr Philip Angus, Executive Director, Bureau of Transport and Regional  
Economics, Department of Transport and Regional Services..... 2**

**STARR, Mr Ronald (Kym), Section Head, Industry Analysis, Transport Integration and Reform  
Branch, Department of Transport and Regional Services ..... 2**

**WOLFE, Mr Jim, General Manager, AusLink Rail Investment, Department of Transport and  
Regional Services..... 2**



**Committee met at 9.14 am**

**ACTING CHAIR (Mr Gibbons)**—I declare open this public hearing of the House of Representatives Standing Committee on Transport and Regional Services' inquiry into the integration of regional rail and road networks and their interface with ports. This is the sixth public hearing for this important inquiry. It is part of an extensive program of public hearings and visits that will enable the committee to examine in depth the key issues of the inquiry. The task of moving Australia's freight is growing very rapidly and the committee is seeking to determine how well the regional transport networks are equipped to deal with that growth. The committee is also looking for ways to achieve greater cooperation between the three levels of government and also between governments and private enterprise in the provision and operation of freight transport infrastructure.

[9.15 am]

**MRDAK, Mr Michael, Deputy Secretary, Department of Transport and Regional Services**

**POTTERTON, Mr Philip Angus, Executive Director, Bureau of Transport and Regional Economics, Department of Transport and Regional Services**

**STARR, Mr Ronald (Kym), Section Head, Industry Analysis, Transport Integration and Reform Branch, Department of Transport and Regional Services**

**WOLFE, Mr Jim, General Manager, AusLink Rail Investment, Department of Transport and Regional Services**

**ACTING CHAIR**—Welcome. Before we proceed, I advise you that, although the committee does not require you to give evidence under oath, these hearings are formal proceedings of the parliament; consequently, they warrant the same respect as proceedings of the House itself. It is customary to remind witnesses that giving false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. I apologise, but we need to adjourn for a division in the House.

**Proceedings suspended from 9.16 am to 9.34 am**

**ACTING CHAIR**—I am sorry about the delay. I thank you very much for coming. Would you like to make an opening statement and we will then proceed to questions?

**Mr Mrdak**—We are conscious that time is short for the committee. I will begin by saying that the department's highest priority at the moment is implementing AusLink, which is the government's reform agenda for national land transport investment and planning. That is a significant change in the way in which the Commonwealth approaches infrastructure investment for land transport. It is built around an integrated national network of road and rail links and for the first time integrates the important corridors, the national corridors, and links the major cities to our major export points at ports and airports. Built around that is a significant reform agenda for corridor planning, on which we are now engaging with states, which will look at the future road and rail links for the country in respect of national corridors of importance and will particularly focus on export and points of production.

Our submission, which we have provided to the committee, provides some analytical material on the developments in road and rail in regional areas. I would like to draw to the committee's attention to some of the key points that we believe are worthy of mention. Firstly, we believe there is a need to look at regional linkages in an integrated network in much the same way we have with the national network. We think there is a need to look at a complete supply chain approach to regional transport rather than as individual road-rail segments.

The industry needs to play a greater role in determining its needs and how that will work in a logistics chain. We have provided information about successful examples in the coal industry which has started to address those sorts of issues. We think it is important to look at intermodal



terminals. In our view, where the terminals are located is becoming quite critical to the development of regional freight flows, and in particular their ability to operate in urban areas and to provide efficient transfers between modes of transport. Finally, we welcome the work of the committee in identifying better the planning needs for future rail and road links in regional areas.

**ACTING CHAIR**—Would anybody else like to comment? If not, we will start with our questions. In commenting about the deregulation, your submission mentions removal of requirements to transport grain by rail. Could you please explain the background to that particular comment?

**Mr Wolfe**—The movement of grain by rail is generally a state government responsibility. Over time, with the privatisation of various parts of the rail network, there has been a shift from the traditional government-owned state rail operations that used to handle grain carriage to private sector operators of above rail and in some cases below rail, although below rail in some states is still obviously a government owned company—for example, Queensland Rail in Queensland. It is in that context that the dynamic has changed. The dynamic has changed in that there was a traditional preference for the grain industry to use rail but, quite clearly, with the commercialisation of the Australian Wheat Board and the establishment of GrainCorp, they have been pursuing a fairly aggressive agenda in trying to reduce freight transport costs; hence their increased use of road transport.

