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HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON TRANSPORT AND REGIONAL SERVICES

Reference: Transport networks inquiry

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HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON TRANSPORT AND REGIONAL SERVICES

Wednesday, 30 November 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, Mr Neville, Mr Richardson and Mr Schultz

Terms of reference for the inquiry:

To inquire into and report on:

the role of Australia's regional arterial road and rail network in the national freight transport task;

the relationship and co-ordination between Australia's road and rail networks and their connectivity to ports;

policies and measures required to assist in achieving greater efficiency in the Australian transport network, with particular reference to:

— land transport access to ports;

— capacity and operation of major ports;

— movement of bulk export commodities, such as grain and coal;

— the role of intermodal freight hubs in regional areas;

— opportunities to achieve greater efficiency in the use of existing infrastructure; and

— possible advantages from the use of intelligent tracking technology;

the role of the three levels of Government and the private sector in providing and maintaining the regional transport network.

WITNESSES

Committee met at 9.23 am

GARGETT, Dr David, Research Leader, Bureau of Transport and Regional Economics, Department of Transport and Regional Services

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

CHAIR (Mr Neville)—I declare open this public hearing of the inquiry by the House of Representatives Standing Committee on Transport and Regional Services into the integration of rail and road networks and their interface with the ports. This is the 13th public hearing of the inquiry and it is part of an extensive program of public hearings and visits designed to gather information from people directly involved in the main issues of the inquiry. We have been to Gladstone, Mackay, Melbourne—twice—Portland, Darwin and, most recently, Sydney. We have had a number of important hearings for organisations in Canberra.

I welcome representatives from the Bureau of Transport and Regional Economics. I have to point out to you that these are formal proceedings of the parliament and consequently warrant the same respect as proceedings of the House itself. It is customary to remind all witnesses that the giving of false or misleading evidence is a serious matter and may be regarded as a contempt of the parliament. I place on record the committee's thanks for the quality of the evidence we have received from you and your predecessor organisations at these transport inquiries. It has been most valuable and we look forward to your evidence today. I now invite you to give a five- to seven-minute overview of your submission and then we will go to questions.

Mr Potterton—I was not planning to give an overview. There is no submission specifically from the bureau. There is a submission from the department.

CHAIR—You are going to speak on that?

Mr Potterton—Yes. It is my understanding that the committee has some additional questions. We will endeavour to respond to those questions.

CHAIR—Do you or Dr Gargett want to make any opening remarks at all? It is customary that witnesses give us the flavour of their submission.

Mr Potterton—If you do not mind, we would prefer to go straight into the issues you may have for us. That was our expectation, so we had not planned to provide an overview. The bureau obviously provides and publishes a significant amount of information in the area of freight transport, and road and rail in particular. We are very much available to deal with the information issues you may have but, as I indicated, there is no bureau submission for me to speak to on this occasion.

CHAIR—I will kick it off, then. The committee has visited various ports and we understand that there has to be good connectivity for freight. It is not just a matter of putting a new loader on a wharf; it is a matter of the holding areas, the immediate movement of commodities in the port area and the connectivity of those systems to the main trunk systems, be that road or rail. We were given evidence by the Australian Trucking Association that only about 15 per cent of the

freight is contestable. Is that a hard and fast figure or is it constrained by the nature of road and rail in its present configuration in Australia? If so, what are the circumstances in which that amount of freight might be opened up a bit more? What are the circumstances in which a higher degree of contestability is likely to occur?

Mr Potterton—Firstly, that statement by the ATA relates to the proportion of total intermodal road freight which is carried on the major intercapital routes. That freight market is clearly contestable between road and rail. It is fair to say that the rail share of that market has been constrained by a number of factors. But, essentially, I think that when the ATA made that comment they would have been alluding to the absence of modal competition within the cities and across the regions more generally, simply by virtue of the very sort of constrained nature, if you like, of the rail system.

