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**HOUSE OF  
REPRESENTATIVES**

STANDING COMMITTEE ON TRANSPORT AND REGIONAL  
SERVICES

**Reference: Transport networks inquiry**

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SYDNEY

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

**Tuesday, 1 August 2006**

**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 Gibbons, Ms Hall, Mr McArthur and Mr Neville

**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.

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**Committee met at 8.41 am**

**CHAIR (Mr Neville)**—Good morning, everybody. I welcome witnesses, members of the public gallery and media to the Sydney public hearings of the House of Representatives Standing Committee on Transport and Regional Services in its inquiry into the integration of regional rail and road networks and their interface with the ports. The committee is examining whether the regional transport networks are equipped to deal with Australia's growing freight task and what might be done to make those networks more efficient. In the past year the committee has also been conducting an extensive program of public hearings and visits designed to gather information from organisations and individuals directly involved in the main issues of the inquiry. For example, we have been to Mackay, Gladstone, Brisbane and Newcastle. We are in Sydney today; prior to that we visited Port Kembla. We have also been to Melbourne twice, Portland, Darwin, Albany, Bunbury and Esperance. We now have a fairly comprehensive view of Australian ports.

We are coming towards the end of our inquiry. We will be looking to have a few more hearings in Canberra over the next few weeks and then we will wind up and deliver our report. If you like, today is our last day of outreach. Significantly we are talking to some of the major players in the rail task in Australia, notably the Toll Group and Queensland Rail, and on the advice side, the Railway Technical Society of Australasia and Mr Vince O'Rourke.

Before we move into the day's activities, is it the wish of the committee that we take into evidence and authorise for publication the submissions of the Wingecarribee Shire, Professor Philip Laird and the Hunter Area Consultative Committee Nos 177 and 178? There being no objection, it is so ordered.

[8.43 am]

**GRAY, Professor Ian, Member, Government Relations Subcommittee, Railway Technical Society of Australasia**

**HONAN, Mr Andrew, Chair, Government Relations Subcommittee, Railway Technical Society of Australasia**

**MICHELL, Mr Max, Member, Government Relations Subcommittee, Railway Technical Society of Australasia**

**CHAIR**—I welcome representatives of the Railway Technical Society of Australasia. Gentlemen, we will not be requiring you to give evidence on oath today, but I have to remind you, as I do all witnesses, that the giving of false or misleading evidence is a serious matter and can be considered contempt of the parliament. Would you like to give us a brief overview of your submission?

**Mr Honan**—Certainly. The RTSA are pleased to be able to share with the committee our experiences on a recent study tour and to provide some perspectives from our position on the New South Wales regional rail system. The RTSA believe that rail is not living up to the potential that it can offer producers, consumers and particularly the welfare of regional communities. Historical patterns and demand have shifted and now powerful market forces in grain logistics are driving efficiency and change in regional transport. Old frameworks for rail are ill equipped to effectively integrate rail to road and storage systems, either for the grains industry or for wider sustainable regional transport. These frameworks were established for a bygone era in which state based centrally planned rail agencies were aligned with state based road authorities, grain handlers, port authorities and export marketers.

Whilst handling authorities are now deregulated and new entrants are appearing in upcountry storage, the price signals through the expected silo returns are sending clear signals to farmers. Although enterprise level productivity in modern silos is clear, it is also evident that general productivity in regional rail has not increased to the same extent as road transport. To what extent the dividends returned by modern silos to farmers are offset by community costs of road damage is unclear. It may be that new choices in transport available to producers may not be fully cost recovered and a cost shifting and total increase burden is being placed on the shoulders of local communities. New increases in fuel prices may cause a rethink of the road based gravity model surrounding model silos.

There can be no doubt that regional rail requires new frameworks. It is still emerging whether this is by way of a grains industry led alliance or whether there is a need for regionally based small to medium enterprises to run regional lines. Along with a review of regulations, standards, operating procedures and infrastructure, all are required to unlock the dynamic efficiencies in regional rail. Furthermore, issues associated with human capability require attention. The legacy left by state based rail agencies needs to be effectively transferred to regional communities. Regional communities need support and time to strengthen their capability.



There is much evidence presented in our report of successful regional rail—from Western Australia, the prairie fields of Canada and the USA. The RTSA is keen to see rail play an effective role in integrated regional transport services and is hopeful of conducting a symposium with Charles Sturt University in Wagga next year, with an overseas keynote speaker to further the knowledge of successful regional rail frameworks. Thank you, Mr Chairman.

**CHAIR**—Thank you for that, Mr Honan. I suppose one of the key problems we have in this inquiry is where we go with the branch lines, especially the grain branch lines. The evidence we have received so far shows that many of the branch lines are not up to full efficiency; in fact, some of them are in decay. It is probably not quite as bad in Queensland, because we received evidence in Toowoomba that QR puts a voluntary CSA on itself to put money into the branch lines each year which has kept them in somewhat reasonable order. The question arises: what do we do, especially in New South Wales, Victoria and Western Australia?

It seems to us, too, that once you get past grain, other than mineral sands and a bit of timber and woodchip, there is not a lot of potential for those train lines, although we have received other evidence that a train line can be an efficient competitor to road transport for runs of about 400 kilometres or more. Taking the Mildura to Melbourne line, for example, what are the dynamics in rescuing the best of the branch lines? You say that the matter is still under consideration as to who should look after these lines. Would you flesh that out a bit for the committee?

**Mr Honan**—We certainly had advice from Western Australia where they invested \$200 million prior to the privatisation of their rail line system and that seems to be putting it on a new foundation. In New South Wales and Victoria there are big players in terms of the rail operators and rail needs to operate at a different scale and a different scope. You talked about 400 kilometres for a line. In the US they can get down to 200 miles and less for their short-line operations. I think it needs to be looked at in a different way. Certainly you can refer to an industry led alliance which talks about moving large volumes of grain long distances, but there are also other opportunities in the regional area that may not be evident.

**CHAIR**—Can you give us a few examples?

**Mr Honan**—We saw around the rice areas in Leeton facilities right next to the railway line and they were trucking the rice down to Melbourne. There was a clear case of a facility right against the railway line, but rail was not being utilised at all. You can even look at other areas of farm inputs such as fertilisers and fuels. The whole regional area needs to unlock all of these dynamic efficiencies. We need to look at different frameworks and base some of our planning in regional areas, rather than have it centrally controlled state based or centrally controlled federally based. Professor Ian Gray will talk about the capabilities within regional communities. We think there needs to be a paradigm shift away from business as usual to a whole new model in regional rail.

**Prof. Gray**—I come to this issue with a professional academic research interest in regionalisation—the pros and cons thereof in a number of different fields. I am presently engaged in the very early stages of a three-year research project. One of the issues that I will look at in that project is the pros and cons of the regionalisation of transport planning and management—not just rail; transport in general. One of the reasons I have come to rail in this is

partly that I live in the country. I am a member of the Lachlan Regional Transport Committee and I am in touch with the concerns of rural people. They have a lot of concerns about the closures of branch lines, as you would well know.

In my observation, the process of change that has happened over the last 10 to 15 years on Australian railways has, to a large extent, sorted out the interstate or national level operations but there has been no complementary process of change in the branch lines. They have been left out to some extent. Here I am trying to apply some regionalisation thinking which happens to tally with the RTSA thinking on this issue.

As to the process of change, as you asked, at this stage we are looking towards the experience of North America—Canada and the USA—hence we have invited a person to come to talk to us early next year. The key observation arising from the North American experience is that regional rail became viable after deregulation there because it was put onto a regional basis. Basically, the large operators wanted to divest themselves of the responsibility and regional operators took up that responsibility. We are suggesting that we move towards that process of change. The problem, as I see it, is that we do not have the institutional capacity in regional Australia. I accept that it varies from place to place, but the institutional capacity to do that does not exist.

**CHAIR**—Is a catch-up factor required before regional communities or companies could take over their own railway lines? Who wants to buy a clapped out, decaying rail system? Is some sort of catch-up mechanism required and, if so, who should provide it?

**Prof. Gray**—When people look to regional areas for this kind of interest, they find a number of people who are interested in operating a railway line for all sorts of reasons. They find a lot of people who want to retain a railway service in their area, but they find very few people who actually have the capacity to do it. This is partly because the local councils—and people in the bush look to their local councils for leadership on these sorts of things—have no formal experience in the area. Maybe an elected member at some stage worked for a railway, but beyond that there is not much. If you talk to a local council about transport, it is roads, yet they want the railway to be there.

**CHAIR**—How do you empower local companies or community organisations to do this?

**Prof. Gray**—I think the first step is to help them to organise themselves on a regional basis so that they can explore their own capacities for doing this. We see a number of quite spontaneous regional level organisations, even around New South Wales, some of which have a strong basis in local government but many simply have local councils as members with no actual institutional basis for it. There are regional organisations of councils which are well organised; they actually employ people for all sorts of purposes. Some of them do not even have employees; there are just simply agreements to get together and talk about things. I think that if the Commonwealth was interested in providing some funding to organisations that had the capacity to develop their own plans, to bring people together and to solve their regional problems at the regional level and problems of planning and integration then some progress might be made.

**CHAIR**—If we were to make a recommendation along those lines, what sort of money would be required for each of these community groups to inform themselves, carry out inquiries and structure themselves appropriately?

**Prof. Gray**—I could not put a dollar figure on it.

**CHAIR**—Are we talking \$50,000 or \$250,000?

**Prof. Gray**—You are probably talking closer to \$250,000 because you are talking about at least one permanent employee in a region to try to foster this. That is basically what the New South Wales government has done with its 11 regional transport coordinators. They came out of a bus inquiry that was concerned about public transport issues—it was a fairly narrow sort of thing to do. I would really like to see the states and the Commonwealth get together to pool those resources into a broader transport planning framework that actually brought the councils together in some formal cooperative mechanism.

Looking at AusLink's Strategic Regional Program, money is available to do things, but I really think that, if a significant chunk of that could be steered into the institutional capacity, you may well find that those initiatives would grow more strongly locally. I think people—the farmers and the local businesspeople—would be terrified at the idea of trying to run a railway themselves; they would like the idea but they simply do not have the ability to do it. Some leadership that could organise them and provide them with expertise or at least guide them towards sources of expertise could help significantly.

**CHAIR**—Would you not need some sort of fund or pool that was perhaps state and Commonwealth funded? What will you do when this local organisation comes back to you six months later and says, 'We need \$1 million or \$1.5 million to replace this bridge,' or, 'We need \$300,000 or \$400,000 to do a new passing loop here,' or, 'The permanent way is degraded for three kilometres somewhere else'? Would you have some sort of fund to which they could apply? In the early days, until they build up a level of profitability, they would not be in a position to do those things.

**Prof. Gray**—That is right. I think funding like the Strategic Regional Program would be essential for something like that. You are probably talking about a lot more money than would presently be available.

**CHAIR**—Would you like to come back to us with a couple of pages on how that might be structured?

**Prof. Gray**—I could give it a try with the help of my colleagues.

**Mr Honan**—Actually, we hope we will flesh a lot of this out at the symposium early next year.

**CHAIR**—We cannot wait that long. We want to be writing within—

**Ms BIRD**—On that issue, I want to explore a point that was raised with me about expanding the role of area consultative committees that are already established and have the expertise in assisting local councils to apply for federal funding. I am not so sure about the rural areas; that is why I am asking how effectively they operate out there. Would you see them as a reasonable mechanism to foster and support a regional rail strategic group and be able to put proposals through that to access perhaps a component of AusLink?

**Mr Honan**—I am not familiar enough with the arrangements that you are talking about. One of the things we were looking at was the governance of the catchment management authorities. One of the things that Ian has mentioned is the institutional framework around it. We need confidence in the governance side of things, so the catchment management authority is a sort of institutional framework where we can populate resources within those authorities. It is one particular model, but we want to look more at integrated transport. We want to see the particular capability within those authorities to look at integrating road and rail, and the logistics generally within the regional areas.

Taking the chairman's point of view about where the money would come from, with respect, that is what AusLink is meant to do. AusLink is meant to balance these out. It should be a case where, if we build up the institutional framework and capability in these areas, they can seek funding from the AusLink program and facilitate either private or government funding. That is where AusLink is trying to get to.