**ACTING CHAIR**—Your submission also says that the Australian government has not been directly involved in the decision-making process for the development of ports or intermodal terminals. Could you explain to the committee what involvement the government has had?

**Mr Wolfe**—Nearly all ports are state owned authorities, which report directly to state transport ministers. One or two are privately owned, and they operate under state law. In relation to intermodal terminals, essentially they are privately owned and operated facilities, nearly all of which operate under state planning and environmental laws. That is why there has been a distance between a national involvement and a state involvement.

**Ms BIRD**—I am interested in exploring your comments about the reform agenda for corridors you are working on with the states. I will apologise up-front for being a little parochial, but I notice on page 14 of your submission, where you link the traffic flows by selected AusLink corridors, that the Sydney-Wollongong corridor is almost the largest according to that table. In table 3, which is beside it, you talk about projects under AusLink for ports. Listed there is the Port Kembla, yet there are no projects that I can see on that corridor or that port in the AusLink program. Are you referring there to something that is developing that I am not aware of?

**Mr Mrdak**—At this stage we have identified the national network. Based on those criteria, the government has selected what it sees as the key national linkages. In the future, we want to plan on the basis of those corridors. So instead of looking at a particular road or rail link, as we have done in the past, we now are looking at the whole corridor and the best way of advancing transport needs.

In relation to that particular corridor to the South Coast, no projects are being funded in this first five years of the AusLink program. There are not projects on every part of the corridor in this first five years, but the identification of that corridor suggests that in the future, if there is an

identified need, the Australian government can make a decision to fund projects on that corridor along with state government and the private sector, as appropriate.

**Ms BIRD**—To broaden that out, you are working jointly with the states to facilitate their planning.

**Mr Mrdak**—That is correct.

**Ms BIRD**—I am aware that they have the three-ports program in New South Wales.

**Mr Mrdak**—That is right. That is one of the reform agendas behind AusLink. The Commonwealth has consciously taken a decision to get involved in strategic planning for the first time and to do it on a corridor basis. Some states are much more advanced than others in looking at transport needs on corridors, but we have started to work with them. On 3 June this year, COAG agreed to accelerate the corridor planning process. We have been asked to now accelerate that process. Essentially we have to complete 24 corridor strategies across Australia on the network. A corridor can be as large as Brisbane and Cairns, which is one of the corridors, or an area such as Brisbane urban or Adelaide urban, which are other corridors.

At the moment we are doing four pilot corridor strategies which we aim to complete by November. They are Sydney-Melbourne, Adelaide-Perth, Adelaide urban and Brisbane-Cairns. With state governments we are establishing the current condition of the assets on that corridor, the demand projections over a 20-year planning horizon and the impediments to freight flow. We are trying to develop joint objectives. The sorts of objectives in the future will be a road safety objective; a freight flow objective, such as time involved in moving a container; and a travel time objective—those sorts of things. That then gives us strategic objectives that both governments can agree on and it enables us in the future to jointly develop investment strategies: ‘If these are our objectives, let’s look at the projects that come forward and see how they best meet them.’

**Ms BIRD**—So it is not ad hoc.

**Mr Mrdak**—That is right. We are trying to implement a more strategic focus built around a national network of key economic links.

**Ms BIRD**—What is your time frame for that particular development, as you have fast-forwarded it?

**Mr Mrdak**—COAG has asked us to come back to them. There is a proposal to go back to COAG to complete all those corridor strategies by 2007.

**Ms BIRD**—That is all 24 strategies by 2007?

**Mr Mrdak**—It is very ambitious to aim to do that. Given that it is a new concept, there is a fair bit of work involved, which the department is now embarking on. As I have said, we are aiming to do the four pilots, which will give us some learning across some representative corridors by the end of November. That then will enable us to provide advice to governments on how the rest of the process should operate.

**ACTING CHAIR**—Could you explain how the Australian government might become more effectively involved in the development of a nationally important intermodal terminal?