CHAIR—I see where you are coming from. Let me put it another way: this inquiry is about the arterial road and rail systems. It is not about the trunk routes and it is not about the capital city or the outer metropolitan movement of freight; it is about how freight moves along the main arterial corridors of Australia and how they connect to the ports. That being the case, we understand that there are circumstances in which road is and will continue to be the most effective method. Evidence of this, of course, is QR. I think for up to 300 or 400 kilometres they use their own trucks rather than their own trains, which is a fair indication of that. What we would be interested to hear from you is: what are the circumstances in which rail provides not so much competition but an ability to shift freight, both bulk freight and containerised or packaged freight, around Australia? What are your findings about how freight might be moved more equitably between road and rail in the optimum conditions for both modes?

Dr Gargett—The contestable market is basically the interstate traffic, the intercapitals. Rail has four problems when it comes to moving freight between the capitals. It has to get the stuff onto the trains, and that is the terminals' problem. The private companies have taken over the terminals. They are in the business and in the process of fixing that problem, but there are still problems with the terminals in terms of their positions in the cities and connectivity with them.

Then you have to get the trains out of the city, and quite often it is in competition with urban passenger rail. The southern freight line into Sydney is fixing that in terms of stuff going into and out of Sydney to the south, but there are problems all over the place in most of the capital cities. You have a different gauge for the track in Melbourne, for example, but the standard gauge has to pass through it at certain points, so there are windows that you have to get. So getting the trains out of the city is the second problem. The third problem is the line haul, the condition of the track and—

Mr HAASE—The what, David?

Dr Gargett—The line haul between the cities. There are problems in the efficiency of that—quite large in terms of signalling, passing loops and whatever—but in fact the line haul is an opportunity for rail to lift its game. The fourth problem for rail is the industry that it is in. It is in the trucking industry. Its trucks look a little bit different, but it is in the trucking industry, and that is the industry it has to continually try to keep up with. That is a big problem for rail. The effect of all those four problems means that—

CHAIR—You have not mentioned, unless you mean it within line haul, the timeliness of delivery.

Dr Gargett—That is the first three together—that is getting it onto the train, getting the trains out of the city and the line haul. That gives you the timeliness.

CHAIR—I meant time in a slightly different context. It is said, for example, that for the inland rail to work from Melbourne to Brisbane it must be able to deliver the freight within 24 hours. So I am not just talking about the problems at each end; I am talking about the ability of the trains to travel over the tracks at reasonable speeds—perhaps doublestacked, perhaps not. I would just like your comment on that. What are the circumstances in which parallel services can work effectively?

Mr Potterton—The major success we can look at is clearly the east-west corridor. That has three major advantages. Firstly, the infrastructure was significantly improved in the early to mid nineties. Secondly, it has effectively had seamless, integrated management, through the ARTC network and ARTC management and its control of costs and so forth. Thirdly, it has the major advantage of distance, because it is a corridor that is 3,500 kilometres long. Because of the significantly greater costs rail faces in loading and unloading relative to loading and unloading a truck—and the need obviously to transport to and from the railhead—the longer the distance you have to offset those costs with the lower unit costs of the line haul the better. So that is a huge advantage that the eastern states to Perth corridor has.

Now really the second most promising corridor I suppose you could say—after the eastern to Perth one—is clearly the Melbourne to Brisbane one. That has seen significant growth in recent years. Clearly a major hurdle for that corridor, as my colleague was indicating, was getting in and out of the cities—and in particular getting in and out of Sydney. In our view there are three potential solutions to that. One is ease of transfer through Sydney, which would imply resolving the passenger conflict problem—and, although there obviously is a plan to partially address that through the southern Sydney exclusive freight line, the north of Sydney is still a question mark. That is one potential solution. The second potential solution is some form of bypass of Sydney. The third potential solution is a full new inland rail line, which would, obviously, effectively duplicate the lines. There would, in effect, be a lot more track to pay for and maintain. Therefore, when you look at it initially, that looks like a higher cost option. But, as I understand it, all those options are now to be looked at through the north-south study, which the department and the ARA have recently commissioned.

Mr HAASE—Pursuing that line for a moment, does your organisation have the capacity to analyse in effective detail and produce effective models whereby it could be finally stated that the maximum distance for economy was X over road and Y over rail? Have you the capacity to collect the data and then analyse it to come up with such a figure?