**Ms BIRD**—But it is easier with roads, because you have local government authority roads that they can target, whereas you do not actually have a local government authority rail line so that you can say, 'We'll go for money for that.' You do need a regional perspective on that. The chair indicated that the Wollondilly Shire, which borders my area, have put in a late submission because they have a proposal for an inland port to feed the port of Port Kembla, yet I have noticed that the whole coordination of that is very problematic because of the number of council areas and the rail funding component of AusLink does not sit well. Is that the mismatch to which you are trying to find an answer?

**Prof. Gray**—The catchment management authority model of governance is one that we are looking towards, because the catchment management authorities have teeth. They have some regulatory powers. They are obviously constituted under state arrangements, but they have some teeth and they are there to plan in an integrated way. Their objective is to bring those different interests together. Area consultative committees do a similar sort of thing in a way. I did give a talk to one at Cootamundra some years ago where I raised rail issues. They sort of shrugged their shoulders to some extent, although they indicated a great deal of interest. There is a long way from a catchment management authority to an area consultative committee. If you were to build up the capacity of an area consultative committee, you would have to do that very carefully to make it very clear that what they were about was transport and sustainable transport—the kinds of proposals that might go forward to AusLink.

**CHAIR**—What about the ROCs, the regional organisations of councils, which seem to follow largely the ABS statistical regions? Sometimes you might have two of them to a statistical region. How would they be—or do you think they are too heavily weighted towards local government interests?

**Prof. Gray**—No. I think local government interests are actually quite important in this because of their long-term interest in transport, in roads. They have an interest in sustainable transport because they do not like paying all that money for road maintenance. I think local government is essential in this. The problem with regional organisations of councils is that some of them are very strong and very active and others barely exist. In fact, there are probably a lot of areas where they do not exist. I have not done any personal research on regional organisations of councils, but I have read some of that research. Some people actually argue that we need not

worry about amalgamating councils because regional organisations of councils exist. I will not enter into that debate, but I would certainly support some strengthening of cooperative arrangements amongst local government. If money were to go through regional organisations, where they do exist, that would probably be a good thing and in some ways better than the area consultative committees.

**Mr McARTHUR**—I will raise two or three technical issues. With regard to the concrete sleepers in Victoria on the fast train track, it is my understanding that they have not allowed for standard gauge. Did your society make any submissions to the Victorian government on that major mistake, in my assessment?

**Mr Michell**—It is my understanding that we did. We certainly raised the issue in the public domain, and I think we wrote to Minister Batchelor at the same time.

**Mr McARTHUR**—Just as a matter of interest, what sorts of savings would have been incurred by having a single gauge sleeper?

**Mr Michell**—The additional cost on top of what I think is a \$700 million project was something in the order of \$4 million or \$5 million to have the gauge convertible concrete sleepers. It would have meant that at any time in the future, if gauge conversion were contemplated on any of those routes, the sleepers would not be an impediment to it. Curiously, I notice they are now proposing to put some concrete sleepers into the Mildura line, as part of the upgrade, that are gauge convertible. The wheel turns just too slowly.

**Mr McARTHUR**—How could a government be so foolish not to allow for a standard—

**Mr Michell**—Yes. Given that they were going to gauge convert it back sometime ago before they got into the wars with Freight Australia, it would be—

**Mr McARTHUR**—They have plenty of money in that project, I understand. They have moved it up to about \$1 billion, so there was not a shortage of funds.

**Mr Michell**—No. I do not know where the advice was coming from, but wherever it was coming from, in my view it was not good value.

**Mr McARTHUR**—I just raise the issue of these sleepers again. There has been a public argument in Victoria about using red gum sleepers instead of concrete. Could you comment on that? That seemed to be an amazing suggestion that you would even consider using red gum sleepers in 2006.

**Mr Michell**—I think part of the problem with sleepers is that, in Victoria and in New South Wales, for instance, the sleepers are different dimensions. In Victoria, they are 10 inches by five inches—if you can go back that far into history. In New South Wales, they are nine by four-and-a-half inch end section. If you put in a concrete sleeper, you really have to have the same end dimensions if you are going to be able to maintain the track mechanically. It was all very well when you had fettlers with forks and things—it did not matter what the sleepers looked like. The trouble is that concrete sleepers tend to be deeper. They tend to be about 12 inches deep in some designs because they need the structural strength vertically—the reinforcing and the way it is

woven through them and so on. You really need to put in a whole face of concrete so that the mechanical maintenance equipment can do them all—that is, every sleeper is like the next one. New South Wales did develop some low-profile concrete sleepers, some of which are in the southern line between Yass and Harden. I have never actually heard any reports as to how they have worked out, whether they have turned out to be structurally sound, whether they do provide any benefits or whether it is just better to go in and do a full concrete job. It is possible to have concrete that intersperses with timber. If you do not do that, the problem is that when you get to the point when every fifth sleeper on average needs replacement, you have to replace it with timber unless you replace the lot. Once again, it is the up-front cost that becomes an issue in that case. There is kind of a self-fulfilling backward step in that sort of system somewhere. There is a tendency to keep using timber because it is too expensive—

**Mr McARTHUR**—Have you made submissions on that? Have you made your position clear?

**Mr Michell**—Not particularly. Interestingly, the Rail Track Corporation went out to tender for concrete sleepers as part of their very significant interstate works, and they actually got whole-of-life concrete prices to the equivalent of timber. They said that they would not buy any more timber for main lines; they would buy concrete in large quantities. They are now actually planning to do the whole of the Queensland border to Melbourne track in concrete, or the part of it over which they have authority. In the meantime, they still need some timber for patch-up work, even on those lines, to keep them in order until they can get the concrete. So there is a bit of a transition in there.

**Mr McARTHUR**—The ARTC has got it right, though, in the longer term?

**Mr Michell**—Yes, I believe so. In fact, if they ride in on the back of these major contracts, contracts for over one million concrete sleepers at a time, where economies of scale clearly come into play, it may well be that some form of regional concrete sleeper may be developed. The alternative will be the steel sleepers, which are fairly common now in some rural areas. They are much easier to handle, and they can be interspersed with timber, albeit with a bit of difficulty. You will find out, for instance, around Narrandera—not that I expect you to go to Narrandera to have a look—that there is quite a bit of steel on that line where they have replaced rotten timber sleepers with new steel, and they will stay there forever.

There are ways of making track, whether it is main line or branch line, more or less low maintenance. Once you have it with steel or concrete sleepers and rail that is adequate for the task, the only thing you have to do is come along every so often and just lift and tamp the thing to thing to keep the line of it. It is a little bit like the road authorities going along and putting a bit of new seal on the bits that have become a bit rough. That is an equivalent.

**Mr McARTHUR**—I have two more issues. One is the very good presentation by David Marchant, CEO of ARTC, when he reported to the committee that the computer modelling and careful evaluation of the north-south line meant that the allocation of relatively small amounts of capital could improve the time between the capital cities quite significantly. Did your group make any comments on what seemed to me to be quite a major breakthrough in planning and upgrading, rather than just upgrading the whole line?

**CHAIR**—On page 9 of your submission, you show the times. You say:

... 36 hours from Melbourne-Brisbane. These transit times would be expected to be reduced to 10 hrs 30 min, 17 hrs 30 min and 29 hrs 30 min ...

**Mr Michell**—Whilst the general concept is right—and David is very good in this area—those sorts of savings are specific to each bit of line. For instance, on the north coast line of New South Wales, the current freight time between Sydney and Brisbane is around 19 to 20 hours on a good day. Analysis, however, indicates that in fact only about 15 hours of that are actually hours in motion; the other four or five hours are spent sitting around waiting for things to happen—like other trains coming the other way, the effect of speed restrictions and things like that. A lot of the savings on the Brisbane line can be had by improving the number of crossing loops so that you do not have to wait as long for an opposing train—you can go on further before you meet it—and by getting rid of what might be called the ‘heritage’ speed restrictions, the bridges that have really never been improved ever since they had a speed restriction put on them. So, getting down to 15 hours on the Brisbane line, albeit it is not a very fast time either, is not a hard task.

**Mr McARTHUR**—It is the first time that rail authorities have actually looked at this incremental increase rather than just at renewing the total line. That is how it seemed to the committee.

**Mr Michell**—Yes, I think the other side of that is that, in the past, a lot of the thinking has been very parochial. We need to replace the bridge, so we will replace the bridge. Then someone realises that they have just replaced a bridge with curves on either side that are restricted to 70 kilometres an hour, and they just missed the opportunity to straighten up a bit of track as well.

**Mr McARTHUR**—It just seemed to me, from a political perspective, if you could improve the line and reduce the time, you could then argue the case for rail much better. Historically, because we have had just so much money to spend, it has been hard to argue. I will just raise one other matter, and that is the price of fuel. In your submission, you talk about the utilisation of diesel. Could you give us a view on this assessment on the high price of oil and the relativity of improving railway efficiency compared to road transport? That would be our major argument. What is your assessment of that?

**Mr Honan**—I do not have those figures available in front of me. I think this was in our original submission.

**Mr McARTHUR**—What is your layman’s view about how much more efficient the locomotive—

**Mr Michell**—My understanding is that, on a gross tonne basis, rail is about three to four times more efficient than road. I am subject to correction on that. In fact, the person who is very good on this is Philip Laird. It is his topic.

**Mr McARTHUR**—Some of us have heard Philip Laird for the last 40 years. There he is!

**Mr Michell**—I did not even know he was here, so that was not a free plug.

**CHAIR**—You can take a bow, Professor Laird.

**Mr Michell**—What it really means is that there is an element of net tonnes versus gross tonnes in there. So, probably on a net tonnes basis, it is about three times as efficient on rail as it is on road, under good conditions in both cases.

**Mr McARTHUR**—You talk about the rail structure being well maintained so that you can get the fuel efficiency. Could you give us a quick resume of that scenario, of the rail structure obviously being better? How much improvement do you get in fuel efficiency, since it is now becoming quite a factor?

**Mr Michell**—I have done a bit of work with Professor Laird on this. There are three major realignments you could do on the southern line to Melbourne, basically between southern Sydney, at Menangle, and just north of Junee, because the line from Junee to Melbourne in essence is not a bad alignment. Each of those alignments would save, on average, I think about 15 to 20 minutes for a freight train and, from memory, about 1,000 litres of fuel or more per journey per segment. It is quite substantial. When it is added up, on each round trip there are some several thousand dollars saved, if I remember correctly—and, once again, I am subject to correction on this.

**Mr McARTHUR**—It is more the alignment that you are suggesting should be improved rather than just the sleepers and the rail structure?

**Mr Michell**—Yes. Basically, this is a completely new greenfields portion of railway between two existing points on the existing railway. For instance, one is from a place called Illalong Creek, just near Binalong, west of Canberra, straight across country to Cootamundra. There is some reasonably rough country in that. It would involve probably a tunnel and a very interesting bridge, but interesting bridges are not hard to do these days, when you see what the French have done.

**Mr McARTHUR**—As a throwaway line, are you suggesting that we could make major savings in fuel consumption if we improved the rail system in Australia?

**Mr Michell**—Yes.

**Mr McARTHUR**—Professor Laird is agreeing with you from the backbench.

**Mr Michell**—Yes, he is probably nodding.

**Mr Honan**—One of the areas that I would like to alert you to is part of the Pacific Highway upgrade. You mentioned before about the marginal cost of doing loops and extensions as opposed to major deviation work. One of the challenges for the New South Wales government and the federal government is the funding that goes into the Pacific Highway. We believe that, where you are looking at doing deviations for road, there is merit in having a look at the rail deviations at the same time. We made a submission to the New South Wales Pacific Highway inquiry. The marginal cost of actually incorporating a rail easement within a road easement is very small compared to a greenfields site. This particular deviation in the road we are talking about—I think from Johns River north—was one of the major pinch points for the ARTC. Given that most of the costs are the up-front land acquisitions, the environmental assessments and the like, it seemed to us that at least they should be looking at it. You could have economies of scope



in terms of telecommunications systems within the one easement, fewer level crossings, an integrated design which would mean that you had better outcomes in general and less fragmentation of the environment, the habitat. The RTA was looking at the road side of things and the ARTC was looking at the rail side of things, but there is an easement going through here and it could be used for the benefit of both.