**Mr Mrdak**—At the moment we are quite heavily involved in analysis of a potential terminal site at Moorebank in Sydney. I think that one is quite instructive. As I mentioned in my opening comments, we see one of the great issues of Australian transport flows being terminals and terminal access, particularly in urban areas. Mr Wolfe heads up a team, along with officials from other agencies, that is looking at a defence site at Moorebank, which is currently a Defence Force facility, and its potential to be developed in the future as a road-rail intermodal facility. That is on Commonwealth land. It is a large site in Western Sydney which will address some of the issues in Sydney—quite obviously there is limited capacity for terminals in that area. That is one area to which we have brought a planning focus. The availability of Commonwealth land is also an issue.

AusLink are doing an intermodal study that builds on the work that was done for the BTRE in 2002 by Meyrick and Associates. We are doing a survey of all intermodal terminals in Australia. We are looking at their capacity and the future prospects and drivers for intermodal terminals. We then will have a comprehensive picture that will inform us, about where strategically the Commonwealth might want to do some more work such as we are doing with Moorebank.

**Mr HAASE**—I would like to pursue that. I also confess to being parochial but, then, aren't we all! In the Western Australian situation in relation to intermodal terminals, the major rail freight terminal is Kewdale.

**Mr Mrdak**—Yes.

**Mr HAASE**—The observations I make around the rest of Australia are that there is congestion of rail within city limits. There is great effort now to create intermodal terminals that will relieve that pressure. Much of that work involves the reclaiming of land and so forth, and there are many obstacles because the problem is already entrenched. I wonder, therefore, why you are not looking at preventing the problem before it occurs. I would have thought that Kalgoorlie, in Western Australia—which is potentially at the crossroads of north, south, east and west within Western Australia—would have been talked up more and more as a focal point for an intermodal terminal. I wonder whether there is a policy within the department to assess a situation in relation to its potential rather than its current problem when deciding on the necessity for an intermodal terminal. That is all by way of explanation for the next question.

Given that we have in Western Australia an integrated rail infrastructure and user situation through WestNet, which we accept is not the perfect recipe, how on earth can you cause the operators to break the freight link at an intermodal terminal if their economics indicate to them that, to maintain their direct east to west flow without break ago train prior to its final destination, is for them the most economic way of doing it? Is there some genuine nexus between the flow of AusLink funding and the required or resultant performance of those involved in the freight process?

**Mr Mrdak**—Not at this point. Essentially the AusLink program has been designed to address some key infrastructure requirements of the network for road and rail. One of the features of the AusLink program this time, this first five years, has been quite a substantial investment in rail—

probably the most significant rail investment for many years by the Commonwealth. We are trying to provide a basis for which there can be a greater movement of freight by rail, particularly interstate, because we see the national market for rail as being quite critical to the transport task nationally.

It is very difficult for governments to dictate how the freight flows should be broken up at terminal points, and we have avoided doing that. We have focused on facilitating the availability of terminals at those key points for the industry. We recognise that one of the significant things which have happened over the last 10 years has been the shift from road to rail on the east-west run. We have now a situation where 80 per cent of the non-bulk freight that is travelling east-west is by rail, which is quite a significant shift. That has happened because of the improved structure and the service reliability of the trains going west, which has enabled producers and manufacturers to have greater service quality. So breaking the train may create some problems.

**Mr HAASE**—Did you say it would create some problems?

**Mr Mrdak**—I think it would, because the advantage at the moment is their ability to move in the time frame that they can. The lowering of the transit time east-west has been quite critical to getting that freight to shift off road into rail. There is an issue in Perth—as there is in other major cities—about the future terminal situation, access to the terminals and the capacity of the terminals, but I do not think at this stage we would see a role for government in stepping in and mandating where those terminals would be, particularly outside the urban areas where the key interface would be in the future. Jim, is that a fair summary?

**Mr Wolfe**—Yes. I would just add a couple of things. The intermodal terminal study, which Mike Mrdak referred to earlier, is looking at both current and future terminals. It also is looking at what might be identified as impediments to the future development of terminals and links into the corridor strategies. What we would like to achieve with the states is a coordinated and better planning approach for the future so we avoid some of these problems in the operation of these intermodal terminals. No doubt there is a strong NIMBY—not in my backyard—factor affecting the location and operation of these terminals. If I were a local community resident, I would fully understand why they would have those concerns. These are critical facilities. I think it is fair to say that freight forwarders are increasingly looking at the possibility of a mix of road and rail rather than going with just one mode of transport. That being the case, it is important that we establish these facilities in a much better planned and coordinated fashion than currently takes place.

