



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

**HOUSE OF  
REPRESENTATIVES**

STANDING COMMITTEE ON TRANSPORT AND REGIONAL  
SERVICES

**Reference: Transport networks inquiry**

WEDNESDAY, 12 OCTOBER 2005

CANBERRA

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

**Wednesday, 12 October 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:** Ms Bird, Mr Haase, Ms Hall, Dr Jensen, Mr McArthur, Mr Neville, Mr Ripoll 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**

**ALTHAUS, Mr Christopher William, Chief Executive Officer, Australian Trucking Association..... 1**  
**GOW, Mr Neil, National Manager, Government Relations, Australian Trucking Association ..... 1**  
**GUNNING, Mr Robert John, Chair, Taxes, Charges and Roads Group, Australian Trucking Association..... 1**



**Committee met at 9.55 am**

**ALTHAUS, Mr Christopher William, Chief Executive Officer, Australian Trucking Association**

**GOW, Mr Neil, National Manager, Government Relations, Australian Trucking Association**

**GUNNING, Mr Robert John, Chair, Taxes, Charges and Roads Group, Australian Trucking Association**

**CHAIR (Mr Neville)**—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 Australian ports. This is the 10th public hearing of the inquiry, and it is part of an extensive program of public hearings and visits designed to gather information from the people directly involved with the main issues of the inquiry. Today the committee is hearing evidence from representatives of the Australian Trucking Association. Although the committee will not require you to give evidence under oath, I remind you that these are hearings of the parliament and warrant the same respect as the proceedings of the House itself. It is customary to remind witnesses that the giving of false or misleading evidence is a serious matter and could be considered a contempt of the parliament. Having said that, you are most welcome. Mr Althaus, would you give us a five- to seven-minute overview of your submission, and then we will move to discussions.

**Mr Althaus**—Thank you for the opportunity to present to the committee. The Australian Trucking Association is an organisation known to members as one that represents the road transport industry at the corporate level and through to the small and medium sized business level, including the owner-driver network. Our industry is a very competitive one and, in our view and in the view of many others, a vital element of the Australian economy. We currently are responsible for moving somewhere in the order of 75 per cent to 80 per cent of the land based freight around Australia. The volume of freight moving around our country is growing in a way that reflects our economic growth. In fact, due to the systems employed in manufacturing and other industries, freight movement tends to track above GDP growth, in the order of 1.2 to 1.3 ahead.

In our submission that growth curve is reflected and, as a result, we are looking at a doubling of the freight task and certainly, in our view, at a doubling of the road freight task inside the next decade. The growth that our economy is enjoying is reflected constantly in the movement of freight around the countryside. Particularly important in this are, of course, the services that the trucking industry provides to rural, regional and remote Australia, where it is frequently the only transport link available and provides a vital lifeline for communities in those parts of the nation.

We have in our submission sought to address the specific points raised. Before going to that, I mention that we are in partnership in the freight industry with other modes of transport. However, both the geography and the demographics of Australia—by that, I mean that we are a very large country with a small population—have led road to be the dominant mode of transport, but by no means are we in a position to step back from partnerships with both the maritime sector and the rail sector in moving the nation's freight.

Central to our response to freight growth is of course the demand placed upon us by our customers, who invariably are using just-in-time systems these days. As a result, there is a very high volume of freight that will continue to move around by road, in a land transport context, just by dint of the demands from customers and the nature of Australia, with our road network as it exists. That road network is in need of constant maintenance and upgrade as that demand for freight movement increases. We welcome the government's AusLink package. We have some maps to share with you this morning which will highlight, however, that while the AusLink network is expansive and covers a portion of the country, in terms of regional service the network is rather thin. That brings forth a range of concerns, from our industry's point of view, about the regional road infrastructure and how that network is serviced going forward.

We are expecting a strong growth in freight movement. We are expecting that the AusLink network and the money injected into it will address some of the bottlenecks and some of the major concerns we have with major freight corridors. However, overall, infrastructure funding remains a priority and a major concern to the industry. In addition to that, the regulatory environment in which we operate is a major concern to the industry. We see constantly different regulations applying from jurisdiction to jurisdiction. We realise clearly that the Commonwealth is limited in its capacity to influence that. However, national uniformity across a regulatory environment is a major impediment to productivity within this industry.

We are looking at opportunities to expand our productivity because, of course, our customers are saying to us, 'We need greater efficiency.' Road transport in Australia leads the world in efficiency and in productivity, and it is a fundamental part of our economic success as a nation that we are so efficient in moving goods not only around the country but to port for export. In our submission we have identified a number of things which are specific to the productivity issue, particularly the higher mass limits issue. We are very pleased that the government has addressed this within its AusLink bilateral arrangements. Although we are not privy to the detail of that at this point in time, we have information that would give you an indication as to the productivity gain. Also, in the regulatory environment we have an access issue: where can heavy vehicles go and under what conditions? That is one of the productivity elements that also needs addressing, particularly in the context of connectivity, both to other modes and ultimately to ports.