Dr Gargett—On past trends, just by judgment—and it is not a specific analysis—it is probably about 1,500 kilometres these days. So Melbourne to Brisbane would qualify, but Melbourne to Sydney would still be under the kind of threshold that would be marginal.

Mr HAASE—By how much?

Dr Gargett—It would attract specific traffic that is suited to rail, but it would not have a wider pulling power within that distance.

Mr HAASE—When somebody responsible for the decision to move freight is looking at that decision, how much credibility is given to the fact that they put it on a truck and that truck is carrying their load exclusively from A to B? Do you believe that is considered as an alternative to that load being part of a load on a train going from A to B and over which they do not have absolute control? Do you think the absolute control over their freight is a significant factor when they are making the decision?

Dr Gargett—At the right price.

Mr HAASE—I am interested in knowing whether you know what that price is.

Mr Potterton—I would say that no, we have not looked in great detail into that. I think what you are asking really is: how much do we know about what drives the mode choice and what are the significant thresholds that rail needs to meet? In fine detail, the answer is we probably do not. That said, the performance targets that ministers put in place four or five years ago identified reliability of service, transit time and costs, obviously, as key drivers. In deciding the reason why rail has been so effective on the east-west corridor, it clearly has a lot to do with costs. In other words: they have been able to reduce prices very significantly. The transit time is still more than road, but shippers are able to make that trade-off; they will settle for the lower price in return for a slightly longer time. Of course, the time difference is not all that great, and if you are thinking east-west anyway, you are also thinking about a very significant truck time.

In contrast, for Melbourne-Sydney, which is overnight—Sydney-Brisbane is not quite overnight—it is very clear the service standard is the overnight service and, therefore, in order to increase its potential market, rail needs to address those transit time and reliability issues. It is probably fair to say that the shorter the corridor, the greater those quality of service aspects are likely to be. As to how important the specific question of being able to monitor your container throughout its trip is for individual shippers, no, that is not something we have looked at. It is always the case that the trucking industry sets the benchmark for quality of service. This is not to say that there are not improvement issues for the trucking sector, but that is very much the standard that the rail sector needs to keep in mind and is very much aware of.

Dr Gargett—The rail sector, in fact, has wins in that area of quality of service. They carry almost all of the automobiles around Australia at the moment because they have developed specific containers to make sure the new cars get there with no damage. It has all gone to rail, basically, and that is a significant win. But it is because they are able to avoid the damage that you get with road. So there are ways to increase the attractiveness of rail, but you do not get those opportunities for most goods. It still has to struggle against the competition that road represents in most areas.

Mr SCHULTZ—Just on that point, can you tell the committee your views on recent reports in the media that Pacific National is going to apply a 30 per cent increase in freight charges from 1 January 2006 and a further 30 per cent six months later? That report indicated that freight rates would double within five years. What would you see as a consequence of such a rapid increase in the rate for rail shipment?

Mr Potterton—I am not aware of that specific charge increase. I am therefore not aware of specifically what is behind it. Clearly, there are fuel—

Mr SCHULTZ—Can you give a view on what you believe a rate increase of that magnitude will do?

Mr Potterton—Obviously, when freight rates increase, that implies extra costs for shippers and the economy. Therefore, there is a slight dampener in that area. In terms of what it means for rail markets, I think the key issue will be what is happening to truck freight rates. Fuel, of course, represents a larger proportion of truck operating costs than it does of train operating costs.

Mr SCHULTZ—So does registration. The increase in registration in trucking is another issue that I would like you to comment on.

Mr Potterton—I will finish on the previous question. Because of those cost pressures on the trucking sector, it is difficult to know, because I do not know what the extent of increase may be applying in the trucking sector. I would just make the comment that clearly both sectors will be facing cost pressures in the area of fuel, therefore it is possible that the impact on market share and traffic carriers may not be all that significant.