**Mr Michell**—One of the problems with that concept is the different timings. The highway people have their plans ready and they are ready to go when the money comes up—as with the remainder of the Hume Highway, for instance. The money is made available and they do not take very long to get geared up at all because the plans are all there; whereas the rail people, on the other hand, have not really looked at this, and certainly not in any relationship to the highway. They have no knowledge of where the highway alignment is or how a railway might be fitted into it. There is a necessity to integrate those aspects to get the benefits of this, but I think the benefits would be quite considerable in terms of timing of provision and in terms of funding. You are basically doing one lot of slightly larger earthworks in one corridor as against multiple corridors with two lots of everything.

**CHAIR**—Would you say to the committee that we should recommend to government some sort of integration group?

**Mr Michell**—Certainly to provide some form of facilitation, if you like, of that integration. It would be nice to say that, if the rail people—be it ARTC, RailCorp or whoever it is in any other state—and the road authorities could get together, there is some sort of carrot in there to say that that is better for them as well as for everybody else than if they just go their own way; in other words, there is something to try to draw them into this line of thinking.

**Ms HALL**—You were talking a little earlier about possible bodies. Are you familiar with the integrated transport network or taskforce that operates in the Hunter, where all the bodies have come together and they are trying to address—

**Mr Honan**—The coal lines?

**Ms HALL**—No, not the coal. This is something different, where all the bodies have come together—local government and business leaders—to look at trying to develop an overall transport solution which might be a model that you could look at.

**Mr Honan**—No, I am not aware of it.

**Prof. Gray**—I know a little bit about it. In fact, I was looking at their website the other day and right at the top it says, ‘We don’t want to go the way of Sydney.’ They want to have an integrated transport plan. There are others—the Gladstone area has a big one too. There are those things scattered around the place but, once again, they are very uneven.

**Ms BIRD**—Like the smelters?

**Prof. Gray**—They can be.

**Ms HALL**—No, not really.

**Ms BIRD**—Somebody with a good idea and commitment?

**Ms HALL**—It is driven by the community up there, not just by one person.

**Prof. Gray**—Gladstone and the Hunter area have been transport hubs for a very long time. There is a tradition of transport management there, and transport problems are recognised there. But, if you were to go to the central west of New South Wales or to the south west, to the Riverina, or whatever, there has not been that kind of tradition. There has not been a regionalised concern for transport problems in that area. Historically, people have looked to Sydney in those areas for solutions to transport problems. I think it might be—and I have not done the research to prove this—stronger traditions in places like Gladstone and Newcastle from which people would build. It is a great model; I think it is a very good idea. I would also be concerned that there be some mechanism through which those sorts of plans are actually brought to fruition, that they are embedded in agencies which have some influence over what goes on there.

**Ms HALL**—I will just put on the record that I do have some concerns about the catchment management authority being the body that would be responsible.

**Prof. Gray**—I should clarify that. We are looking at the catchment management authority as a model of governance—

**Ms HALL**—A model, right.

**Prof. Gray**—As a model of governance, not as an organisation or an agency to administer anything to do with transport, although it would need to have some dialogue with a transport agency.

**Ms HALL**—As a model, I could see it working.

**CHAIR**—Just before we close, I will refer to one area we have looked at—and I see you have put some effort into this on page 11 of your submission. Could you comment on those lines south of Adelaide in that green triangle area? We have received a bit of evidence of the need for a line from Penola to Portland. I am not familiar with Heywood. You say that Heywood to Mount Gambier is proposed. I think the Commonwealth government made money available for the Eyre Peninsula, did it not, in the last budget?

**Mr Michell**—Yes.

**CHAIR**—I would not mind a bit of a comment from you on the potential of rail in that green triangle area?

**Mr Michell**—I think there are a couple of issues there, not the least of which is the future of the port of Portland for grain, which seems to be a current issue. The line from Heywood, which happens to be just a physical junction from a small town not far north of Portland across to Mount Gambier and then up through the various south-east parts of South Australia, was sort of regional mainline standard but has not been operative for 10 years, apart from the local tourist railway, which has just given up anyway. I suspect there is a fairly high remediation cost, but the actual opportunity there is very substantial forest plantation, blue gum particularly. There is an

old adage about blue gums—you plant them and stand back or you will finish up 40 feet in the air. They are coming to maturity within a few years.

**CHAIR**—We had a look at that. We did not actually see the ones you are talking about, but we saw similar plantations in Western Australia. What you say is quite true. They are becoming a huge industry in themselves.

**Mr Michell**—My understanding is that within five to 10 years—and I am not sure of the exact timeframe—there is potential for something like two reasonably substantial trainloads of woodchips a day down to Portland out of those plantations that are near the railway, let alone those that are away from the railway. If it does not go by rail then there will be a very significant road activity going on there carting woodchips to Portland. Woodchips have a disadvantage that they are bulky. You get a lot of fresh air between the chips, so you get either a lot of trucks of conventional size or unconventional sized trucks like B-triples and road trains, neither of which would fit very comfortably into the road infrastructure in that area. So there is a need for something to be done down there. My view, of course, being unbiased as I am, would be for the rail to be revived, but it is a looming problem.

**CHAIR**—Would you like to give us one or two pages to flesh out that point?

**Mr Michell**—Yes.

**CHAIR**—Could you come back to us on that?

**Mr Honan**—We do not have it available here, unfortunately.

**Mr Michell**—We can flesh it out.

**CHAIR**—Yes, and get back to the secretariat. Give us a bit of a view on what you think should be done in that area, because we are quite interested in the Penola to Portland link, and perhaps more widely, if there are other feeders into that line. Gentlemen, thank you very much for your evidence today. Please check with the Hansard reporters before you leave for any proper names and the like. We hope you can come back to us on those points we have raised. We will be sending you a copy of the *Hansard* draft for any editorial corrections.

[9.28 am]

**O'ROURKE, Mr Vincent John, (Private capacity)**

**CHAIR**—Welcome. Would you please indicate the capacity in which you appear before the inquiry?

**Mr O'Rourke**—Firstly, thank you for the invitation to appear before the committee. I appear here as an individual who has been involved in the rail industry for a very long time. Also, to inform the committee, I am the Chair of the Rail Cooperative Research Centre for Engineering and Technologies and the Chair of the Great Australian Trunk Railway System, GATR, which is a group that is promoting a modern railway line between Melbourne and Brisbane. Rail CRC was formed in 2001, and it is about providing innovative solutions to the rail industry. It is only one of about 70 CRCs; it is the only transport CRC of all the CRCs that are in this country and we are bidding for a new one, hopefully, in 2006.

**CHAIR**—You have appeared before us before, and you know that these are hearings of the parliament and require the same attention to detail that is required of the House itself. It is customary to remind all witnesses that the giving of false or misleading evidence is a serious matter that can be considered a contempt of the parliament. Having said that, thank you for coming. Do you want to give us a short overview?

**Mr O'Rourke**—As I mentioned, I am involved with the Rail CRC and the Great Australian Trunk Railway system. From my point of view, having been in the industry all my life, we are now facing a global revival of rail around the world. We all know the enormous changes that have occurred in the local industry here over the last 10 years. Some of the key factors driving the changes are competition, new technology, deregulation and the huge challenges we face with congestion in our cities and on our roads. It is a new age for the railway industry not only in this country but around the world. Economic, social and competitive benefits will come from a rejuvenation of the railway industry that is happening right across this country at the moment.

I would also say that I am heartened by the processes that have evolved in recent years and of AusLink's strategic plan. For the first time we got some sort of a wake-up call to say that we need to think about where we are going and put investment into our railways across the nation. In respect of regulatory changes that are coming out of the National Transport Commission—not before time, probably 50 years—we should have been doing these things many years ago. The \$2 billion investment from the ARTC on the north coast line is a really great initiative. I believe that the ARTC is doing a good job in rejuvenating the main arteries between Melbourne, Sydney and Brisbane.

On that issue, I would say that there are huge challenges to face, such as the growth—the doubling of non-bulk freight—in this country over the next 15 to 20 years, by 2020. All authorities agree that is going to happen. We are faced with a huge mineral resources boom for which railways are adequately catering. I agree with Mr McArthur that there is some real innovative and creative redevelopment in the upgrade of the ARTC work. We will see significant reductions in time and improved capacity of the railway. At the end of the day, it is fixing up a

railway that was designed for the steam era and we need to do something new. Our manufacturing industry is under enormous threat. We have seen an explosion of imports. Our industries are doing it tough, and we are part of a global supply chain that is rapidly growing. We can see there are significant initiatives that need to be taken.

Regarding the Melbourne and Brisbane railway line proposal—and we all know there is a study about to emerge of corridors and demand, and there have been many studies over a number of years—let us build a new railway line, and a decent one. This is a position that I was advocating when I was in QR. Why don't we do something that the rest of the world does? There is an explosion of railways around the world and billions of dollars are being pumped into research. We see modern freight trains and passenger trains throughout Europe and the great railways of North America, CN and CP. We will patch up another railway and think we are doing pretty good to get along at about 80 kilometres per hour when we should be thinking about freight trains that will travel up to 160 kilometres per hour, which happens in other parts of the world.

We are suggesting that we should build a modern railway line between Melbourne and Brisbane on the shortest corridor of about 1,600 kilometres to 1,650 kilometre west of the Great Dividing Range on the flat country with very low gradients, that it should cater for high speed freight trains up to 160 kilometres per hour and double-stack trains travelling at about 120 kilometres per hour. It should also have the capability for fast-tilting trains that would run between Brisbane and Melbourne and probably more importantly that would service the regional areas of southern Queensland and northern Victoria.

In terms of regional development, a modern railway line would cause an explosion of logistics and economic development in northern Victoria, New South Wales and Queensland. We have seen this with CN and CP in North America, where there has been a growth in what they call freight villages and economic developments right across the outback of the three states. I think it is time to make those sort of decisions. It is time to make a quantum leap in the capabilities of railways. The Rail CRC that I chair looks at modern railways of the future. The road industry is starting to mature. They have come a long way with B-Doubles and modern gear, but it is the railways where technology will take us into a new future.

**CHAIR**—We are doing too much patching and not enough—

**Mr O'Rourke**—We are doing too much patching. Why don't we build some really good railways? On a modern railway from Melbourne to Brisbane, freight trains could make their journey in 14 to 15 hours. It would be overnight. It is the just-in-time manufacturing inventory, logistics and integration with the ports that this nation needs. Rather than think we can do pretty well at 80 kilometres per hour, why don't we lift our minds, get into the future and start some innovative and creative solutions that the railway industry can give this nation?

**Mr GIBBONS**—I doubt there would be a person in the room who would disagree with that. Everybody will be asking about the amount of money that would be involved in this super line from Melbourne to Brisbane. With your experience, you must be able to put some sort of ballpark figure.

**Mr O'Rourke**—This has been well publicised. We would say about \$3.5 billion—you see figures of \$3.5 billion to \$4 billion. The economic benefits of that would be quite enormous. That is not over the top. This is not building a TGV line; this is building a good modern railway line using the existing technologies or railway practices. You would build track of 60 to 68 kilogram per metre rail on good ballast and straight, long and open tracks with big curves with the capability for long passing loops, which is a concept that ARTC is using on the east coast and modern train control management systems. This is not Star Wars stuff; it is good practical railway operation.

**Mr GIBBONS**—In this day and age, not a big engineering task.

**Mr O'Rourke**—No. Except for around Toowoomba and that part of the Queensland region, the engineering issues are not huge but the benefits are immense.

**Mr GIBBONS**—Would you see it following the existing corridor from Melbourne through Seymour in Victoria then up and over towards Deniliquin and up that way?

**Mr O'Rourke**—I would see that the most direct route is up through Shepparton, Tocumwal and Narrandera across to Parkes on the Coonamble line, across the Pilliga Scrub, up into Moree and Goondiwindi and back into Toowoomba.