Could I also say that, because we are a big country and we have a small population, moving freight between major centres is not presenting a major challenge. While we need infrastructure capacity and a regulatory environment that allow that to occur, much of the focus is on corridors. We as an industry contend that much of the strategic challenge is not so much the corridor but what happens at either end of the corridor. Urban distribution remains a major challenge for this industry. The road infrastructure network and the trucking industry will be responsible for urban distribution, and that is where we get a major strategic challenge in terms of our connectivity to ports and the ability of the industry to be efficient in the metropolitan environment. As an overview, I might draw to a close there and pass back to the chairman.

**CHAIR**—Thank you. Mr Gow, do you want to add anything?

**Mr Gow**—I have copies of the AusLink maps and the regional road network maps, which you might like to have distributed to the committee members.



**CHAIR**—Would someone like to move that we take these into the record as an exhibit?

**Dr JENSEN**—I so move.

**CHAIR**—There being no objection, it is so ordered. Mr Gow, did you want to speak to that?

**Mr Gow**—Very briefly, thank you. There are three exhibits there.

**CHAIR**—We might amend that resolution to include the three exhibits.

**Mr Gow**—One is the AusLink network, which my CEO has spoken to. The other is the general Australia map showing the road train and B-double routes, the road train being the blue lines and the B-double being the white lines—although, of course, B-double combinations can move on all the blue routes as well. You can see the preponderance of that road network that is open to those high-productivity vehicles in regional Australia. Also, behind the general map—and I hope, Chair, you do not have to amend the motion to include 10 items here—there is a detailed map of each capital city, which shows the access to the port areas and the metropolitan areas of each of the capital cities but not of the regional ports. The third item is a graphic of a B-double truck. The figures at the bottom show the axle weights, which are allowable under the higher mass limits regime.

You can see again the 5½ tonnes allowed on such B-doubles, provided they meet the three requirements under the national agreement of 1999. The first is that all the axles of the truck and the trailer are fitted with road friendly suspension, which are proven to cause, at the higher loading, no more road wear than non road friendly suspension. Secondly, to operate a B-double or any other truck at higher mass limits, one must be in an audited mass management program, which is delivered under the National Heavy Vehicle Accreditation Scheme. Finally, one must stay on the declared routes that are allowed for those higher mass vehicles because of particular issues to do with bridge loadings. Part of that agreement was, of course, to expand the network from 1999 onwards, addressing those critical limitations with bridge infrastructure.

The routes that are available to these vehicles are extensive in Victoria, Western Australia and the Northern Territory. They are wide in South Australia but they are limited in Queensland to only what was the national highway system and 500 metres either side of it, so you could get off the highway for a sleep and a hamburger but not much else. In New South Wales the higher mass limits access is only up the Newell Highway, after the federal government funded some bridge upgrades on that highway in 2001, and is limited on other routes to FIRS vehicles only across from Mildura to the Hume and from there south back to Albury. So there are very limited higher mass limits. As was said in the opening remarks, we await anxiously the results of the details in the bilaterals negotiated between the Commonwealth and the governments in New South Wales and Queensland with the expectation that the extra funding offered by the Commonwealth to address those infrastructure constraints will be taken up. They will be matched by state governments and will deliver the same extensive higher mass limits network right across those states that exist in the other states of the Commonwealth.

**CHAIR**—Mr Gunning, do you have anything to add?

**Mr Gunning**—Not much, just to say that I am primarily here to address pricing issues, if the committee wants to get into that area. That is my main role.

**Mr SCHULTZ**—I just wanted to pick up the issue of the mass limits direction. I made a note before you started making your comments, Mr Gow. My note is: bridges on feeder roads to major highways are a problem. You have just reiterated my concerns about the state of the roads in rural and regional New South Wales in particular not being up to the standard to take higher mass limit trucks. I am not talking about weight; I am talking about the width of the roads and the danger that these vehicles create for motorists.

For example, I have been trapped behind B-doubles on some of the routes in the electorate that I represent, and you cannot pass them. You have to sit behind them for sometimes in excess of 100 kilometres before you can get around them because of oncoming traffic and the length of the vehicles. We are talking about increasing the length of vehicles in the higher mass area by another 5.5 feet. Is that right?

**Mr Gow**—No, that refers to the tonnage that would be allowed, so the ‘t’ is for tonnes.

**Mr SCHULTZ**—What is it going to do for the length?

**Mr Gow**—It will not do anything for the length at all. Those increased axle weights are allowed on either the existing 19-metre envelope for the standard articulated semitrailer or the existing 25-metre envelope for a B-double.