**Mr HAASE**—I am sorry to be critical, but I think there is a degree of timidity there that is unjustified. I think you walk as though you are on eggshells. The freight task will always be carried out by private enterprise in a manner that saves the most costs and allows the generation of the greatest amount of revenue. So long as those moving freight by rail insist that the only economic solution is to keep that rail moving from A to B, you will never be able to dictate that that nexus is broken. Be it the Goldfields or be it further towards Perth, it is a classic situation because right now you have all of that freight. You cannot take a bag of spuds off a train in Kalgoorlie that has come from east to west, regardless of the arrangements you make. It goes to Perth and then it comes back on the roads that we pay for all the way back to the Goldfields or all the way up to the Pilbara et cetera. It seems like madness. As long as we have this timidity that says, ‘Oh no, we have now sold it; we give that operation to a commercial operation,’ we

will never break that situation. I would urge the department to have a more robust attitude in dictating what happens in that regard. Has the department had any guidance or input into the ATC's latest proposal—which has caused some ruckus—that there be a national registration of trailers?

**Mr Mrdak**—That is in reference to a situation where we have had duplicate licence plates?

**Mr HAASE**—Yes.

**Mr Mrdak**—There was discussion on this issue at the recent Australian Transport Council ministerial meeting. This emerged from an unfortunately serious and fatal accident on the F3 last year, where a vehicle was not registered but, from my understanding, was carrying several duplicate plates. That is a matter before the courts in New South Wales, or it was recently so. The ATC was focusing on the fact that on investigation it became clear that jurisdictions have issued duplicate plates within and across jurisdictions, which potentially create an issue of identification and enforcement. The ATC ministers took a decision, by a process of grandfathering out, to remove duplication. It is really an issue of enforcement and identification. I would be happy to provide the background paper to that to the committee.

**Mr HAASE**—If you would like to, yes.

**Dr JENSEN**—We have had some submissions from both road and rail. Rail tells us that they cannot really be competitive against road because the cost of infrastructure maintenance for road, particularly in the case of trucks, is not correctly costed and that in fact it unfairly gives an advantage to the trucking industry. The trucking industry says that the new formula that is coming out in terms of road damage is unjustifiable and that it will disadvantage them unfairly and that they do not cause that much damage anyway. What is the department's view on that?

**Mr Mrdak**—As you have sketched out, it is a very difficult one in the sense that you have two competing groups. The rail industry would argue that, were there a full economic costing of roads to heavy vehicles, they would be in a better situation. We certainly think there is a need for better identification of the full economic costs of road pavement. Having said that, it is not easy to do. The approach of AusLink has been to try to enable rail infrastructure to get to a level of quality that enables them to be competitive, because we think the issue for rail is more than just price. It is about service quality and reliability. Hence, the \$2 billion that the government and the Australian Rail Track corporation will spend in the next five years on rail track is quite critical. We are already seeing with east-west freight that the issue is that the rail track is at a suitable capacity and quality to provide reliable service. It is not so much price.

Coming back to the other issue of road transport, the National Transport Commission is now calculating for its next heavy vehicle charges determination of the road payment. We have been involved with that. In fact, I am meeting with NTC people this afternoon to progress that work. We think the NTC methodology is probably as good as can be done on the basic information.

**Dr JENSEN**—Are they using the fourth power law for axel load?

**Mr Mrdak**—We think that is reasonable. Mr Potterton may wish to comment, but we think there will always be debate around this issue. The NTC process is as robust as we think it can be.

There are some issues with methodology and we are working through those with the NTC. But it is important to recognise that, with this heavy vehicle sector, we are trying to recover the cost of pavement damage and we are not looking to recover the full economic cost of road pavement. Governments may wish to consider that in the future but, at this stage, we are focusing very much on pavement damage by a specific class of vehicle.