**Mr GIBBONS**—Or perhaps from Melbourne up through Bendigo and then over to Shepparton.

**Mr O'Rourke**—Who knows? I am sure there is going to be a lot of debate on that issue. I think the issue is to build the shortest journey, a modern progressive railway line. There would be economic developments in northern Victoria; people would be commuting from Shepparton and areas like that. In the Queensland city of Toowoomba there are 100,000 people. It takes three hours to get up there by train. I can walk up there quicker than the trains. The Gold Coast railway would get up there in less than an hour. We are not talking about anything really smart; we are talking about good railway engineering capabilities. In central New South Wales around Parkes and other key centres it would give enormous economic development in those regions. This is happening in many other parts of the world. As for the issues you were talking about earlier regarding solving some of the grain lines, if you put some modern railways out there with smart intermodal nodes you will find that there will also be a rejuvenation of the grain industry.

**CHAIR**—You mentioned \$3.5 billion. What would the funding mix be? How much do you expect would be provided by ARTC, how much provided by the players on that line, and how much would be asked of government?

**Mr O'Rourke**—The principle would be for a public-private partnership. It would be an open access railway and, to coin a phrase, we believe this would be a steel tollway. Of the \$3.5 billion in funding, probably of the order of about \$400 million would be equity. We would need about another \$400 million for overpasses and I believe that would be funded by the Commonwealth government. The rest could be a mixture of subordinated and senior debt. We would probably see government involvement at a maximum of about \$900 million. I do not think government funding of that order is an enormous impost, and there are three states and the Commonwealth government involved here. Essentially, a lot of the capital would be debt funded. In our report,

which I understand has been made available to you, there is quite a detailed breakdown. Obviously the next stage is some sort of detailed engineering study—and I do not believe the current study is going into that depth. In the context of the deliverables to this nation, I do not believe these sorts of numbers are wild numbers. They are quite conservative, quite frankly.

**CHAIR**—We heard evidence before of how we might fix up some of the existing train lines, and I suppose your great success story was the Brisbane to Rockhampton line. Would you like to outline briefly for the committee what your philosophy was with bridges, cuttings, curves and so on, and what sorts of results you got out of that philosophical approach to railway. I suppose the Brisbane to Rockhampton line is the great success story of Australian rail. Most of the time you oversaw that so just give us the flavour of that and how we might apply that elsewhere in Australia.

**Mr O'Rourke**—In fairness, I think the ARTC proposal for the upgrade is similar to what we did for Brisbane to Rockhampton and Townsville and all the way to Cairns. There were a couple of major programs there. Going back to the eighties, the first one was mainline electrification to Rockhampton. The big program that I oversaw in the mid-nineties was the main line upgrade, which was about a \$700 million program. The Queensland rail network at that time was obviously a narrow gauge railway built from another time back in the 1880s. It had trestle bridges and had a very light track and all of those issues needed to be overcome. We replaced all the bridges and strengthened some of them. Between Brisbane and Cairns there were about 500 bridges replaced. We installed concrete sleepers—and we talked about them earlier—good heavy rail, modern signalling systems and an advanced train protection system on that part of the railway. I think the key message was that we had only a limited amount of money to spend and we spent it strategically where we could to get better alignments. There was about 100 kilometres of deviation and a lot of that through the region of your electorate in the Bundaberg region. We took the decision for a number of deviations. I notice ARTC has not done that but they might come back and do that later on.

**CHAIR**—What sort of speeds were you getting? I mean this has all gone into the melting pot with that crash but, notwithstanding that, the inquiry has got to deliver its findings and so on. What is your broad opinion of what sort of speed can be achieved?

**Mr O'Rourke**—In that region—

**CHAIR**—The general Brisbane-Rockhampton area.

**Mr O'Rourke**—Our freight trains were doing 60 kilometres per hour to 80 kilometres per hour and they struggled through that region. We lifted track capacity, as we mentioned, with concrete sleepers, rail, and lots of incremental clever things such as the cant issues we talked about. Freight trains can run at 100 kilometres per hour with 20-tonne axle load. We went from 15¾ tonne- to 20-tonne axle loads and 100-kilometres-per-hour freight trains. Of course at the same time we are running Australia and South-East Asia's only tilting train across there at speeds up to 170 kilometres per hour. That train still holds the Australian speed record of 211 kilometres per hour. They are the sort of capabilities that you can do with some investment into modern railways.

**Mr McARTHUR**—This committee has looked at the Alice Springs to Darwin railway, which we think is very good technically, and I have two questions: what do you think of the proposition that they have spent \$1.2 billion or thereabouts on that rail? Secondly, has the construction of that rail influenced the thinking and the politics of your inland route proposal?

**Mr O'Rourke**—As a long-term railway person, I thought the decision to upgrade the Alice Springs to Darwin line was terrific because not a cent had been spent on railways in the country until then. We saw billions of dollars go into roads and a pittance go into the upgrade of railways until the AusLink money started to flow into the east coast railways. Generally I thought it was a really great initiative and obviously something that the nation had talked about for many years. In saying that, I was disappointed that it was a 23-tonne axle load railway. I understand the commercial issues that drove sleeper placings and low axle loads—50 kilogram per metre rail. I think looking forward there might be some concerns about that because there will be minerals traffic come along that will probably need heavier capabilities. In saying that, I think it is a great initiative to have that railway line and they have some significant issues ahead of them in making it a viable proposition. Did that influence us in terms of—

**Mr McARTHUR**—It has helped the debate—

**Mr O'Rourke**—It has helped the debate, but the debate about rail running between Melbourne and Brisbane has been running for some 15 years. The proposal by the GATR group for a modern railway was around long before the Alice Springs-Darwin. We have never moved or shifted. Certainly I have been always a believer that if we are going to build a new railway let us build a really smart one. Why do we not build rail networks—and this is a network not just a spine from Melbourne to Brisbane—like they do in other parts of the world? We have the engineering capabilities to do it.

**Mr McARTHUR**—What have you learnt out of the Alice Springs-Darwin experience? You would have a heavier rail and—

**Mr O'Rourke**—A bit heavier rail, yes, and heavier axle loads. I think that would be a key issue there. Saying that, a 23-tonne axle road is not a bad railway. I can well understand—

**Mr McARTHUR**—What runs on the board of the Alice Springs-Darwin? What has that done for us in Australia? Is that to prove that we can put the rail track down efficiently and cost-effectively?

**Mr O'Rourke**—Yes.

**Mr McARTHUR**—And that we can build a modern rail? So, it helps your group's argument?

**Mr O'Rourke**—That is a good point. People like Barclay Mowlem, that have great engineering capabilities, built a very smart railway there given the amount of dollars that they were able to spend. There is no doubt it sends a signal to the rest of the country that you can build smart modern railways economically, and that the technologies, capabilities and engineering equipment are there to do that. It has smart signalling for that type of railway. Of course on the east coast and more heavily trafficked railways we need the smartest train control systems that ARTC is going to deliver for the east coast.



**Mr McARTHUR**—Could you give us a throwaway line on the fast train between Melbourne and Sydney—the possibilities?

**Mr O'Rourke**—It is well on record that I have been a firm believer in it—and I understand cheap airfares and all of those sorts of issues. Somewhere in this country we need a fast TGV type passenger train, a tilt train—call it what you like—that will travel between the two major capital cities. It was very disappointing that the high-speed train to Canberra never got up. Quite frankly, in the eighties the Kumagai BHP VFT should have got up, and did not get up for all the wrong reasons. Again, going to the Melbourne to Brisbane proposal, we are talking about high-speed trains that will run on that.

**Mr McARTHUR**—Do you think the access to the two capital cities will still be available in 15 or 20 years time if the fast train gets up?

**Mr O'Rourke**—Yes, I do. Fortunately railways do have good access into those cities. One of the historical benefits of railways is that they have good networks and access to the cities. In other countries they are not frightened to make significant moves. Madrid has five tunnels being bored through it at the moment. We all know that it is difficult to get paths and that as time goes on it will become much more difficult to get the land space to build railways into new territories. We need to be a little bit more innovative and creative about how we go about that.

**CHAIR**—Regarding the inland rail you are just proposing, when it gets to the Toowoomba Range there are a number of options. We had evidence in Toowoomba that there is a Warwick option from Warwick to Rathdowney as an alternative to the Toowoomba Range. What is your view on that? That seems to be one of the sticking points on that line.

**Mr O'Rourke**—I am well aware that the Warwick option still gets a lot of comment and I expect that that will be examined in the study that Ernst and Young and ACIL Tasman have just completed and which will shortly will come out. We believe that the best corridor is across to Inglewood, Millmerran and into Toowoomba. There is already a corridor that has been surveyed and on which there has been public debate, and two tunnels will come down the range. That is well documented and the Queensland government has already moved on it. I think also as part of the major South-East Queensland \$66 billion upgrade, there are a number of options as to where this railway line will go. I suspect that one option would be to come down the mountain. It could go to Ebenezer and down a bit further down south. Acacia Ridge still has a lot of capabilities, but I think that around Bromelton there could be a major inland port that would feed the Port of Brisbane. We have already seen QR and P&O get together. This whole concept of port organisations and railways—

**CHAIR**—Just locate Bromelton for us.

**Mr O'Rourke**—It is about 50 kilometres south of Acacia Ridge.

**CHAIR**—On the Beaudesert line?

**Mr O'Rourke**—Yes, on the standard gauge line. That is one of the alternatives for the inland route to traverse and it could come down the mountain from Toowoomba.

**CHAIR**—During the week the Queensland Premier announced a line from Gladstone to Toowoomba. Could you give us your comment on that? What is the potential of that line, not just the immediate potential for the coal mines? Would it be in the Commonwealth's interest to upgrade that to standard gauge? What is your view on that?

**Mr O'Rourke**—Firstly, I think it is a great initiative. The issue of a railway line from Moura down to Wandoan and Chinchilla has been on the drawing board for some time and of course the driver is the resources boom and the steaming coal in the Surat Basin. The time has come for that line. But it will also perform other important functions. There is enormous expenditure occurring in the Port of Gladstone and Gladstone could develop as a non-bulk intermodal terminal. I suspect that while the main thrust of this proposal is coal—and that has been well documented—it will also link into the Melbourne-Brisbane railway line, which is the standard gauge line. There are still some issues to be resolved with the new consortium; part of their feasibility study will be whether that line should be standard gauge or narrow. Probably it could evolve as a dual gauge and there could be a connection into the QR narrow gauge network for its coal interface into the Port of Gladstone. Quite frankly, I think a standard gauge connection should happen in the longer term.

**CHAIR**—Does that have to be planned at the front end if you are going to do that?

**Mr O'Rourke**—Yes, it should be all part of the planning right at the front and Commonwealth funding should obviously be part of that proposal. It would be part of the national network.

**Ms HALL**—I agree with Mr Gibbons's opening statement that the logic of what you have put before us stands up on its own and that it can be supported from social, economic and environmental perspectives. If this rail line is built, how will you actually bring about the transference from road to rail given that this committee has heard evidence on a number of occasions from people who have opted for road not only because of speed but also because of loading on and off and various other reasons? How do you turn around a perception and the culture that exists in this country?

**Mr O'Rourke**—I think, in fairness, that that change in culture is already occurring. I believe that the major rail organisations, notwithstanding the comments that the minister made, have got some really good leaders whether it is Toll, QR or SCT. There are some very bright young people running these organisations and I think we are now starting to see a planned approach to how these new initiatives will come forward. A modern railway line between Melbourne and Brisbane would have the capability for the fast freight trains to get into the just-in-time overnight market or double-stack running in about 20 hours. With modern logistics, supply chain solutions and interfaces between the ports, I believe that would cause a quantum shift across from road to rail.

We are also facing a situation where there will be a doubling of non-bulk freight on the east coast of Australia. The ARTC have well-publicised numbers of the Melbourne-Brisbane market share going from 20 per cent to 40 per cent, and I would have no argument with that. I do not know what is in the study that is about to come out, but I suspect our research would indicate similar sorts of numbers. We believe that you would get market share of rail of something like 60 per cent. At the moment there are about 3,000 trucks a day going through Moree and that

region. The pressure that it would take off the Newell Highway and other adjoining highways and the issues with environmental benefits for the nation would be significant. We heard earlier that from an energy point of view, which I agree with, railways are about four times more energy efficient and probably we produce about a tenth the amount of environmental greenhouse gases. There is huge new technology on the drawing board for railways, both freight and passenger.