**Mr SCHULTZ**—I suppose what I am saying is that I sympathise with you and I understand why you are going to the higher mass limits, but how the hell are you going to get the governments of the day to upgrade the roads? We have situations in New South Wales now on our major highways where funding has been allocated by the federal government for upgrades that the states cannot get to because the RTA cannot handle its workload. So you have a compounding problem: you want to get onto mass limits as quickly as you can, leaving aside all of the other problems, and you have a wall in front of you in the way of money being available to upgrade some of the major routes—it has already been allocated—but the states, through their transport authority, are unable to build the infrastructure and improve the safety of those roads for both truckies and ordinary motorists in the time frame that they are required to be fixed. How do you answer that?

**Mr Althaus**—There is no question that the nexus between Commonwealth and state governments causes us a great deal of consternation in the timeliness of investment in roads. One important point, though, is that, with the agreements that were reached in the late 1990s on the high mass limits environment, research was done that suggested that road-friendly suspension options, air based suspensions, had reached a level of technology such that the higher mass could be carried without a commensurate impact on the road infrastructure.

**CHAIR**—There is less rigidity. Is that the idea?

**Mr Althaus**—Indeed. It is a more responsive technology in terms of how the truck performs on road. As an industry, we made three commitments in requesting higher mass limits access. One commitment was that we would use road-friendly suspension, for that very reason. The

second commitment we made was that operators seeking to run high mass limits would enter accreditation programs so there was a verifiable audit trail in terms of mass management, and there was a commitment to remain on only those routes designated for higher mass limits use—so keeping them off, for want of a better word, perhaps more vulnerable parts of the network.

**Dr JENSEN**—So what you are saying is that these trucks are not allowed to go along all the routes that normal B-doubles are allowed to go on?

**Mr Althaus**—That is correct: there is an identified higher mass limits route access network.

**Mr SCHULTZ**—But they do not always stick to that. I have seen B-doubles on roads that they should not be on because they are not allocated B-double routes. How do you stop that?

**Mr Althaus**—The B-double route access issue is one that we promote heavily throughout the industry. These are the commitments that we make. Route compliance is important. We have a very big industry with a lot of people working in it and with a lot of demands from customers. If there are B-doubles operating outside that route network then we would simply say that that is not appropriate and it should not be happening—just as we say the same thing about the speed of vehicles and the fatigue management processes within the industry. There are very good parameters out there to govern this industry, and we look for industry to follow that.

**Ms HALL**—It is only the B-doubles that have a higher mass that are limited to a special route. Other B-doubles can travel on different roads, and we cannot tell which is which just by looking at them, can we?

**Mr Althaus**—There is a specific B-double access route throughout the nation.

**Ms HALL**—But then there is a high-mass one, which is further limited—is that correct?

**Mr Althaus**—The HML network is further limited, yes.

**Ms HALL**—And we are unable to tell just by looking at the B-double which is—

**Mr Althaus**—Yes, you could not tell. You are talking about a difference of five, currently, in mass. It goes to the issue of national uniformity. There are variations around the nation in what constitutes higher mass limits. It is one of those issues we come to, because, simply in meeting the demands of the economy, we are asked to respond in a highly efficient way by our manufacturing and primary industry customers, who say, ‘We are looking for a level of productivity for our own environment.’ We have an option to extend the productivity of road vehicles by carrying more mass in a way that is consistent with maintaining a standard of infrastructure. Regrettably that operates comprehensively in Victoria and, in a limited way, in New South Wales and Queensland. In terms of the connectivity this committee is considering, an interesting statistic is that about 75 to 80 per cent of freight originates from, or passes through, New South Wales. The New South Wales jurisdiction therefore sets, in many respects, the level of regulatory compliance that the whole industry must meet. If you can carry higher mass limits in Victoria and Queensland and you want to take freight between those two jurisdictions but New South Wales is out of that loop, patently that limits your ability to that New South Wales setting.

**Mr Gunning**—I will add something on the compliance and enforcement issues which are a real concern for trucking. The Australian Trucking Association strongly supported what is known as ‘chain of responsibility laws’. The first idea is that we accept that we have to be responsible—I am addressing the issue of trucks running down inappropriate roads. Secondly, chain of responsibility also hauls customers into that loop, so a customer who demands that a truck come down a road that is not approved for the purpose will also be liable. The other element that is involved in the new arrangements we started earlier this month is that we have strongly supported the application of commercial penalties. Those two things together, we think, will go a long way to solving some of the problems that we know exist. They obviously rely on catching the truck that is on the wrong road, but there are much more effective tools available to regulatory agencies these days. We are quite aware of that. There are other elements I could go to, but we have worked very strongly with the regulatory authorities to address these sorts of things.