**Mr Potterton**—There is no evidence that we are aware of that heavy vehicles do not currently pay their road maintenance costs. The issue that tends to come up is whether or not heavy vehicles are paying sufficient of the capital costs—the costs of building the roads in the first place. That issue tends to be always an area for judgment to some extent because you are dealing with a joint use situation. Even on the intercapital corridors, where obviously there are quite a lot of trucks, heavy vehicles are always the minority user. So certainly there is no evidence—certainly from the bureau’s work, which is sometimes quoted in this context—that heavy vehicles are not currently paying more than the actual road-wear cost, which is calculated on the basis of the fourth power rule. There are issues about the structure of the charge and whether it is as efficient as possible in giving the best signals both to road transport operators and to road authorities in managing the road network, but that is a different issue from the total quantum of costs that heavy vehicles are paying.

**Dr JENSEN**—My next question is not strictly related to this particular area. In an overall Australian perspective and identifying priorities, where do you see—in order—the priorities with bottlenecks? Where do you see bottlenecks occurring first? Obviously, we have some already.

**Mr Mrdak**—I can refer to the government’s infrastructure program at the moment under AusLink, which is clearly targeted at two critical areas. The first is the rail network, particular the east coast rail network where, as I said earlier, we believe there will be major efficiency gains and productivity gains to Australia from improving it and the freight flows on it. That is not just a wishful hope. I think the evidence from industry is that they would be putting a lot more on rail if rail had the capacity to carry it. At the moment rail on the east coast cannot deliver the track reliability that is required. That is why our assuming control of the New South Wales interstate track and the Hunter Valley track has been so critical.

The other area that is emerging as quite critical but is a major issue for governments of all persuasions is funding outer metropolitan areas of our major cities and the access points into our ports from what was formerly the national highway system. That is where some of the major cost pressures are on infrastructure programs. The cost of building expanding roads in urban areas is becoming a major issue, but that is where the bulk of the urban congestion is happening, particularly for the freight flow. If you look at critical areas—outer Melbourne, south-east Queensland and the like—there is quite significant infrastructure required in some of those areas.

**ACTING CHAIR**—The first five-year AusLink plan was announced last year and is now being progressively implemented. When will we see the second five-year implementation strategy and forward projections?

**Mr Mrdak**—The current program runs to financial year 2008-09. The government’s intention would be to review that, probably in the course of 2007, and look to developing it. We have always planned, on the basis of about the third to fourth year of AusLink, the government’s re-examining of its priorities. Coming to the corridor strategies, we are aiming to have those

completed in 2007 to provide the objective basis for government decisions for the next five-year program.

**Mr RIPOLL**—In your submission you refer to correct pricing arrangements, planning frameworks and so forth with regard to the international competitiveness of the iron ore and coal industries. Could you explain the difference between the operations of monopoly industries, in particular, with their regulatory pricing regimes and access regimes, in being competitive in the international market versus in a domestic market? Many of these industries—for example, ports—really have only one buyer or one group of buyers that are all international. They have no domestic local buyers; therefore the normal rules of competition that would apply to the domestic market probably should not apply. Can you explain your understanding of that regulatory framework?

**Mr Mrdak**—This area was looked at quite closely in the export and infrastructure task force report to the Prime Minister. Under the provisions of the national competition agreement, the Trade Practices Act applies. That provides for state regimes, which can apply to some of this export infrastructure. So there is a variety of applications. At the moment there is no single national approach to regulating ports' infrastructure and the like—access and pricing. It is very much individual state regimes, which generally are deemed to be consistent with the national competition principles.

**Mr RIPOLL**—But that is one of the points I am asking you about. Why is it necessary—I just want it explained to me; I am not siding one way or the other—to have them applicable under a competitive structure model when they are a monopoly and they only provide to one or several buyers that are international buyers? Who are they competing with?

**Mr Mrdak**—This is an area which I know was canvassed in the review. From our portfolio perspective, we would prefer a much more light-handed approach in relation to a number of these export points. Essentially, we think the commercial parties should be able to settle a commercial deal in respect of price. Having said that, a number of these ports are required to be regulated by competition authorities either in the state or, for some other infrastructure, by the ACCC. From our portfolio's perspective, we certainly would argue—and we did argue to the official review—that such infrastructure should be treated in as light-handed a process as possible in the interests of commercial parties. In the case of some of those export points, you have commercial resource companies operating with a commercial provider of the port facility. It seems to us that the price of that facility should be determined by commercial negotiation, if at all possible.