With pressure from imports and overseas investment of Australian companies we are seeing enormous pressure on the manufacturing industry in this country. A recent report by the Australia Industry Group, which I believe really hits the mark, is called *Achieving global fitness*, and that is what we have got to do. We are competing in global markets. We have a facility like the rest of the world to develop smart, integrated logistic systems. This Melbourne-Brisbane line would be not just about building a smart and clever railway line, but about fully integrated logistic systems on the east coast of Australia to make our nation more competitive with the tough markets with which we need to compete. The engineering capabilities are here to do this. I think it is going to come back to the will of governments and whether we have got what it takes to really do something different. Why do we always have to follow everyone else? There is a very smart 160-kilometres-per-hour freight train running from Amsterdam to Milan. It has been running for a few years now and there are many others in other parts of the world. One hundred and forty-kilometres-per-hour freight trains are quite common. We seem to think that we have to operate in the 50 kilometres per hour to 60 kilometres per hour area. Let us get real and build something modern and change the economics and the logistics of the east coast of Australia. Talking about regional and rural development, there will be an explosion in regional New South Wales especially.

**CHAIR**—On that very stimulating note, I think we could talk to you for an hour or more and still have areas to explore. Thank you for coming today. Will you be part of the GATR thing later?

**Mr O'Rourke**—Yes, I will stay around. I will not be part of the presentation.

**CHAIR**—Thank you for coming. If as a result of what you hear today there is something that you would like to come back to us with as a supplementary suggestion, we would be grateful to receive that even if it is only one or two pages. Thank you very much.

**Mr O'Rourke**—Thank you, Chairman. I much appreciated being invited.

[10.01 am]

**NOBLE, Mr James Ramsay, Acting General Manager, Business Services, Queensland Rail**

**CHAIR**—Mr Noble, we are not going to ask you to give evidence on oath but you realise these are proceedings of the parliament and 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 could be considered a contempt of the parliament. Having said that, you are very welcome. I invite you to give us a five- to seven-minute overview of your submission and then we will break into questions.

**Mr Noble**—Our submission was around the QR National perspective as an above-rail operator. We see that it is vital that there is expenditure into rail infrastructure. I agree fully with the previous speaker that we have got to leapfrog. Our infrastructure is quite run-down and is straining at the bit with the amount of pressure from the commodities and the commodity boom. We have had concerns around the AusLink funding, which was 91 per cent going to road and 9 per cent going to rail. I again agree with the previous speaker that we could attract enormous business. That is the indication we are getting in dealing with our customers around the commodities. Because of our limited infrastructure we cannot carry the sizes, the containers or the tonnages at appropriate speed and that tends to drive freight back to road. At present the economics of road are there but that will change over time as more and more pressure is put on the road system particularly with intermodal traffic and the movement from rail. Over time the whole economics and dynamics will change.

Access to an effective and efficient national intermodal freight system is essential to the health of the nation. When I say the ‘health of the nation’ I am talking about the economic, human and social health. Transport now consists of competing logistics chains, and we really need to emphasise that. Recently I have found that people tend to concentrate on their particular mode—rail, road, air, terminals—where it is the logistics chains that are actually competing. That changes the whole concept of how you look at this.

There needs to be cooperation across the supply chain. Some of these issues are structural; they are not just around the infrastructure alone. In particular, the submission had a lot of emphasis on grain. I need to highlight that some of the industry structure makes it extremely difficult for it to be efficient in its own right so it is not always purely infrastructure.

The paper tried to identify a number of structural issues that affect rail competitiveness. Lack of adequate rail infrastructure obviously has an impact on it and destroys our competitors. There needs to be an access pricing parity, and we have emphasised the road-rail parity. Other issues include clearance and gauging issues and priority given to passengers particularly going through urban areas. That has always caused us some pains. Another issue concerns consistent investment decision-making criteria. That was something that was to be emphasised as part of AusLink where it was to take in a bigger-picture view of investment, but we probably did not see a lot of that come through. Inadequate rail infrastructure does tend to drive customers away from rail. We have an enormous number of people coming to us wanting to put stuff on rail. They

have growth modes and a whole heap of issues around trying to truck through, particularly to the Port of Brisbane. There is a shortage of drivers and a whole range of other issues driving that.

Another issue that we have really tried to emphasise is the lack of data, and it seems to be something across the industry. For example, Queensland Rail used to collect an enormous amount of data. The trouble is that it is rail specific data and you need to look at an entire chain. We really have a grave fear that suboptimal decisions were being made because of the lack of that data.

There is an issue about road-rail parity. It sounds like we are beating up road but that is certainly not our intent at all. We realise that it is an all-of-industry approach and an all-of-a-chain approach. We are good at different things and we can align. The fact is that we do not run track to doors. We fully support these terminal arrangements where terminals are now strategic assets and they need to be very strategically placed. But then we have to interface with other modes, be it rail or road. They also need to have that warehousing and distribution ability. I think terminals are going beyond that to more of an industrial hub park and multi-user arrangement. There may be scenarios to have the different organisation competitors on a site but then have the choice—a true market choice—of which mode you use, which is the most economic for your transport or your delivery.

Probably the issue that comes through loud and clear is the baseline investment we keep hearing about and what we need to do to bring rail infrastructure up to a certain level. Again, I support the previous speaker. The fact is we have always been in a catch-up mode; we just get to where we want to be and it is for the moment. It is time to leapfrog over that and look further ahead. It is a very strategic view, a very long-term view, and I have no doubt that by having that infrastructure in place—and certainly from our experiences—it will attract an enormous amount of economic development. It will attract the businesses to those areas.

Also, the fact that the moneys available are scarce—and they are a scarce resource—means that they need to be very targeted. There are certain branch lines that are just not economic and never will be. I think Queensland probably has a very good example with the Yaraka-Jericho line. Rail was just not viable. That was the bottom line and the money was redirected into road. There was not the alienation of the communities and in fact it was fully supported and handled very well. I think it is a model to take forward into other areas perhaps. This whole investment issue has to be targeted across the entire logistics chain. Certainly that was AusLink's aim, and so it should be.

**CHAIR**—Just to clarify for the committee the difference between QR and QRN, are you able to comment on the QR issues or are you more interested in the interstate aspects?

**Mr Noble**—QR National is the freight branch of QR. We have entered into quite a few acquisitions in recent times. Northern Rivers was our first step forward to get a train operations subcontracting arrangement. That now is Interail. Then there is CRT and, as you are probably fully aware, the latest acquisition is ARG, Australian Railroad Group, which we are now in the throes of integrating. That integration is going on from a QR perspective not purely from a QR National perspective and there will be a whole heap of decisions about—

**CHAIR**—In Western Australia there will be two operations. There will be main line operations, which come under your control, and then QR will do an internal network arrangement as well. Is that what you are saying?

**Mr Noble**—No. A lot of these things are yet to be decided. There is actually a project office established within QR right now which is involved in how this integration will occur between QR and ARG. That is going on at the moment and a lot of that is still being worked out.

**CHAIR**—Before we get into the interstate logistics, you heard Mr O'Rourke's evidence and, notwithstanding what you said about the Yaraka to Jericho line, give us your take on what dynamics need to be in place to revive these grain lines or the more important ones. Some of them obviously do not have a future; some do. What is the measure that governments should be using? What dynamics could come around an inland rail link that might help revive those lines? Just give us the flavour of what needs to happen to get inland lines working.

**Mr Noble**—Particularly around the grain lines there are some industry issues that affect QR's effectiveness. The infrastructure needs quite a considerable upgrade and we recognise that. But there are issues of loading out, for example, where there are multiple terminals and storage areas all over the place. GrainCorp had something like 56 different load-out locations. They have recently consolidated those down to around 23 and that is a massive step forward for us in our efficiencies. We cannot economically afford to pick up at 56 different locations. That has to consolidate further to support where they are going. They are targeting down to 11. The Australian Wheat Board has a couple of super depots. The silly thing we see in the industry is that GrainCorp is right beside AWB and they have two different facilities. If they can get together and form an alliance to create EGL, the negotiating body for their export grain, then they could consolidate into a single super terminal, still tracking their grain but reducing the number of locations. Let me elaborate. On one scenario we have three shunts. Shunting is the most inefficient practice for rail. It needs to be cyclic and it needs to be a quick turnaround be it bulk or non-bulk, and travel again. This takes three shunts and 10 hours loading so you can imagine the inefficiencies that are transferred to the transport mode.

Again, I am not just concentrating on infrastructure but there is actually risk associated with the grain industry. For example, quite often they will not commit to tonnages. We have to gear up our rolling stock, our support and our staff services for that fluctuation. They are a fluctuating industry. They have done some very good things to level the industry by their storage so that we tend not to have this mad cyclical sort of thing, but there are still a whole heap of issues around that contract risk. From a commercial perspective, again, we cannot bear the risks associated with fluctuation of their tonnages and gearing up for those. As a commercial entity, we cannot have resources that sit idle. We cannot afford to do that.

**Ms BIRD**—How responsive are they to price mechanisms to try to affect that behaviour?

**Mr Noble**—We are in negotiations now and they are quite heated. We are trying to have take or pay type arrangements to offset some of those things. They really do not want to accept those at all.

**CHAIR**—How do you do that in drought conditions? Frankly, you can get a boom year in grain or you can get a very lean year in all the states. It is not unique to Queensland and northern New South Wales; you can get it anywhere.

**Mr Noble**—I agree fully.

**Ms BIRD**—I was more interested in circumstances where you have two people with loading facilities next door to each other, driving those sorts of efficiencies by a price mechanism that says to them, ‘Well if you’re not going to make these sorts of efficiencies you’ll pay higher.’

**Mr Noble**—There are even some things that go on within the bulk hauliers who will even cross-subsidise some of those within the industry; that does not sort of flow on to us. Again, reinforcing the issue about drought times, it is very hard to price some of those things in our pricing. The argument is that, ‘Hey, we’re upon hard times’, and they are. A lot of this is leftover—I think it has been said by a few speakers—from government owned rail and it is a very different environment.

**Ms BIRD**—We certainly got ruthless with wharf reform and any inefficiencies so perhaps the other sectors need to consider that as well.

**Mr Noble**—There needs to be cooperation across the industry, grain or others. Regarding coal, the coal systems have only stood up as well as they have—they are under enormous pressure—because of the cooperation across the industry. It is no good if we gear up for more rolling stock, more locomotives, more crew, that if we get it to the port we cannot move it; vice versa, if they cannot get it out of the ground and wash it and put it on to a train. It really does have to be cooperation across the industry and in my paper I try to emphasise that quite a lot.

**CHAIR**—Which is the point in the Hunter Valley, the improvements through cooperation.

**Mr Noble**—The Hunter Valley and Gladstone are very good examples of that with the queuing of the shipping. They went for two different solutions and it was not ideal, it was because of some of the port handling and some other problems, but they came to a solution that was not purely infrastructure. I am not taking away that the infrastructure spending has to occur. The issue I am probably more getting at is the infrastructure spending has to be across the chain. It is no good getting a port to a very high plated capacity if the rail cannot meet that or again they cannot get it out of the ground. It has to be very targeted expenditure.

**CHAIR**—Would you like to identify for the committee some of the port areas where you are encountering difficulties?

**Mr Noble**—They are holding up fairly well at present but it is extremely tight and quite often there is not contingency equipment to support a failure. For example, our coal tonnages are down on last financial year to the year before. There were two things behind that. One issue was the consolidation of the coal pricing for both metallurgical coal and power generation coal. The mines were not going to go too crazy digging stuff out of the ground until that was set so they could get their best price. We had an issue at Hay Point where a coal handler was knocked off the wharf into the ocean and that put us behind terribly before it came back on line. There are the issues now that everyone has been aware of around Dalrymple Bay.