My final comment is that it varies enormously. Some states have managed to cover almost 100 per cent of their state with these higher mass limits in a way that they tell us is well regulated. Victoria is at 98 per cent, for example. Most of the issues we hear about generally come out of New South Wales, which seems to be uniquely unable to cope with these sorts of challenges. For our part, the industry is more than willing to work with the authorities on these issues.

**CHAIR**—I know this is an important issue, but I think we need to get to the core of the debate. I would like to propose two scenarios to you. As always, your submission is a very good one and very comprehensive, and it is very much geared to your industry. But what is implicit in this doubling and trebling scenario, especially the doubling in the next decade, is that we have to get some freight off road. I would be interested to know what your association’s road-to-rail policy is. Do you see it as just a long-haul thing? Do you think the market will eventually dictate what happens? To what extent do you believe government should intervene? How do we effect a change without continuously putting more and more into roads? You yourselves made the point that we are a nation of only 20 million or 21 million people, so we cannot forever keep building roads; there have to be other scenarios like rail. Where do you see the interface there? You did make the comment that distribution at the end of corridors—I presume you mean both road and rail—is problematic. Just give us your vision of what rail might do in this scenario.

**Mr Althaus**—I will open and my colleagues can add things as we go along. Can I say at the outset that many of the members of the Australian Trucking Association are in fact logistics companies that move freight around the nation by a combination of modes. We certainly look at the relationship between the two modes in a very positive way. We are regretful about some of the blatantly antitrucking themes that are put forward in attempts to promote rail as an alternative when patently we need to sit back and look at the transport system in total and take a holistic view to look at what the nation needs, what we can afford and what the customers who move freight around this country demand of a freight system.

As an industry, we have had some very constructive dialogue within our membership in relation to the linkages between road and rail, but I stress again that we must also come back to the demands that are placed upon us as an industry by our customers and the efficiencies that they demand. We are constantly asked to increase our level of productivity. Indeed, as one of Australia’s most competitive industries, we spend a lot of time looking at how we pass our productivity benefit to our customers. They have got used to that. They thrive on it and their

success is reflected in the growth within the economy. We constantly look at ways of improving our connectivity and our performance, and I guess that has pushed the Australian trucking industry to a situation of being a world leader. We do things in road transport here that no-one else in the world does.

**CHAIR**—Like what?

**Mr Althaus**—Take, for example, use of the triple road train in rural, regional and remote areas. There are few places in the world where that combination of vehicle carrying 120 tonnes of freight is operational. We have pushed the productivity envelope, with due regard to environmental and safety considerations, to the point where, yes, we do lead the world in operations. This places us in a position where we are now faced with a growing freight task. Customer demands are central to our performance, and we seek to respond to that. You look at industries now which use just-in-time systems and demand the performance of freight operators, not just in a productive sense but in a totally reliable sense. People want freight moved every day, sometimes many times a day, and they cannot afford to have any glitches in that system.

**CHAIR**—You made that point in your opening statement, and I appreciate it. What I am trying to get to is: what vision do you have? In what areas do you see rail playing a role? For example, if the inland rail were to be completed from Melbourne to Toowoomba and on to Brisbane, would a lot of your members use that and use distribution points along that line, or do you still think there would be a high amount of semitrailer and B-double traffic between, say, Brisbane and Melbourne?

**Mr Althaus**—I will ask Mr Gunning to comment in a second. Definitely we would still see continuing high levels of road transport, because of the efficiency and the efficacy, if you like, of the road network that we have. That is going to underpin the performance of roads without question.

**CHAIR**—I am not trying to anticipate what you are saying, but what seems to be implicit in your responses is that rail is less efficient. You have not said that—

**Mr Althaus**—One of the things we always have to remember is that every time you pick up something and put it down, it costs you money. How that works and the interface between the modes is a major challenge. We have not seen a lot of information that suggests the efficiency of the total system is going to be enhanced by more freight going onto rail. I will ask Mr Gunning to make some comments on that as well.

**Mr Gunning**—I will try to go quickly to some of the core issues. Our central stance is that we think the market is the thing to look to in the first instance. Our vision for the future is a market-focused vision. That is not to say that we do not recognise that there might be some interventions from government for things that are commonly known as externalities. Planning is another issue. I could run through some of those if you like.

The other important thing that drives our vision for the future is that we have a philosophy of trying to focus on efficiencies and improvements wherever they lie—in road, rail or anywhere else—so we take a broader approach to these things. We have sworn off, I think, the idea that we should go around, as it were, sticking spokes in the wheels of any other mode.