Mr SCHULTZ—Obtaining that information would be very crucial to this committee's deliberations. Would you like to take on notice that question and undertake an investigation to see whether there is any truth in the reporting that those increases are going to occur? Would you also, having done that, feed us the information on what the bureau's thoughts are in regard to the positive or negative outcomes of that sort of hike?

CHAIR—Can I add to Mr Schultz's question. Could you also tell the committee what factors you see in the transport economy generally that would justify increases of that nature if indeed they exist?

Mr SCHULTZ—Yes, that is a good point.

Mr Potterton—I have to say that I do not believe we would be able to comment on whether the increases are going to occur. That is very much a matter for Pacific National.

Mr SCHULTZ—No, I am not asking for that. We just want an overview from you in the way of a brief as to what the bureau believes that sort of magnitude of cost increase will do to the industry as a whole and, more importantly, the economy of the country.

Mr Potterton—Your interest is in the freight industry, both road and rail?

CHAIR—Yes, and, as I said before, whether there are factors that you can see in the transport sector of the economy that would justify increases of that nature.

Mr SCHULTZ—When we took evidence from the Australian Trucking Association, there was some discussion of a very real concern about the growing shortage of truck drivers. Has the bureau undertaken any research on the availability of truck drivers, particularly those trained to

handle the larger vehicles and in particular B-doubles? On a related matter, has the bureau examined the effects of recent changes to the licensing requirements for truck drivers, which have been of significant concern?

Mr Potterton—We have looked at the labour supply issues in broad terms in working paper No. 60, 'An overview of the road freight transport industry', which we published some two years ago. That looked at the age distribution of truck drivers and clearly identified the challenge for the industry in meeting demand. I am aware that it is also a significant issue for the rail industry. The quantum issues may be different but, in broad terms, the issue is similar. We have not undertaken any specific work on the recent changes to licensing requirements.

Mr RICHARDSON—Does the bureau have any input into the work of the National Transport Commission? If so, could you please explain the bureau's role in that?

Mr Potterton—The bureau does not have any formal relationship with the National Transport Commission but they consult us from time to time. For example, we were part of an industry-government consultative group as part of the lead-up to the consideration of the heavy vehicle charges determinations. But we are not an adviser to NTC or anything like that.

Dr Gargett—They draw on our general statistics. We are the organisation that tries to piece together all the bits and pieces so that they are in a standard format. They draw on that in terms of growth rates of traffic and those sorts of things.

Ms BIRD—I refer to the tables on pages 14 and 15. My electorate is based in Wollongong. The Sydney to Wollongong corridor identified under AusLink is the second largest carrier of road freight and is obviously important for road passengers as well because it is the largest corridor for road passengers. I note that Port Kembla is listed in the table on ports that are linked under AusLink, yet there are no identified projects for that corridor under AusLink. Could you give us your reflections on that or some information that I might not have about what is proposed there?

Mr Potterton—I am not au fait with the details of the AusLink projects. You would really need to address that question to the policy areas of the department.

Ms BIRD—So you are telling me it is at a policy level at this time?

Mr Potterton—Yes, that is right. I do not have any information to provide on that.

Ms BIRD—That is fine. I always seek additional information wherever I can.

Dr Gargett—One of the things you have to remember is that, while you can have large volumes of freight, trucks do not comprise a large volume of the traffic in cities or on links such as you have mentioned. The major traffic and the major area of traffic growth that is going to occur in cities is cars and LCVs. I have a graph of traffic in Melbourne which shows that the growth is going to come from cars and LCVs. Freight tonnages and their growth is one thing, but traffic is another. You have to make that distinction.

Ms BIRD—I appreciate that, but you would appreciate that there is only one road out of Wollongong and there is a steep climb. If you are following a couple of trucks, it becomes a much bigger issue than it might normally be, so that is an issue of concern.

CHAIR—One of the things that has exercised our minds, especially in our visit to Victoria, is the likelihood of a bumper grain crop and the inability of the rail system to handle it—a deteriorating rail system at that. Have you done any work on how that bulk grains freight task might be handled better? Is there a case for the upgrading of rail lines in Victoria and New South Wales in particular and perhaps Queensland and Western Australia to a lesser extent? Are you aware of this looming problem with the grain crop?