**Ms BIRD**—How did one of those things get knocked off the wharf?

**Mr Noble**—I do not know how they cleaned it up. They dropped it in the ocean so it put the handling at the port quite in arrears. You can only stockpile so much. Also, at Dalrymple Bay there have been a whole heap of issues around investment. Those decisions have now come through and they are actually looking at expansion. In the application authority for the expansion, there has been a fair bit of pressure put back on us about covering our coal and dust emissions so they have actually dragged in a whole heap of other issues. That is another one that is going on with us right now. The coal industry was also expecting a third pit to come on line at RG Tanner Coal Terminal at Gladstone.

That has been delayed and will not come on line until the end of the year. Again, that has had an enormous impact and has actually put back all the tonnages that the coal industry wants to get to the market. It makes the point how tight it is and that you cannot really afford to have a system failure in any way, shape or form because quite often there are not the contingencies that you could call in another coal handler or whatever.

**CHAIR**—Will the announcement of the Premier of Queensland about those five new coal mines trigger the Wiggins Island Terminal in Gladstone as well?

**Mr Noble**—That certainly is my understanding, yes. Most definitely. Quite substantial tonnage is coming from them. There appears to be a bit of variation on how many mines are coming on line. I have heard five but I have also heard that there are other potentials which may be up to eight. Again, there are enormous coal tonnages coming on line.

Another issue around coal is our contractor tonnages. We have contractor tonnages with which we gear up our resources all around. Without exception in the coal industry, all the mining companies have come forward asking for additional tonnages. When I say additional tonnages, I am talking about at an individual mine ramping up four million to five million tonne just at that area. Lately we have had information come to us that the West Moreton system are looking at gearing up at the port of Brisbane to handle additional coal. They said around five million tonne; now they are talking about 10 to maybe 15 million tonne. Really a lot of coal tonnage is coming on line and it just seems to be continuing.

**CHAIR**—In this report we really have to identify the impediments, that is one of the things. The connectivity from the main road and rail networks into the ports is one of the key questions of this inquiry. Would you like to identify some areas where you think there needs to be strategic spending?

**Mr Noble**—I would have to say the port of Brisbane. We were talking earlier about the Toowoomba line—

**CHAIR**—Are you talking about the road there or rail?

**Mr Noble**—Rail. Well it is both.

**CHAIR**—There is a lot of evidence on the road.



**Mr Noble**—Again I will step back to my issue about lack of data. We are now involved in a study with the Port of Brisbane just to understand the traffic flows to and from the ports. When I say traffic flows that is across rail, interfacing with the road, the whole lot. That data is not readily available. They are taking a sample of a two week period which is fraught with some danger. The entire study costs about \$100,000, which is peanuts in the scheme of things. We are actually now going to start having an understanding of where this traffic is coming to and from. Even from a rail perspective we only have rail head to rail head type information. This is now looking right across the entire chain. We are going to be comparing data, the rail-based data, to confirm that the trucking data, the stevedoring and the container parks is factual.

**CHAIR**—Is this a new model or the Newcastle model?

**Mr Noble**—Apparently this study has only been done at maybe one other port, it may have been Fremantle port. It was so successful there that—a bloke called Andrew Rankin actually is the one pushing for it, again so that they can understand their traffic flows and I mean all traffic flows. Rail is relatively easy in that and we do collect very good data. I have to say quite surprisingly it came out that generally the data for the trucking industry was reasonably poor and that is why we are doing this cross-matching.

Back to your original question regarding freight, the transit time from Toowoomba—especially if you are taking in the grain industry and a whole range of other things, particularly grain going through to the port—is six hours to get through to the port.

**CHAIR**—Where from, Toowoomba?

**Mr Noble**—From Toowoomba. Equally said, a rather big company down near the port is actually moving one of its facilities 2½ kilometres away because they are having so much trouble with the trucking. GrainCorp has recently come to us putting forward a plan where they want to put all their grain back on rail. It is really quite substantial amounts, virtually their whole grain movements. We have a trucking firm that has come to us looking at a 50 per cent growth from the Downs area and they want to come to rail. Again, one of the restrictions we have is that one of the tunnels down the range can only take eight foot containers.

**CHAIR**—This is Toowoomba range?

**Mr Noble**—Toowoomba range, yes. We can only get eight foot six inch containers through the tunnel. The industry wants nine foot or nine foot six inches as a standard. Having said that, I have to again reinforce the previous speaker's comments. The industry containers are getting bigger and bigger. If we are looking at going to nine foot or nine foot six inch containers now, you really are looking at 10 foot and 10 foot six containers. In fact I was travelling down Gympie Road in Brisbane and I was behind a truck which had an 11 foot three inch container on it. The containers are getting bigger and bigger, maybe their mass is not so big but it is actually the cubic capacity of those.

**CHAIR**—When you are using container in that context are you talking about the actual wagon or are you talking about the traditional containers?

**Mr Noble**—Traditional containers. Two of our salespeople were called down to the port of Brisbane as of last week and virtually had to explain why we could not get nine foot six inch containers down the range.

**CHAIR**—Is this the tunnels or is it weight as well, axle loads?

**Mr Noble**—It is definitely the tunnels, tunnels are an issue to start with and it is relatively cheap to fix up. Estimates I got recently were that if we spent something like \$6 million to \$7 million on a tunnel, and that is actually dropping it, we could get a nine footer through there. You are probably looking at maybe \$10 million or \$11 million for nine foot six inch containers.

The other side of it is too, which you probably saw, is the proposal of the straightening from Gowrie through to Grandchester. That will cut substantial time out of that run through to the port. We still have the issue of getting through the metro area with the competition with passengers. I know it is a particularly touchy issue about having a dedicated freight line but I think it has to happen and I think it is an issue for all major capital cities.

**CHAIR**—We have seen in nearly every port the magic figure seems to be about \$80 million, whether it is in Mackay or Gladstone or Portland or some of the Western Australian ports. If it is not a ring road it is a dedicated freight line or an additional corridor or whatever it might be. There seems to be not an insurmountable difficulty at each port but to my way of thinking we are slipping behind. We need that leapfrog, as someone used earlier in evidence, or we are going to continue to slip further behind. Is that your experience?

**Mr Noble**—I have to agree with that fully. Because the money is limited, investment tends to step to a stage and then the industry just moves on from us. Like I said the containers are getting bigger and bigger. We know that the task is going to double and I think the argument is regarding the time period. I am hearing 15, 20, 10; I think 10 might be closer to it going on the experience that we are seeing.

**CHAIR**—Does that have implications for your New South Wales, Queensland and Western Australian rolling stock? Does there come a point where you need bigger rolling stock to take these containers? What is your limit at present on the existing rolling stock?

**Mr Noble**—Again it depends on where we are running. It is probably very difficult for me to quote about the interstate experience. I am working very much in the Queensland area. The axle loadings in Toowoomba are another issue; they are only 15.75 tonne. Yet we have other corridors that are 20 tonne plus axle loadings. Axle loadings are an issue.

**CHAIR**—Is it the axle loading or is it the length of the actual rolling stock, the individual items of rolling stock?

**Mr Noble**—If we are talking containers now, originally a wagon that could take two 20 foot containers was almost the industry norm. We are now getting to three stock type containers so 20 foot equivalents. We have tried to make the loading configurations with the container twist locks so that you can actually have the different sized containers on those.

Deviating a little bit, I think double-stacking is an issue. There are also issues on length of trains, and passing loops are absolutely critical. We should be looking at longer and longer trains and bigger carrying capacities. We need to look at point to point trains. Like I said earlier, the cost of shunting into areas is just horrendous—

**CHAIR**—What do you mean by a point to point train?

**Mr Noble**—They need to be dedicated trains and they need to run point to point.

**CHAIR**—Is it what you call a sprinter train?

**Mr Noble**—That is the terminology—just more that they are dedicated. They do not stop at every little siding either picking up or dropping off. They go to a major centre which, going on the things I am hearing and also my own personal views, needs to be these industry or terminal hubs, and it needs to be arching across to those hubs and then the distribution hub and spoke arrangement from there. It may be by road. It might not be economical and it might be downright foolish to use rail in that scenario. That is where the truck distribution would be extremely good.

Another thing is that they need to go into a terminal; there does not need to be shunting operations. It needs to be a quick trip, drop containers to the ground and then turn around. The most you would ever want to do is have a run around of your loco to hook the other end and head back again.

**CHAIR**—I notice Pacific National use a different style of flat top wagon. Is that longer than yours or the same length as yours?

**Mr Noble**—I have not got the specs on that, but they actually share a bogey. It is a bit like the concept of B-doubles and B-triples—they actually share a bogey over the wagon. It has probably been carried over from what has been on the road.

**CHAIR**—If, as you say, there is going to be a change in the size of containers, is that occurring internationally?

**Mr Noble**—When I say size of containers I am actually talking height. We are getting longer containers, 40-footers and whatever, but these are the container heights. The Australian standard is eight feet six inches. Really they have been superseded some time ago; they are just getting bigger and bigger by the day. Like I said, nine feet and nine feet six inch containers are the norm.

**CHAIR**—Does that have implications for electrical overhead wires?

**Mr Noble**—It certainly has, most definitely. We can get away with those now but we will start to have real problems with the 10 feet, 10 feet six inches and 11 feet containers.

**CHAIR**—If you are going to have double-stacking as you are advocating, you would need two things surely—an inland line and a dedicated freight line.

**Mr Noble**—Yes, I agree, they have to be hand in glove.

**CHAIR**—The three east coast ports would need that, wouldn't they?

**Mr Noble**—That is my personal opinion, yes. The dedicated freight line issue is not just the congestion with freight—it is actually the clearance issues with these bigger and bigger containers.

**Ms BIRD**—You made the point about the problems with the cities and the conflict with commuter movements and so forth. If you were going to leapfrog and put in a dedicated freight line that can take double-stacking and so forth, why would you automatically go into the city ports for that? Why would you automatically assume that has to be into the city ports where the whole infrastructure adjustment issues—the overhead lines and all that sort of thing—are going to be much more difficult to address rather than choosing one of the other ports and putting something into those?

**Mr Noble**—I am probably going on the port of Brisbane experience. I know the port of Brisbane, I sat in on the Brisbane inquiry, and I have to say we get very conflicting messages. They were saying they want to put it all on road and yet we deal with their officers on a day-to-day basis and we are getting an entirely different story. Like I said, GrainCorp, which is based down at the Fisherman Islands complex, wants us to take all its consignment by rail. I am probably using our experience in the Brisbane scenario where we have trucking firms coming to us that want to put their packed grain onto rail, or just other businesses that are growing, to get through to the port.

**Ms BIRD**—I am hearing a contradictory thing; some of the bulk cargo movement does not have the physical container sizes in the same way. We tend to look at the city ports as containerised, by and large, and then your bulk type cargo is happening at other ports. Regarding the trend you are talking about in terms of the size and the movement of containers, we might actually say that the reverse of that trend is perhaps a more sensible option in terms of getting through cities which are expanding. We are not talking about a small footprint; we are talking about expanding footprints.

**Mr Noble**—I am not quite totally clear where you are going with that, to be honest.

**Ms BIRD**—If you are saying that the really sensible long-term thing is to look at double-stacking and larger containers, moving them through a city to get them out to some sort of inland port is going to need major adjustments in terms of a city's old roads, narrow areas, traffic moving around, all that sort of thing, whereas you could have another identified port that did not have that same access issue.

**Mr Noble**—You really have to reproduce a port facility somewhere. Choosing an example, the port of Brisbane has got enormous expenditure. It has enormous potential to expand.

**CHAIR**—Just keep going out into Moreton Bay.

**Mr Noble**—That is right. As fast as they expand they fill it. The businesses and the warehousing they are attracting down there is just unbelievable. If you were to take that away—this is the port and the customers at the port are expecting minimum nine feet or nine feet six inch containers. They are asking us—

**Ms BIRD**—It would be important to grab those corridors, that is what I am getting at, before the urban expansion and sprawl continues.

**Mr Noble**—You are actually talking about urban planning too. Again, the issue we are trying to make is to take a long-term view. Even when you set up a terminal do not set it up for the moment—have the ability to expand. There are all the environmental and noise issues. This is actually causing us some pain in a couple of regional areas where you may do a barrier sort of corridor around the outside which is treed to reduce noise, but then you also have the ability as it grows—which is your ideal; if it is not growing there is something wrong especially in this environment—to expand. I think you have to do very smart things to attract people to come in and use the facility, as I was saying about the warehousing leasing type arrangement. We can truly use the market: let the market decide which is the most appropriate mode for that individual delivery with which you may be involved. It gets away from trying to regulate or force an approach.