So, from a trucking point of view, we come to this as a question of freight and efficiency, relying first on the market, and thinking about some of the externalities—and we can run through those; there is a variety you could deal with. But when you get down to core issues like what we think would be the role of rail—which, Mr Chair, I think you were trying to lead us towards—we clearly see that rail has got a dominant role in long-distance bulk freights; there are no two ways about that. Many of our members use rail for that purpose.

One of the more contentious and difficult market issues is the question of the extent to which rail can handle container movements—often known as intermodal. We have consistently supported attempts to improve efficiency in rail. The biggest single improvement that we have seen, consistent with our philosophy, is the whole introduction of market discipline into rail. Probably the most astounding measurement of that has been the simple overlay of a commercial approach to rail hauling coal for reasonably long distances. I am referring to the Hunter Valley, where we saw the new commercial rail operator increase the capacity of a system under strain by 20 per cent—you would be well aware of this, I am sure. They were able to do that just because they went from—and I will not try to mis-characterise the old regime—the old regime to something that more approximates a modern, commercial, focused environment. That produced a 20 per cent improvement overnight in a capacity-constrained system. So we have been strongly supportive of those measures, and we think the evidence is there to support them. So that is our core stuff.

I will turn now to the inland railway. Consistent with our philosophy, we would not want to go out of our way to say that the inland railway will not work. But we have looked at the numbers and, if you think about the modern forms of transportation and what they can handle, it is by no means obvious that there is enough freight of the general kind, in container freight, to sustain a line of that length. We are happy to be proved wrong, and clearly some bulk freight comes out of that area, but it does not so much move north-south as east-west. Those are the sorts of issues that would go through our minds.

Because we come to these things from a commercial point of view, we do feel, I guess, bewildered at times by what we find. For example, we feel bewildered when we find that behind the current notion that the inland railway is successful is the idea that the 40 per cent of freight which currently moves on the main rail route between Sydney and Brisbane, the coastal route, will somehow, with the inland railway, take a sort of sideways step 400 kilometres inland to Dubbo on the way from Sydney and then go up to Brisbane. We look at that and we say, ‘Hang on; if that railway depends on that kind of assumption, we would have to be a bit worried about it.’

**Dr JENSEN**—I have some questions on efficiencies, costings and strategic aspects. Firstly, what is the relative cost per tonne-kilometre between road and rail in terms of fuel consumption?

**Mr Gunning**—That question is actually almost impossible to answer unless you specify what tonnages are involved. If you were to specify, for example, the Hunter Valley, with 100 million tonnes moving an average of 80 kilometres, even with those sorts of short runs there is no doubt that rail is far more efficient than road transport at moving those tonnages—simply no doubt at all.

But let us ask: 'Who moves tonnage best into a remote rural community?' It is very easy to demonstrate that the most efficient way of moving freight to a remote community in the middle of Australia is, in fact, a road train. You would hope that the roads are right and traffic volumes are low, and we have got other things we like to think about, like accreditation to make sure that the operator operates safely. But these are the two extremes, and, in the one case, you can demonstrate that, were you to build a railway to service a remote rural community, the amount of energy per tonne moved would be infinitely higher than that used by the trucking industry.

**Dr JENSEN**—Your submission included the 1998 costing of the trucking industry on the road infrastructure versus the amount that was obtained from various taxes and so on. How did you come by that figure?

**Mr Gunning**—We have been very pleased that a body called the National Transport Commission has been set up. They are now responsible in general terms for both road and rail. Their job as a government agency reporting to all federal, state and territory governments is to look at those sorts of issues. We have some debates with them about the answer, but the current answer they would give right now, for example, for the cost of roads for trucks—road wear and road construction and so on—is about \$1,600 million. Right now across Australia, we pay \$550 million a year in registration charges and we pay slightly less than \$1,300 million in the 20c road user charge applied to diesel. On my maths, we are currently paying about \$1.8 billion a year and the cost of those roads is \$1.6 billion.

**Dr JENSEN**—In terms of the cost of these roads, is that for the construction of roads mostly used by trucks? You could have a road that was constructed for car use. But for truck use, you would have to obviously considerably upgrade the road in terms of strength of the road surface, bridges et cetera.

**Mr Gunning**—Indeed, and there is a perpetual debate in that area. I guess what I am trying to say is that there is a government agency charged with the task of scientifically addressing that question.