Mr Potterton—It is not part of our published work program, but we are aware of the issue in general terms. I do not know how much use we can be to you in that area. One can comment that clearly there are significant issues with the grain lines around the country. The problems of financial performance and the rationalisation issues with both grain and transport seem to be starting to be looked at.

CHAIR—Far be it from me to suggest to you what you should be doing, but it is a growing problem. It is of particular concern in New South Wales and Victoria in the sense that a lot of the lines are on the verge of closure. The question then arises: what happens after that? Do we then start transferring a lot of this grain to road or rail hubs, with the consequent damage to country roads and so on? I would be interested to know what the bureau thinks about this. I think this is something that would be eminently suitable for a study.

Mr Potterton—Thank you, Chair. I will certainly note those comments and take them into account in our future program, which is something that the minister approves. We have a significant amount of information on the trends in the carriage of the different commodities, including the grains, by road, rail and sea. I think it is still the case that the overwhelming bulk of the grains are carried by rail. In terms of the basic economics, you would expect that to continue, because the trains can be loaded very efficiently from a grain receival site. It is a pouring operation, essentially. There is no reason to think that rail would not continue to be the most technically efficient option, even over relatively short distances. We observe in the bulk markets that rail can be very effective, even over short distances. We see that with coal and the ores. However, in the states there have been a very large number of lines, and the number of lines may make it quite difficult to keep them in a decent condition. If we are to see rationalisation of lines then that would imply that there would be more road transport to the grain receival points than we have at the moment. That obviously raises the issue of the quality of the road system to those points.

CHAIR—Some of the other things we have seen—and perhaps you might like to comment or come back to us with a paper on this—are, for example, the suggestion that coal has taken up all the spare capacity in some areas. That is one problem. Another one we have noted is that there still must be a fair amount of unnecessary interstate rivalry, because—especially in South Australia, New South Wales and the north-west corner of Victoria—you notice that a lot of the grain lines that are closed are in those border situations. It is a bit like the shire road between two shires: no-one wants to take responsibility for it. That creates problems, in this case, for three states. The other thing we have noticed is that on those railway lines that once were used for general freight and even passenger services, because of their deteriorating condition and the fact

that the speed of trains is down to something like 20 kilometres per hour in some areas, the only things carried now are grain and sometimes a bit of mineral sand, sometimes a bit of timber. What advice would you give to the committee on how there might be some rationalisation of this—or are grain lines ultimately doomed? We would very much appreciate your advice on that, and on whether or not coal has intruded into the capacity of some ports to handle grain.

Mr Potterton—On that point, I do not think we can comment specifically, unless my colleague has further information. But I guess the observation we would make is that clearly coal exports have been at an all-time high due to world demand, so it would not be entirely surprising if that were the case. But obviously grains production is also growing over time, so there is a significant challenge there. It is not in any sense a declining industry. I suppose the only comment one could make is that it appears that there is a rationalisation challenge, but it is also a system challenge in the sense of ensuring viable road links to potentially fewer grain receival points than we might have at the present time. But you need those viable road links. You need the capacity in grain storage, receival and so on and so forth, and then you need the well-maintained, modern rail lines—or sufficiently modern, at least—in order to carry the traffic efficiently. As I was indicating earlier, from a technical point of view, I do not think you would envisage wholesale transfer of the grains production to road. Rail does have significant technical advantages over road freight, but obviously there are funding issues.

Mr HAASE—I wonder whether the bureau has done any analysis of the practical result of the Darwin-Alice rail versus the ambitious expectations of the commercial success of that rail, because such an analysis would be very helpful for our analysis of the connection between road, rail and port infrastructure.

Mr Potterton—No, Mr Haase, we have not done any analysis in that area. I think there have been results reported in terms of domestic freight to and from Darwin, which is a massive switch to rail—as you really would expect as it is a natural corridor for rail in terms of the distance. But I appreciate that the major policy interest has been in terms of exports, land bridging and so forth, but that is not something that we have examined.