**Mr RIPOLL**—Does the department have a view about the separating out of commercial agreements? You gave a good explanation. A local competition model might have some competing interests, for example with local buyers or local users of a port infrastructure, whereas international buyers are usually take-or-pay type long-term contracts of 10 to 20 years and do not need competition models because of the nature of those contracts.

**Mr Mrdak**—I think it would be dangerous in some ways to separate a view that there is a different regime for export industries versus the domestic industry. That takes us back some years to models where, because of domestic industries, we had different regulatory systems and support mechanisms for export. Our preference would be that you treat all infrastructure

regulation in a consistent way and try to drive commercial parties towards commercial arrangements, if at all possible. Certainly there will be situations where parties are unable to agree and, therefore, we would support the sorts of mechanisms that were identified in the report to the Prime Minister, which is about strict time lines and strict processes.

**Mr RIPOLL**—When you say that the parties would not agree, it would not be an international buyer. You would be talking about somebody who uses the port.

**Mr Mrdak**—No. In this case you would have the resource—say, the mining companies that are not happy with the access price being proposed by the port. In those situations, our preference would be to look at some form of commercial arbitration.

**Mr RIPOLL**—That is the distinction I am driving at—having a competitive model in place and the access or pricing of the infrastructure.

**Mr Mrdak**—I suppose I am saying that I probably see some benefit in applying that consistently across both domestic and export, because you are trying to get market signals and behaviour in there which encourage efficiency and the like in commercial negotiation. You would want that to apply both domestically and to export industries. You would want to have the same signals and the same incentives applying with both domestic industry and export. I think it would be dangerous to send a signal by which we would treat the export industries differently, because you would also want the same incentives applying domestically in efficiency and best pricing practices.

**ACTING CHAIR**—The committee has taken evidence to suggest that, if there is a strong or good grain harvest this year, the system will not be able to cope with it. Is that your understanding? If that is true, what can be done about the situation in the short term to save it? What would be a likely long-term solution?

**Mr Mrdak**—We as a department have not done any analysis of the capacity of the grain system. We are certainly aware of concerns raised by the grains industry and some transport providers about the capacity. Certainly in two jurisdictions the advice to us, as it was to the Prime Minister's task force, was that they are at a critical state, particularly the New South Wales branch line system and also in South Australia—in the Eyre Peninsula. In the middle of this year, the Australian government provided \$15 million to the South Australian government on the basis that funding would be provided by industry and the South Australian government for works on the Eyre Peninsula grain lines to enable them to be brought into a condition that would enable them to continue to meet the harvest needs. Mr Wolfe may wish to comment, but that is now under way. Arrangements have been put in place for that investment both by us and the industry on those lines. So we have not done any independent analysis, but we are certainly aware of the concerns being raised in New South Wales by groups such as the Australian Wheat Board and GrainCorp and the like about the capacity of the grains system there.

**Mr RICHARDSON**—Following on from that question a little, do rail authorities, the road handlers, the Wheat Board, the coal exporters, port authorities et cetera ever meet to discuss an efficient and cooperative approach to the issues that we have raised here today in relation to freight infrastructure?



**Mr Mrdak**—I am certainly aware that the coal industry has come a long way in the last two years—and Mr Wolfe might want to give a view on that—but we are not aware of anything in relation to other commodities.

**Mr Wolfe**—In the submission we provided an example of the Hunter Valley Coal Chain Logistics Team, which in essence is all the major transport operators in the Hunter Valley getting together and saying, ‘How can we run this system more efficiently?’ It is a complex system with over 40 individual mine sites. Complexity is added to in that they are operating a coal rail system right in the middle of a passenger system that is used by grain trains and container trains as well. So it is quite a complex system. That is one of the quite significant differences between the Hunter Valley and the Queensland coal trains, as they are generally on dedicated tracks.

We understand that there have been some discussions between the grain industry in New South Wales and the state government, GrainCorp, the Wheat Board and Pacific National, which is the main rail operator in New South Wales, about what they can do. But at this point in time our understanding is that those discussions do not seem to have made a lot of progress. To be fair to New South Wales, they have announced three-year funding of \$69 million to upgrade the network, but I think their minister has admitted that is a holding response pending the development of a long-term plan. We would certainly encourage development of that plan as soon as possible.

**Mr McARTHUR**—Pacific National appeared a couple of weeks ago and said to us that there was no dialogue between the Wheat Board, the rail operators and other parties and that they felt there could be some benefit in having discussions.