**CHAIR**—I am sorry to have to suspend the hearing for a division. Please excuse us and we will be back.

#### **Proceedings suspended from 10.31 am to 10.36 am**

**CHAIR**—We will resume the hearing. Ms Bird wanted to ask a few questions.

**Ms BIRD**—Thanks for the presentation. Part of my frustration to do with this inquiry is that, while I understand that each industry group will come in and present to us the views and concerns of that industry, I still have to come to grips with the fact that there is not a higher level of integration or complementary development of road and rail and how they interface with each other beyond what currently happens. I am not of the view that the market is the only way to drive that because, from a government perspective, we are also dealing with growing population bases around the very places where we have got access to and egress of freight, so you are going to have increasing conflict between the road system and the rail system with a commuting based population and the movement of freight. Accepting, even as a hypothetical, our assumption that

there has to be a greater level of task identification and of integration of those things, where can you see that actually happening where it is not happening at the moment?

**Mr Althaus**—I think one of the key factors that you have to continue to go back to in answering this sort of question is this: right now we have an environment where estimates put to us by the Bureau of Transport and Regional Economics and estimates that we see in the market say that around 15 per cent of freight moved around the land is contestable between the two modes. So, based on that, we need to be very careful as to how we want to plan an intervention to change that percentage and what the efficiency implications are, going back to the fact that our geographic/demographic situation means that efficient transport is so vital. The other thing that is terribly important to realise right now is that, because of our sustained economic growth, the freight task doubling scenario is not something that is going to happen out there; it is happening right now. We are the ones who are servicing that freight demand. There is a limited extra capacity that can go onto the rail system right now and, indeed, as we did a decade ago with the National Road Transport Commission, the rail industry are embarking on a program of reform in a regulatory context and in the context of infrastructure, operating systems, rolling stock and standards—the whole package. By the time they have significantly advanced that package, even leaving out building new infrastructure, the freight task will have all but doubled on road simply as a reflection of economic growth. We are dealing with that reality.

In addition to that, we are very active in our consideration of what intermodal activity might look like and what an inland port scenario might look like. In addition to that, our customers are saying: ‘We want it from point A to point B every day in this time frame. That is all we want; do not go outside of that.’ So it is a vexed dilemma. The market is demanding; the market is getting delivery. Delivery is spawning economic growth, and the prosperity of the nation runs on the back of that. We would be very concerned at pulling back that efficiency and those opportunities simply to create a shifting dynamic where, fundamentally, the contestable level is quite small in the overall package of freight to be moved. We have identified niches for rail, which is fantastic, and for bulk and long haul, which is great. That environment is very suited to that mode. But, again, as I said earlier in my remarks, moving freight around this country, in a corridor sense, is not that big a drama. The real challenge is the metropolitan distribution. We have people from Coffs Harbour say to us, ‘Damn it—why are all these trucks on the road?’ One of the biggest growth centres in population in New South Wales is the mid North Coast around Coffs Harbour. People are living there. Freight services they demand are coming to them via truck. There is a disconnect with reality in some of this, which we have to be very pragmatic about, because efficiency of transport is at stake if we try to artificially shift the mix just because we think it might be a good idea.

**Ms HALL**—I get the distinct feeling that you see rail as purely filling that niche role—a very little role. Do you think there should be any increase in their share of the haulage? From listening to you I think you probably feel that there should be shrinkage of the role of rail—that it should be locked into that niche role.

**Mr Althaus**—Niche roles and market demands may very well take us in that direction. We are simply providing a service to the economy in terms of the demand to move freight in a certain way.



**Ms HALL**—That is your vision, is it? I want you to articulate your vision for your industry. Is it for yours to expand and for the rail industry to shrink a little and to fulfil just that niche role?

**Mr Althaus**—Not at all. Our vision is to continue to play a major role in contributing to the efficient movement of freight around Australia. Many of the companies that we are linked to use a variety of modes to do that. So we are certainly not in the business of saying, ‘Rail should stay there at that level.’ We are simply saying that we will service the demand for freight movement that is put upon us by the economy. We are doing that right now.

**Ms HALL**—Do you see them as your competition, not as a service that you are working with?

**Mr Althaus**—No. Increasingly we are working together.

**Ms HALL**—So they are not your competition?

**Mr Althaus**—We are competitive in the market to move freight.

**Ms HALL**—So you do not see them as your competition in any way?

**Mr Althaus**—They are most definitely our competition, but they are also our partner in the challenge of moving this nation’s freight.

**Ms HALL**—Do you ever sit down with them and work out a partnership in how you can do things?

**Mr Althaus**—Absolutely. Indeed, we are increasingly doing that at a very pragmatic level. The simple reality is that if you ask the Australasian Railways Association they will tell you that they have capacity constraints right now and that they cannot take any more freight on rail.

**Mr SCHULTZ**—There is the flexibility that you guys have and the fact that they are on a fixed track that is shared by passenger trains.

**Mr Althaus**—Indeed.

**Mr SCHULTZ**—And the very nature of the train itself does not allow them the speed in loading up and moving that road transport systems have. They are two different systems, and the difference is that there is more flexibility in the road transport system than in the rail system.