Mr HAASE—That surprises me, quite frankly. Was the bureau involved at any stage in assisting with the economic projections prior to the final decision to construct?

Dr Gargett—Several times over decades.

Mr Potterton—That is right. There was some bureau work which was undertaken quite considerably prior to the decision-making period. I would have to check precisely but I think we are talking about 1994 or 1995 when the bureau did do some analysis. I think that was made available to the parliamentary committees at the time.

Mr HAASE—But you have not analysed in retrospect the theory versus the practical?

Mr Potterton—No, we have not been doing that.

Mr HAASE—Surely that would be interesting, because the commercial outcome for that project is the very sort of thing that would, I am sure, shape decisions of future transport processes. I am concerned also with intermodal hubs and—

CHAIR—Just before you go on, Mr Haase: Mr Haase makes a very good point, which was going to be my next question. If people like you have not done an analysis of the reality against the practicality of the Adelaide to Darwin line, what chance have we got of getting competent advice on the Melbourne to Brisbane line, the inland line? Perhaps you might give us a comment on any work that you have done on the Melbourne to Brisbane line, whether you have any preferred route for that, where you see the economics are likely to work and whether it needs to be a double stack line. I think what Mr Haase is saying is that we need to have a measuring stick for these sorts of things and we do not seem to have one.

Mr Potterton—Firstly, there is the study which is being undertaken at the moment. We are obviously not responsible for the study but the study is making use of information from the bureau and we will be consulted throughout it.

CHAIR—So will you be doing a specific paper on it?

Mr Potterton—No, we will not be. But, as perhaps I alluded to earlier, it does appear to us that with the inland option what you would observe from that is that it would presumably entail more capital investment and more track to maintain over time than an option which required less new capital investment and less new track to maintain over time, so that options which bypass Sydney, rather than going fully inland, are likely to be lower cost. That is quite apart from the issue of the Toowoomba Ranges, which are recognised as a major engineering challenge and therefore have a quite significant cost. You have mentioned the issue of double stacking. I am aware that that would be one of the advantages of the fully inland route. I think the other issue that presents when you move to double stacking is the quality of the track and the weight of the track in order to allow double stacking, so there are the cost implications of that. It is probably not a laydown misere that double stacking is something that you should be trying to achieve.

CHAIR—So there would be work on bridges and the upgrading of track and so on?

Mr Potterton—Yes, exactly; that is right.

CHAIR—I think Mr Haase's point was quite important. Whichever option you take—whether it be Melbourne to Brisbane or Melbourne to Gladstone—the upgrading of major arterial routes like that is going to be a serious consideration in Australia in years to come. We do not really have a measuring stick. We heard some disturbing evidence in Darwin, for example, that the freight had dropped off a bit. Perhaps I misread it, but I always had the understanding that the movement of livestock was going to be an important dimension of that line. When we spoke to the cattle industry in the Territory we got the exact opposite story: they were more interested in road because they did not want to have the problems with double handling and it was not practical over longer distances via rail to have cattle spelled, watered and so on. So we need to flush the myths and find out, as Mr Haase said, what the practicalities are now against those perceived theories of seven or eight years ago.

Dr Gargett—The study that is under way—the north-south study—should do that. On those big projects, we have been advising governments for decades. We did so on the Alice Springs to Darwin extension; we did so lately on the fast train proposals, showing that they were quite uneconomic. The study here will be the same sort of thing: it will draw on our ability to model

the kinds of flows that might be there against the kinds of engineering costs that the consultants will put on them. We try to do our best on that.

Mr HAASE—One of the rather frightening revelations that this committee has had in recent times was an estimate of half a billion dollars of engineering works to upgrade the rail from Tennant Creek to Darwin to a capacity suitable to carry iron ore exports. If you are designing such a significant piece of infrastructure in view of the increase of exports potential and you know that you have iron ore in western Queensland, it strikes me as Engineering 101 that you build something capable of doing the job.