**Mr Wolfe**—Absolutely.

**ACTING CHAIR**—One of the programs this government introduced in 1997, to its great credit, was the Roads of National Importance program. I believe it has been very successful. What is the status of that particular program post AusLink?

**Mr Mrdak**—We continue to fund existing commitments for Roads of National Importance but there is no Roads of National Importance program going forward; that is all caught up within AusLink. But because the AusLink network is much broader than the previous national highway system, it does pick up a number of areas that were former Roads of National Importance, such as the Pacific Highway and the like. While there is no ongoing Roads of National Importance program, the AusLink program, the network has been broadened and many of those types of roads are being picked up in the new network.

**ACTING CHAIR**—But the Roads of National Importance program was specifically designed to be jointly funded, with the states funding 50 per cent. How does AusLink deal with that?

**Mr Mrdak**—One of the key principles of AusLink is that we are seeking state matching of funding on projects going forward. In the first five-year program, a range of projects will be 100 per cent Commonwealth funded. There are other projects that are being funded with state splits—some 80/20 and some 50/50—and they are being built into the bilateral agreements which we have negotiated or are negotiating with states. So we have that principle, which was applied to RONIs going forward but on a much broader national network: the AusLink network.

**ACTING CHAIR**—In some states, the existence of different rail gauges continues to pose a problem, as it has done for about 100 years. Are there any plans to finally eliminate this particular difficulty?

**Mr Mrdak**—Since 1995 a standard gauge network has linked the major cities from Brisbane through to Perth. That has been important and we are now focusing on investing to increase the capacity of that. We recognise that there will continue to be problems with the separate gauges, particularly in Victoria, and how they link into the national network but at this stage we do not have any proposals to address that. We have some studies under way with AusLink into key links such as Mildura-Portland, as part of a national corridor, to see what investment takes place there, but our focus has been on increasing the capacity of the standard gauge in an interstate network. Jim, is that right?

**Mr Wolfe**—With the Perth to Brisbane national network, there is currently a need for a better access arrangement for the last piece of the jigsaw between the New South Wales border and Queensland, and I know that the ministers are discussing that. The other issue is that certainly some of the states, particularly Victoria, are keen to see more standard gauge as part of the integration of the networks. The Australian Rail Track Corporation and the Victorian government are having ongoing discussions about how that might be pursued.

**ACTING CHAIR**—I apologise, but we have to go to another division.

#### **Proceedings suspended from 10.12 am to 10.28 am**

**Mr RIPOLL**—Just following on from Mr Kym Richardson's question, do you see any need for a peak body that could promote infrastructure development and help government to coordinate a national infrastructure strategy, perhaps even as an extension of Australia link or something like that?

**Mr Mrdak**—This is an area to which we have given a lot of thought. I think our position at the moment would be no. We think the corridor planning process with the states is probably the more critical thing; we have the jurisdictions working together in a strategic way. At the end of the day governments are responsible for taking decisions in relation to what investment takes place. Through AusLink, we are setting up a more strategic analytical basis for them to do that. That is probably the more critical need at the moment—getting that evidence based material and analysis done for governments across all jurisdictions that enable decisions to be taken for the future. I think that is more critical at this stage. I do not think another peak advisory body or the like would add too much at this point.

**Mr RIPOLL**—You have mentioned a very interesting point about jurisdictions. How are those jurisdictions invited to be a substantial player within AusLink? Using AusLink as some sort of representative model for government making decisions on national infrastructure projects, how do the states play a role?

**Mr Mrdak**—All states have signed up to the corridor strategies. COAG endorsed that and asked us to accelerate the process. That is one of the somewhat unheralded reforms of AusLink. We now have a strategic planning process across the country with these 24 corridor strategies. A fair bit of learning is to be done from that, particularly for the Commonwealth. At the end of

that, there are some quite critical decisions to make on how we then determine priorities with investments needs across the country once you have the corridor strategies and how we intertwine the investment decisions of all jurisdictions to make sure we are working together. They are quite critical, but I am very positive with the discussion that happened in COAG in June. Also at working level, officer level, with the jurisdictions, I think we have a sign-on to a national process.