I do not know how much research you have looked at in recent times—I am assuming an enormous amount. I think a prize example—and it might be a silly example, it will sound like it on the surface—is Dubai. They have built a logistic city, it is just absolutely incredible what they plan to do. They have been burnt; they were actually hemmed in, so they have built that expansion into where they are going. They have traditionally been air and port and road. They are now seriously looking at a rail back into the Arab Emirates so they are actually bringing the modes together. They have built in that expansion. They have actually done this warehousing sort of arrangement as well where different companies can sit there. They also have a customs free area so that you actually do not have to worry about duties; these things can move across the area. There is really some clever stuff. In fact, another thing that we may be talking about in a couple of years time is the interfacing with air freight. I would not dismiss that at all because the smaller type freight stuff, priority freight, is attracting premiums. And if you look at some other industry players they are interfacing with the freight cargo transport, as in air freight cargo.

**CHAIR**—Do you have any comment on the need for the potential standardisation of the new train line that was announced during the week from Toowoomba to Gladstone?

**Mr Noble**—I think it has to be an essential. One of our structural barriers is around gauges. The thing is that it may be a dual gauge.

**CHAIR**—So that it can use the narrow gauge infrastructure that is existing for the time being?

**Mr Noble**—Any of these decisions, be it the realignment going through to Grandchester or Wandoan through to Banana, is maybe where there needs to be a state and federal type approach. You do not want the state going for three feet six inch gauge when the bigger picture look is that this is part of a national network. If you are going to put down sleepers that are narrow and you cannot put other gauging on the outside, you have just successfully built in an enormous amount of cost to go back and do that at a later date.

**CHAIR**—Without impinging onto any commercial-in-confidence areas, in general terms what is the status of your negotiations with FCL?

**Mr Noble**—I probably cannot go too far with that at present time. You know that we are one of the bidders but other than that I probably cannot say too much.

**CHAIR**—What are your plans for the Hunter Valley beyond what you are doing now? Is this part of a general philosophical move by QRN?

**Mr Noble**—Most definitely. We intend to grow. We are not going to be staying at the tonnages that we are moving now. We probably fell a bit short on our projected tonnages for the last financial year where we were looking at going towards 10 million tonnes, we probably came in at around 5 tonne. Again, some of that was the Port Waratah restrictions and a few other things that occurred. Definitely our plans are to expand into the area.

**CHAIR**—What is your comment on the extra terminal at Newcastle?

**Mr Noble**—It is probably difficult for me to comment about that at this stage, I am sorry.

**CHAIR**—Very interesting evidence, thank you for that. We will be sending you a copy of the *Hansard* transcript for any editorial corrections. We trust we can come back to you if we require any further information.

**Mr Noble**—That is no problems at all.

**CHAIR**—Thank you for that. On that note we will suspend for 20 minutes for morning tea.

**Proceedings suspended from 10.39 am to 11.07 am**

**JEREMY, Mr Robert David, Commercial Director, Toll Holdings Limited**

**CHAIR**—The committee will resume. I welcome Mr Jeremy, from Toll Holdings Ltd.

**Mr Jeremy**—I appear in respect of the two submissions that have been lodged by companies within the group, one by Toll Geelong port and another by Pacific National.

**CHAIR**—We are not going to put you under oath for this inquiry but we ask you to recognise that these are proceedings of the federal parliament and warrant the same respect as proceedings of the House itself. I caution all witnesses that the giving of false or misleading evidence is a serious matter and could be construed as a contempt of the parliament. Having said that, you are most welcome. Would you like to give us a five to seven minute overview of your two submissions? Can you do it in five to seven minutes?

**Mr Jeremy**—I can probably do it in less. I will give a brief introduction to the Toll group. As you may be aware, over the last 12 months we survived a hostile takeover bid for Patrick Corporation. We are now a much larger company than we were 12 months ago. We have a market capitalisation of about \$9 billion, we turn over about \$8 billion and we employ over 30,000 people in Australia, New Zealand and Asia, over 17 countries.

**CHAIR**—How many thousand?

**Mr Jeremy**—Thirty thousand. We have a wide range of businesses within our diversified group. One that reacts in particular with the regional interfaces is Pacific National. It is presently wholly owned by the Toll Group, although towards the end of the year it will become a joint venture with an investor yet to be identified through a public sale process. It has operations on the eastern seaboard in grain and general freight, moving into the regional and capital city ports. We lease the Victorian Rail Network from the Victorian government under a long-term lease.

There is also a submission from Toll Geelong port. We own the infrastructure at the port of Geelong in Victoria through a joint venture arrangement with a number of funds managers, and we operate that port under an operating agreement with the asset owning company. It is really just a port management function; a lot of the infrastructure is actually operated by other bulk parties such as GrainCorp. We manage the physical infrastructure of most of the assets in that port.

The submission from Pacific National focused on the Hunter Valley Coal Chain, which is a very exciting achievement by the participants in that chain. It was instigated by Port Waratah Coal Services and Pacific National a number of years ago and has now very successfully improved the efficiency of that supply chain without the introduction of additional capital. The grain network in New South Wales is particularly problematic and requires a lot of attention from governments of all persuasions. That is also true in Victoria. The Tasmanian rail and port interface is a matter of particular attention now from Pacific National, Toll and the Tasmanian and federal governments. I would be happy to elaborate on those during questions.

**CHAIR**—You are in the business of grain. What is your comment on branch lines? Do you use many branch lines?

**Mr Jeremy**—In New South Wales and Victoria we would be the only rail operator on the branch lines. That is a product of history. Through acquisitions, we inherited the old New South Wales Freight Corp business which back then was the only supplier of services to grain in New South Wales. A couple of years ago we also acquired Freight Australia, which is the old Victorian government railway business which operates on the Victorian network.

**CHAIR**—Does that include the below-rail infrastructure?

**Mr Jeremy**—In Victoria yes, in New South Wales no. In New South Wales the infrastructure is owned by the New South Wales government.

**CHAIR**—Is there a maintenance agreement attached to that? Who is responsible?

**Mr Jeremy**—My understanding about New South Wales is that maintenance is carried out by ARTC under contract to the New South Wales government for a period. I think it is for a number of years. They are basically the agent for the New South Wales government, and they do what they are asked to do. There are no maintenance or performance commitments to operators, those who use the track, in New South Wales. In Victoria the network is operated by Pacific National. We have certain maintenance and performance commitments under the access regime that has only recently been put in place in Victoria and is still being bedded down.

**CHAIR**—Can you give us the flavour of that, because this is crucial to our recommendation.

**Mr Jeremy**—Forgive me, because the situation in Victoria at the moment is not simple. The network in Victoria is in various states of condition and repair, some good and some bad. A couple of years ago the government introduced new legislation to provide for access arrangements in Victoria. That has come to fruition recently with the decision by the Essential Services Commission, which sets out the service and rates standards that are to apply on the network. Unfortunately, the network is dominated by relatively short hauls and road is very competitive with rail on those short hauls into the port. The access prices that have been recommended by the ESC are so high that if we passed them onto the grain customers—AWB, GrainCorp, ABB and others in Victoria—there is no doubt whatsoever that over a very short period, say two years, the network will shrink dramatically and probably become unviable. The traffic will then simply shift to road or to the ARTC main line network which runs through the guts of Victoria with the branch line network running to the north. The other serious consequence will be that the general freight business, the containerised freight business from regional centres to the ports, will disappear overnight.

**CHAIR**—There is not a lot of that is there?

**Mr Jeremy**—There is not a lot, and it is presently marginal business, but in the context of what I think is a very laudable policy from the Victorian government to get 30 per cent of containerised freight on rail in Victoria, it is a pretty difficult situation in which we all find ourselves. It is the product of the application of pure economic theory to a regional network that is highly competitive with road and faces stiff competition from road and that says that this



network has to recover its full efficient cost of operation and full economic return and at the same time somehow manage to compete with road. Having got that decision from the ESC, we are now in discussions with the Victorian government about the extent to which they are able to contribute to the maintenance of the network to try to mitigate the price shock that would otherwise occur.

**CHAIR**—How could you enter into a contract like that unless the lines were brought up to a certain standard ahead of it? It seems like a double catch-up. You have to operate on the line, and at the same time you have to maintain it, but you become responsible for the sins of previous owners and operators.

**Mr Jeremy**—This is right. The flip side of that is that the regulator—and I am not zeroing in on the ESC; they are simply doing their job as they have been asked to do by the government, and the job they do is really no different to that which other regulators do over assets of this kind—has come out with pricing which is for an efficient network. We believe that there is a need for additional spending to recognise the sorts of issues you have been talking about, which unfortunately we will be unable to recover under the pricing regime they have put in place. We are in a real conundrum in Victoria. Fortunately the Victorian government has signalled that they are willing to look very closely at this, and we are involved in quite constructive discussions with them at the moment.

**CHAIR**—Do you have a comment on the case for upgrading the Mildura to Portland line on the basis of its length?

**Mr Jeremy**—The Portland line is shortly to be upgraded to 80 kilometres per hour freight-line speed. The Victorian government has announced a \$70 million project to do that, which we will be implementing for them. The contract for that is just about to be signed. It is a broad gauge project and Portland is a standard gauge line. If that were a wholly standard gauge line, the haul length would be far more attractive for rail than each line taken in isolation. I think they are about 200 kilometres each at the moment.

**Mr McARTHUR**—Did you see that they are dual gauge?

**Mr Jeremy**—No, unfortunately the project at the moment is for a broad gauge line from Mildura to the junction of the ARTC network and then standard gauge. There is a mismatch between Mildura, which will be broad, and Portland, which will be standard.

**Mr McARTHUR**—How much freight would be on that line?

**Mr Jeremy**—I cannot answer that precisely.

**Mr McARTHUR**—You are just going to construct the line?

**Mr Jeremy**—We are constructing the line. I believe the freight task in a good grain year is significant, but I cannot give you numbers here. I could let you have them after.

**CHAIR**—Could you also give us a comment on your attitude to an inland line initially from Melbourne to Toowoomba then onto Brisbane and/or Gladstone? What is your company's view on that?

**Mr Jeremy**—We believe potentially that will be a fantastic project if it is properly implemented, and we would very much support it. The Melbourne-Brisbane corridor is very problematic at the moment. Melbourne-Sydney and Sydney-Brisbane are not commercially viable corridors at the moment. That may change once this current round of infrastructure spending by the ARTC has been implemented, but it is five years away before we will see the benefits of that coming through.

Melbourne-Brisbane is a good long corridor where, all things being equal, rail should be very competitive with road. The current infrastructure from Sydney to Brisbane for rail is a bit of a goat track. It winds its way slowly towards Brisbane and sometimes goes around in circles to get to Brisbane; however, it is difficult to see however that could be improved to the standard of an acceptable interstate main line. The inland railway cuts through all of that, and it is a project which could give us a quantum leap for rail. It is very important that it is implemented properly. It would be a great shame if the project bypassed Sydney. Sydney is a very important freight hub and all of the project proposals I have seen end up bypassing Sydney in some way, shape or form.

**Mr McARTHUR**—It is a matter of geography though, isn't it?

**Mr Jeremy**—It is a matter of geography. At the very least I think there should be a way to capture Sydney-Melbourne freight onto the inland rail route. Of course the more freight that you can capture on it the more viable it becomes.

**Mr McARTHUR**—How would you do that?

**Mr Jeremy**—The Sydney dedicated freight line that ARTC are building goes part of the way. You may have to have shuttle services from Sydney down to Cootamundra. You would really have to change the thinking about the way you want rail to operate on that corridor in this country. At the moment the idea of shuttling interstate trains, which would be relatively short trains given the Sydney geography and dynamics—

**Mr McARTHUR**—How would you overcome the geography and this freight line access to Sydney, which has been such a difficulty?