Mr Potterton—Dr Gargett may correct me, but all our existing iron ore lines are privately owned and managed at this point. I think it is clear that the premise of Alice to Darwin was intermodal containerised freight, which does not require the same weight of track. The land bridging concept was very much about shipping freight north, from Adelaide, Melbourne or wherever, via rail rather than via sea and, similarly, bringing containers into the country via the Darwin route, which would not require the heavier weight of track. But I am aware, as you say, that this mining issue is on the table now. One hopes that there will be a successful solution to that.

Mr HAASE—I do find it difficult to know in general terms just what your effective responsibility and role is in relation to transport, but perhaps we will not go into that today. But do you have any involvement in scrutiny of bulk cargo handling such as the Pilbara rail systems? I see in your report that you have mentioned the transportation of ore and the Pilbara—you mentioned it quite specifically. I wonder, for instance, whether you have any knowledge of the question raging right now about third-party access to privately owned rail in the Pilbara. Is that your field of expertise?

Mr Potterton—No, but I suppose we scan the horizon in the area. We have a general interest in issues of competition regulation and so forth. We essentially work to a research program of projects, which we develop and which is approved by our minister on an annual basis and published on our web site. It is a matter of what the perceived current and emerging priorities are. Yes, I am aware that there is one, if not more than one, access issue in the north-west that has been going on for some time. Is there a specific question you want to ask me about?

Mr HAASE—I wondered if the bureau had a point of view about where the line should be drawn and where the efficiencies lie and what economic model would indicate the most practical outcome for Australia for the movement of iron ore on somebody else's rail? But if it is not an area that you have analysed, there is no sense in pursuing that argument.

Mr Potterton—No.

CHAIR—On the matter of analysis of costs, would you like to comment on the high oil price at present and its relative effects on rail and road?

Dr Gargett—In the past we have done a study called 'Competitive neutrality between road and rail'. We set out a fairly detailed list of costs and matched them to freight rates at the bottom. You can use that spreadsheet just to double the costs of fuel to both of the modes to see what it

does to the bottom line. That is working paper 40. It is quite dated now, but it should be all right in terms of giving you the answer to that question.

CHAIR—Would you like to give the committee an executive summary of that paper and some examples of what might have happened over the last two or three years in comparative terms?

Dr Gargett—It is very difficult to do. I can take a stab at it, but it is very difficult to do it in detail.

Mr Potterton—Dr Gargett's reference is good, because that paper does tell you how significant fuel costs are as a proportion of total costs, which is not a figure I have at the top of my mind.

CHAIR—That is more—

Mr Potterton—Exactly. Clearly the proportion is higher for road than it is for rail, so in a sense that is somewhat to the advantage of rail.

CHAIR—Is it a truism that as oil prices go higher, rail becomes more competitive? Can you say that?

Mr Potterton—Yes, slightly.

Dr Gargett—It is not a huge effect.

CHAIR—We talked earlier about a rail loop around Sydney. We have heard some pretty high figures for that over time, depending on how far it is and whether it will in future be subsumed by the suburban system and various other things. We got a bit of a shock when we heard evidence in Sydney from one company, I think it was P&O Ports, suggesting—we were looking at intermodal hubs, which Mr Haase just touched on—the proposition that we should have five intermodal mini hubs in the Sydney basin, and that the cost of getting the freight out to them and freeing up Port Botany and the other landing spots made a good case. The cost of going to these hubs was more than offset by the savings wharf side. That, in turn, led to this idea of congestion of trucks and so on around Sydney, which is a major problem. We heard recently that the New South Wales Freight Infrastructure Advisory Board has suggested a $30 per container levy on trucks moving in that area. Have you done any work on that? Are you familiar with the issue?

Mr Potterton—We have a forthcoming report on traffic through the major ports with projections for the next 20 years and that certainly, as you would expect, shows the significant growth that is expected. We have not looked in detail at the landside issues or the intermodal terminal issues. In fact, we aim to commence a project on terminals during this financial year. Clearly the congestion around the port in Sydney is a major challenge, but we are not really able to comment on the specific issue of whether it is more efficient to try and disperse the port activity away from Port Botany.