**Mr RIPOLL**—Finally, in the same vein, what mechanism does DOTARS have to assist a major industry player that wants assistance in terms of a freight link or something else? How would the department get involved in trying to assist industry?

**Mr Mrdak**—That is one of the other areas of AusLink. For the first time we have a funding vehicle which enables us to fund proposals from the private sector in a way we could not previously. Under the former Australian land transport legislation, we were limited to funding national highways and Roads of National Importance through states. We now have a vehicle where the Commonwealth can bring a much more flexible approach and start to fund in a partnership way with industry.

With the new AusLink legislation, which passed the parliament last month, we have a much more flexible mechanism to fund projects. We have also set up assessment guidelines, which have been agreed between ourselves and the states and territories. So for the first time we have nationally consistent assessment guidelines for how projects are brought forward, planned and assessed. Again this sounds very bureaucratic, but it is a major reform. Having all jurisdictions now signed up to using similar assessment guidelines for how projects are developed and the criteria used to assess them is quite significant. It enables you to make judgments across the country about what projects will have the greatest benefit. We have those mechanisms. DOTARS would talk to provider proponents. At the moment we have a program for this five-year period. Once we have a project proposal, it would be a case of their going to government and seeking funding for it.

**Mr RIPOLL**—I will get industry to give you a call.

**Ms BIRD**—Are they the identified corridors? You have spoken of 24 corridors, but you have 20 listed on page 14.

**Mr Mrdak**—We can get you a list of the corridors.

**Ms BIRD**—Thank you. I would appreciate your providing me with that.

**Mr HAASE**—This leads on perhaps from Bernie Ripoll's question. He has asked about the creation of a national body. What is the role of the ATC?

**Mr Mrdak**—The ATC is a ministerial council that deals with all of the regulatory issues and makes sure there is national consistency. All the jurisdiction ministers talk to each other about key issues as they emerge. The ATC performs a role in regulatory change and National Transport Commission harmonisation processes. It deals with areas where the states and the Commonwealth work together on processes. At the end of the day, it is also a forum where

ministers start to engage on infrastructure investment and the like. It is the peak ministerial council and operates as a council under the COAG umbrella.

**Mr HAASE**—So they do not advise on freight routes, on bottlenecks and on the necessity for strategies et cetera?

**Mr Mrdak**—Ministers can do that. Ministers can task officials to ask for work to be done.

**Mr HAASE**—Frankly I am trying to rationalise this latest decree, which is getting under the skin of my whole freight industry, on the cost of trailer registration. It seems to me to be a bridge too far, an ambit claim perhaps, but no-one has been able to look me in the eye and say that this is just an ambit claim to get everyone around the table.

**Mr Mrdak**—Is this in relation to heavy vehicle charges?

**Mr HAASE**—Yes, registration of triple road trains is \$17,000 or \$18,000 or something like that. It is a trebling; it seems ludicrous.

**Mr Mrdak**—The ministers will reach the decision in relation to future charges. The National Transport Commission is developing its proposal for heavy vehicle charges. That will go to ministers at the end of this year. Ministers, through the Australian Transport Council, will then vote and determine the prices to apply to both registration charges—to make sure that they are consistent across the country—and the level of fuel excise to be paid by heavy vehicles: ministers, through that ministerial council, will reach an agreement on what the pricing of heavy vehicles should be.

**Mr HAASE**—Do you have any knowledge of a push to take freight from road to rail? I am asking whether this is part of a strategy to push freight onto rail.

**Mr Mrdak**—Not as such. This is about determining the pavement damage, the incremental cost to our road system of heavy vehicles, the price that heavy vehicles should pay for their pavement damage and, as Mr Potterton said, their maintenance contribution to the national road system. It is not about agendas in relation to modal shift.

**ACTING CHAIR**—We thank you very much. Should we have any further questions, we trust we could forward them to you in writing and you would deal with them.

**Mr Mrdak**—Certainly. We would be more than happy to assist the committee in the future in any way.

**ACTING CHAIR**—We have received two further submissions, one from the Australian Trucking Association and another from the Toll Geelong Port, which will be numbered 112 and 113.

**Mr RIPOLL**—I move that we accept those submissions.

**ACTING CHAIR**—There being no objections, it is so ordered. I thank everyone for attending.

---

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

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

**Committee adjourned at 10.36 am**