**Mr Althaus**—And thank heavens for that.

**Mr SCHULTZ**—Yes, absolutely. That is the point that I am making as far as rural and regional areas are concerned.

**Ms BIRD**—Can I share the track a bit to follow up on that one question I got in? You mentioned that 15 per cent of freight is contestable between road and rail. What is that determined by? Is it a geographic issue? Is it an issue of the nature of the freight? Where is the 15 per cent of freight that is contestable?

**Mr Althaus**—It is a number that is developed by the Bureau of Transport and Regional Economics, taking in a basket of all those elements relating to location of freight, volume needed to move and the availability of infrastructure. They assess a basket of issues.

**Ms BIRD**—So they are saying that that 15 per cent is effectively a level of freight that could be moved by either?

**Mr Althaus**—Correct.

**Ms BIRD**—There is no particular argument for one or the other?

**Mr Althaus**—Correct.

**Ms BIRD**—In that area of the contestable movement, are there particular things that your industry say should be priority considerations? I will ask the same thing of the rail industry when we speak to them. If we are talking about the 15 per cent of contestable freight, I accept that as it is contestable you may argue that the market can sort out who gets it. But sometimes the contestable freight is affected by other external factors that we might as a committee want to consider. I need to understand what the priority for you is in arguing whether that contestable freight should be moved by road or rail. What would be the important factors for you? Would it just be what your customer says?

**Mr Althaus**—Essentially, it will be a market decision based on infrastructure and service offering from the two modes. We have, for example, a situation right now on the Alice Springs to Darwin route where there is freight moving off rail back onto road simply because the service offering is not good enough. That is not the fault of the trucking industry. We will simply offer our service in the best way that we can and if that is what the market prefers that is what they will buy.

**Ms BIRD**—That covered what I was looking for. Thank you.

**Mr SCHULTZ**—I have a couple of comments on that, and then I have a couple of questions to ask. It never ceases to amaze me as an individual, a politician and a member of the Australian community that we have this idea that building a corridor for rail between point A and point B or between two capital cities is going to solve the whole problem of freight. The Darwin route is a white elephant as far as I am concerned. It has been an issue for politicians for a long period of time. It has now been built. And it is not doing what people said it would do. It is a white elephant. When people talk about these rail corridors they say that they are the be-all and end-all regarding the movement of freight. But they do not identify what they mean by 'freight' and they do not understand—or they do not want to understand—the complexity in the types of freight that are moved around this country to keep communities viable. I make those comments for what they are worth. I understand the problems you have, and that is why I made the comments.

Getting to a more serious issue, we have been told by people that there is a growing critical shortage of truck drivers right across the country. My question is: how serious is that and how are we going to solve it? But before you answer that, I have also heard that state governments, through their regulatory systems, are playing a role in compounding the problem of a lack of people taking up truck driver training. In other words, they have changed the rules in some areas

so that truck drivers who used to pull a trailer can no longer do so because they have to be reassessed and go up another notch in terms of the standard of licensing that they have to have. Would you like to make a general comment on why there is a shortage of drivers, what is compounding the problem at a government level and how we can overcome it?

**Mr Althaus**—You are quite right. There is a shortage of drivers in the industry. The average age of a truck driver is approaching 50 years. We as an industry are obviously entirely dependent on the availability of our driver network. We as an industry are looking very seriously at skills shortages that go beyond the driver issue—there are also skills shortages in the mechanic side of things. It is not dissimilar to other industries around the place. That we have a skills shortage is a manifestation of an economy that is running at virtually full employment in many respects.

Unfortunately, we have plenty of ability to train people but not, to use a phrase that our trade media has used, in putting bums on seats. Transport and logistics is not inherently an attractive career option for many young people. They are not seeking to enter this industry. We are trying to change that by promoting a career path, because, of course, the shortages that you talk about are acute and very problematic for the industry.

We are also looking at what options there are in terms of labour coming and filling truck driving positions from other countries around the world. Our first preference is obviously to have Australians in those roles, but that option is being considered where that is not possible. It is something that is not a quick fix by any means. Many industry sectors are feeling it. We are trying to put the transport and logistics sector forward as a viable and attractive proposition. One way we are doing that is through management practices. People do not want to be on the road for days on end. They want to go home and they want to spend more time at home. Their lifestyle demands are different from what they were. One example in the Melbourne-Sydney corridor is that you have drivers that leave Melbourne and Sydney, meet in the middle, change and then go back to Melbourne and Sydney. You start in Sydney and end up in Sydney; you do not end up in Melbourne.