CHAIR—If a $30 levy were to be considered, does that just add to the burden of the trucking industry without any appreciable gains for anyone else? Would it become just another tax,

presumably for the state government to have a pool of funds to build roads and whatever, or facilitate entry to ports, but have no immediate benefit? Are you not across that at this stage?

Mr Potterton—No, we have not examined that. The question would be whether there is the alternative mode available, and clearly if it is not then it would present very much as a tax.

CHAIR—Can I make a comment of a parochial nature. On page 14 and 15 of your submission, under the heading 'Ports directly connected to the national network', you cite Gladstone as a road port. Or was that DOTARS?

Mr Potterton—Yes.

CHAIR—It is about 95 per cent a rail port.

Mr Potterton—That is right. My apologies on behalf of the department, then, on that one. That is obviously not correct.

CHAIR—Has any work been done on the Toowoomba range? All the evidence we get is about Melbourne to Brisbane, despite the fact that the Premier of Queensland suggests that he wants to see the bulk of freight, over time, going to Gladstone. It is unrealistic to not have a higher proportion of freight going into Brisbane, whether it goes to the port or not. The mere fact that it is freight from the second city of Australia to the third city in itself indicates that there will always be a high volume of freight between the two cities, but we always come to the sticking point of the Toowoomba range. Have you done any work on that, or the alternative of crossing the range near Warwick?

Mr Potterton—No, but I am aware that that is part of the current north-south study.

Mr HAASE—I want to sound you out about your general consideration of the economic outcomes and the efficiency of increasing the number of intermodal hubs. The chair has touched on it but do you have anything to say to us about whether the proliferation of intermodal hubs is something that organises the freight task in such a way that economic advantages can be gained, or is it just a buzz word that has no practical consequence? Would you like to give us some information in that regard? In my electorate, the major population centre of Kalgoorlie-Boulder is contemplating investment in an intermodal hub as an inland port type idea or model, so as to take some of the freight task out of the Perth metropolitan area and divert it through the goldfields directly north into the Pilbara via the Goldfields Highway. If you have any general comments to make about the efficacy or otherwise of intermodal hubs it would be beneficial for me.

Dr Gargett—Intermodal hubs serve to transfer freight from road to rail or from rail to road—it depends on what you want to use the rail link for, what it carries and the economics of doing that. If it is a cost-effective way of doing it, in general terms, intermodal hubs will tend to arise—private rail companies will invest in them. So it depends on the economics of the flow of traffic and how it is handled better by rail than road. We have commented before on the difficulties that rail faces in competition with road, the industry that is continually setting the goals for it. You have to pick traffic where it has advantages to do that.

Mr HAASE—It would be advantageous if you could cite some examples of success and failure in the concept of intermodal hubs. Do you have any examples from around the nation that have been successful.?

Mr Potterton—In broad terms, some of the hubs in Western Sydney have worked quite effectively. Obviously they are close to a major distribution market. Proximity to a major market is seen as an important success factor for the urban context. For long-distance freight, we are not in a position to comment more specifically.

Mr HAASE—Do you know of any failures?

Dr Gargett—Not really.

Mr Potterton—I do not—which is not to say I am not disclosing ones that may have failed. There may be failures we are not aware of. There is a major study of intermodal hubs under way in the department, not the bureau. Significant work is being done on the issue across the department at the moment.

CHAIR—Thank you for your evidence today. I trust that you will come back to us on a number of the matters we have raised. You showed us a graph during your evidence. Can that be made available to the committee?

Mr Potterton—Yes. We are also happy to provide statistical information on the growth in the freight task and issues of that nature. There may be information we have that would be useful for your report.

CHAIR—You can table 'Traffic in Melbourne', 'Predicting traffic growth in Australian cities', 'Cities: cause prevention and cure', 'Chapter 1: The Australian domestic freight transport task' and 'Chapter 6: Intercapital freight'.

Mr Potterton—I should clarify that those are chapters from a forthcoming bureau report, 'Freight measurement and modelling in Australia: road, rail, air and sea', which will be published in the new year.

CHAIR—You can table that as well. Thank you once again for your attendance today.

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

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

Committee adjourned at 10.30 am