**CHAIR**—The Glen Innes scenario.

**Mr Althaus**—It is the Tarcutta changeover in the Melbourne-Sydney environment. It is a management of freight movement which suits a better lifestyle and is more compatible with family life et cetera. That is part of what the management of industry is seeking to do.

**Mr SCHULTZ**—It also reduces the risk of accidents.

**Mr Althaus**—It is a fatigue management approach as well, yes. It is a whole basket of things that industry is trying to bring forward to make a career option and make a more attractive package to have young people involved. New Zealand have had a major promotion campaign saying, ‘Learn how to drive a truck and see the world.’ They are saying to young people, ‘Come and get this skill and it will take you around the world.’ I think most of their truck drivers have got their licence and have come to Australia.

**Mr SCHULTZ**—Thank you for that. Regarding your skill shortage, have you put in a submission to the skills inquiry that is being undertaken by the House of Representatives Standing Committee on Agriculture, Fisheries and Forestry?

**Mr Althaus**—Yes, we have.

**Mr SCHULTZ**—Good. The very high price of oil is obviously not going to change because of the diminishing stocks of crude oil around the world and various other reasons. What impact is that going to have on your industry in the long term and how is that going to affect the projection that you made that the industry is increasing at a rate where it is going to triple its size and its movement of freight between now and the year 2020?

**Mr Althaus**—Certainly the short-term scenario is that the competitive nature of this industry is such that operators have no capacity to absorb the current higher price of fuel. Around 30 per cent of the cost of operating a heavy vehicle is fuel. That has jumped to 40 per cent in recent times for many operators. The simple reality is that the additional cost is passed through to the customers of freight. That is a necessity. The viability of transport operators would be lost if we were to sit and try to absorb that sort of cost increase. How will that play out in the long term? We are certainly becoming more efficient in many of our technologies that we are employing within the industry, although I would hasten to say that some of the latest emissions-control technologies are going to result in a lowering of fuel efficiency. It will be a better emissions outcome but a poorer fuel economy outcome, which is somewhat vexing and problematic for us as an industry.

**Mr SCHULTZ**—What have you done about the issue of fuel pricing in terms of the freight component? An example of what I am talking about is that you can drive from Goulburn or Yass up the Hume Highway and turn off, say, at Bargo or Tahmoor to take some freight up to Picton, and when you are passing through Tahmoor your fuel price is about 13c or 14c a litre cheaper in a 120- to 220-kilometre drive, depending on whether you are driving from Goulburn or Yass.

It does not matter whether you are driving a motor vehicle commercially or as a private individual or whether you are driving a truck. The fuel price difference between the two is at that level. The point I am getting to is that it costs the fuel companies about 1c to 2c a litre to take it from the depot in Sydney to those fuel service stations on the Hume Highway yet the price difference is 13 per cent to 14 per cent. The argument has been that it is volumetrics that drive it yet the fuel at Tahmoor, a very small community which does not have the volumetric argument attached to it, is selling its fuel at 13c a litre less. What have you done about raising that issue with the oil companies or bringing that out in the public arena?

**Mr Althaus**—I will ask Robert to comment but, at first cut, delving into the murky world of how fuel is priced and trying to understand that has always been quite problematic. I hasten to say that, because we have very little choice in the matter, we end up taking what comes forth. I also draw the link to the excellent impact that tax reform has had on our industry, and the implementation of the Diesel and Alternative Fuel Grants Scheme in the reduction of tax on fuel as a key business input into this industry has been a major factor in our overall efficiency. Needless to say, because we run at such fine margins and pass productivity through to our customers, we are increasingly in a volatile fuel price market, simply breaking fuel out of contractual arrangements either with surcharges, levies or just a stand-alone fuel charge measured on a weekly or by-load basis, coping with the variations in prices. As to your example, our response is: who knows?

**Mr SCHULTZ**—Your organisation is sounding like government, saying, ‘It’s all too hard.’ It is a very serious question that impacts on your industry. If contractors who own their own rigs were not subjected to that price variation per litre, that would make an enormous difference to their ability to remain viable and keep paying their rigs off.

**Mr Althaus**—Our constituents certainly have a good nose for where there is cheap fuel. That can be guaranteed.

**CHAIR**—On that note, I am sorry, but we have to wind it up. I would like to thank the association for its submission and for its evidence today. Thank you, Mr Althaus, Mr Gow and Mr Gunning. Thank you for coming. I would like for you to explore with the secretariat the point you made three times in your submission about the problems you reach, mainly in the capital cities, at the end of the various truck routes. I would like you to flesh that out a bit more for us. I would like to understand what those problems are and what role the federal government might play in ensuring better connectivity within the cities.

Resolved (on motion by **Ms Hall**):

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

**Committee adjourned at 10.59 am**