**Mr Jeremy**—I am not quite sure where—

**Mr McARTHUR**—How would you overcome this problem of the geography, the range? Then we have this fundamental problem of the one freight access to the Sydney network.

**Mr Jeremy**—I agree with you, I think it is a very difficult problem. I think we should put some great minds onto it and really make sure it is insoluble before we walk away from Sydney. Sydney is a very important freight hub, and there are reasonably attractive volumes in Melbourne-Brisbane, but you are not going to get anything like you presently have on the entire east coast seaboard. It is the main freight corridor in the country.

**CHAIR**—The Sydney-Brisbane component and the Sydney-Melbourne component—

**Mr Jeremy**—It is particularly important that we try to capture Sydney-Melbourne. Coming out south from Sydney is much easier than going north. Going north from Sydney is an infrastructure nightmare.

**Mr McARTHUR**—What is your experience on the east-west, Adelaide to Perth? We are told you did a very good job in the early days of utilising the rail option. What is your experience on that, where you have a majority on the rail? What would you observe that we can do on the north-south line out of that experience?

**Mr Jeremy**—I think the east-west experience tells you that the inland rail has huge potential. It does depend on who you talk to and whether people take into account shipping volume. We take into account shipping volume, and we think rail has about 65 per cent to 70 per cent market share on the corridor. ARTC does not take into account shipping volume and use a number in the 80 per cent to 85 per cent mark. Rail has a very high market in Sydney-Perth and Melbourne-Perth. That is because it is a long distance corridor, it is in reasonably good condition and it consistently lends itself to long trains running at high speed. There is no reason in principle that you should not be able to achieve the same from Melbourne to Brisbane.

**Mr McARTHUR**—What does your experience suggest here? What is Toll's experience on the east-west corridor, where you were successful? What would you tell the policy makers on the north-south inland route?

**Mr Jeremy**—I think they should be shooting for 60 per cent to 70 per cent market share for rail. There is absolutely no reason why it cannot be achieved. There is the question about which market you need and whether you include Sydney. I think it stacks up as a jointly funded private sector-public sector project just with the Melbourne-Brisbane volume. We should be shooting for very high market shares for rail; otherwise, why do the project. The problem on the eastern seaboard that is different from the east-west corridor is that road traffic is highly competitive with rail. I think that would be the case even with an inland rail project. It is hard to see that the mere construction of the infrastructure will, of itself, give rail the sort of competitive advantage it would need over road to take that level of market share. If the government is going to spend this amount of money on an inland rail project, it needs to consider which other policy decisions it will make for long-distance hauls relative to road.

**Mr McARTHUR**—Private sector, as I hear it, are saying they will chip in a lot of money to make it work. It is not just a total government project.

**Mr Jeremy**—No. In relation to the track infrastructure, I think the government contribution has to be quite significant. What people forget or forget to include is that an inland rail project of the standard people are talking about will require significant above-rail expenditure—that is, significant expenditure on new rolling stock, terminal expansions and so on. People talk about \$1.5 billion to \$2 billion for the project but, when you look at the total equation over the life of that project, you could add another \$1 billion or \$2 billion simply for the rolling stock and associated assets from the private sector. It needs to be looked at as a total project and the total contributions that would be coming from the public and the private sectors in that way. It is

really a \$3 billion or \$4 billion project when you add in the rolling stock and the terminal infrastructure that has to go with it.

**Mr McARTHUR**—Regarding the access to Sydney, surely the Toll company have got a bit of a back-of-the-envelope view of how you make access to Sydney to the inland route.

**Mr Jeremy**—Unfortunately we do not have the answer. Potentially there is a way of dealing with the southern entry using the new ARTC infrastructure, Cootamundra and a changed operating philosophy and access pricing philosophy in and out of Sydney. The northern exit is extremely difficult. It may be, therefore, that you end up with an inland rail that services Melbourne-Brisbane and Melbourne-Sydney with some sort of Jetstar type service on the existing infrastructure to Brisbane.

**Mr McARTHUR**—You really cannot leave Sydney out of the equation, surely.

**Mr Jeremy**—I think it would be a great shame.

**CHAIR**—What about the option of going up the Hunter Valley and through the Murrurundi Range and meeting up with that inland train line at Werris Creek?

**Mr Jeremy**—All I can say is that that is an option which is worth exploring. We have to be careful that in the process we do not interrupt the coal chain in the Hunter Valley. There are a range of options, depending on which consortium or which railway you are talking to. Although I have not seen it, I think the east coast study commissioned by the federal government is just about to be released or has just been released. However, I am not familiar with the report.

**CHAIR**—Did you hear Mr O'Rourke's evidence this morning?

**Mr Jeremy**—No, I did not.

**CHAIR**—He made the point that, if we are going to do an inland rail, we need to forget about the 80 kilometres per hour stuff and leapfrog into some modern technology and speeds. What is your view on that? What is your company's view on going a quantum leap with this line?

**Mr Jeremy**—It should certainly be more than 80 kilometres per hour. Our trains east-west are capable of main line speeds up to 115 kilometres per hour. They are the sorts of trains that could operate on an inland railway. They very rarely get the opportunity to do that but they are certainly capable of it. All modern main line rolling stock of that kind in the United States is capable of those sorts of speeds. We have to be looking at 110 kilometres per hour or 120 kilometres per hour consistently reliable speed ideally with double-stacked trains, reasonably long trains. There is a trade-off between the sorts of two-kilometre long trains that people talk about and shorter trains, because the more long trains you have running on the corridor the greater are the opportunities for congestion and interruption. You also have the problem that you have to land them somewhere, which means you have to find very big terminals to stick them into. One of the big unknowns in the inland rail project is the terminal infrastructure. The way you design the inland rail has an impact on the terminal infrastructure; if you have very big trains, then you need very big terminals.

**Mr McARTHUR**—Surely you would be advocating that in your logistics chain. You would be arguing that case, wouldn't you?

**Mr Jeremy**—There are some limits. There are trade-offs between your network performance and your train operating performance, but somewhere between 1,500 metres and 2,000 metres would be appropriate for the inland rail. The modelling that was done at Pacific National a couple of years ago on the inland rail showed that in 20 years at full flight potentially you would have trains being launched every half an hour on that corridor out of Melbourne. If you are going to get 60 per cent to 70 per cent market share and you look at the sort of volumes that people are talking about in 20 years time, it has to be a very finely tuned instrument.

**CHAIR**—Does that presume a Sydney connection or is that purely Melbourne-Brisbane?

**Mr Jeremy**—I do not know the answer to that off the top of my head.

**Mr McARTHUR**—If you are doubling the freight task in 15 years time as most of the commentators are suggesting, you either put it on the road, which will become clogged, or you put it on the train. That is a very simplistic answer so the policy makers have to address the problem, don't they? not?

**Mr Jeremy**—They really do.

**Mr McARTHUR**—You cannot fit any more trucks on the Hume Highway between Melbourne and Sydney.

**Mr Jeremy**—That is right. Trains offer a huge opportunity to take that extra volume. There is significant unutilised capacity in our fleet simply by adding extra length to our trains. At the moment, the regulated length for that corridor is 1,500 metres but, for various reasons, very few of our trains actually run at 1,500 metres—they might run at 1,100 metres, 1,200 metres or 1,300 metres. It is remarkable how much volume you can capture with existing trains simply by adding another 200 metres or 300 metres of length to the train which is going there anyway. If we can get the dynamics right on the corridor, there is a huge opportunity in rail to carry that extra task.

**Mr McARTHUR**—Are you advocating some of these things to those consortia who are interested in the inland route?

**Mr Jeremy**—I should explain that over the last 12 months Pacific National has been rudderless due to the very public dispute that occurred between Toll and Patrick. Pacific National was the warring ground for that dispute. Very little has actually been done in relation to the inland railway by Pacific National over the last 12 months. From Pacific National's point of view there are a number of consortia who are circling this project. It cannot be done without the federal government, it cannot be done without Queensland and Queensland Rail and it cannot be done without Pacific National. We are looking for an environment in which we can bring those key parties together and make sure that we do get the right outcome—so it will work like a Swiss watch and serve us well into the next 20 years. At this stage we do not wish to align ourselves with any particular consortium or pick favourites. We want to try to work this thing forward methodically with the main stakeholders, which are the parties I mentioned.

**CHAIR**—What is probably even bigger than the Sydney connection is the Brisbane-Toowoomba connection. Does your company have a view on that?

**Mr Jeremy**—Through the ranges?

**CHAIR**—I am only phrasing him fairly roughly, but my take of what your previous partner Mr Corrigan said was that you could not really make that link work unless you had an efficient link from Toowoomba to Brisbane and that that inland route would not work. What is your comment on that?

**Mr Jeremy**—The railway needs to complete the journey to Brisbane and that link needs to be—

**CHAIR**—There was earlier evidence today that that link takes up to six hours under the current rail conditions.

**Mr Jeremy**—I have not travelled it, but my understanding is that it is an appalling link which was designed for the steam ages. The largest cost in the inland railway project, the infrastructure project, is creating that link into Brisbane. I have heard numbers in the order of \$1 billion, and it is probably more given the way infrastructure costs are rising so dramatically at the moment. By the time we get to it, it might be \$2 billion. The railway simply will not work without that connection. There has been talk in the past of terminating south of the border and running road into Brisbane but it does not make sense at all. We have to come to grips with the need for that connection to be made. That is why I say that this project cannot be completed and it can never work without the support of the Queensland government. I do not necessarily mean by that financial support, but it needs their support and Queensland Rail's support to succeed.

**CHAIR**—Have you got any figure to give us on what you think the quantum of federal government involvement should be?

**Mr Jeremy**—I think it needs to be very significant in terms of the rail spend that has been contributed by the federal government in the past but not in terms of the federal government's overall transport spending. Let us say the infrastructure project is a \$2 billion project over 20 to 30 years. The above rail infrastructure contribution would be in the order of \$1 billion. My view is that the federal government should contribute the bulk, if not all, of the below rail expenditure. That is my view if you really want the best outcome for rail. I say that because of my deep and abiding concern that, whilst you may successfully get some private sector infrastructure money into this thing, if you create a private sector toll road then the access prices are unlikely to be sustainable for rail in competition with road.

I think that is the issue with which the federal government really needs to come to grips. It cannot on the one hand build a gun barrel highway to Brisbane for road and give trucks very favourable treatment in terms of what they charge them, and then build a gun barrel highway to Brisbane and expect that to run as a private sector toll road and see modal shift to rail. It just will not happen. In the overall context of the federal government's spending on infrastructure that has been occurring—and will continue to occur, no doubt—\$2 billion is not a material amount of money. I know it is a very large amount of money, but it is not in that context. I am very concerned about it turning into just a private sector toll road.

**Mr McARTHUR**—Have you got a cost you put next to your fleet—the cost of registration and fuel excise et cetera—or are you saying that the road network is a free option?

**Mr Jeremy**—We do not regard it as free when we do our analysis but it is regarded by the industry as relatively free. There are occasional tolls that have to be paid, but it is relatively free because the costs of access are buried in the fuel excise charges and in registration charges; they are not explicit. Rail is an explicit charge. At the moment, we are not paying the full economic cost of providing that rail infrastructure because that cost is not bearable by the market in the context of road competition.

We have done a lot of work on this, and when you unpick the road charges and pull out the access charges, there is no doubt in our minds that large long distance heavy haul vehicles—B-Doubles and B-Triples—are not paying their fair share on the long hauls. Although the Commonwealth is collecting the amount of money it puts into roads, the disproportionate share is being collected from cars, the driving public and from smaller trucks. The trucks that we compete with—B-Doubles and B-Triples—do not pay their way. They are being cross-subsidised by the other users in the road network. That implicit subsidy is causing a real problem for rail on all but the very longest corridors. What would be regarded by international standards as a long corridor—a 1,000 kilometre corridor from Melbourne-Sydney and Sydney-Brisbane—is simply not competitive for rail. Most of the freight on the Melbourne-Sydney corridor comes from Tasmania. It is not Melbourne generated freight; it is stuff that has come across the Bass and is jumping to Sydney. Most of the numbers that you see on all the charts that say Melbourne-Sydney volume for rail is 15 per cent to 20 per cent is coming from Tasmania. It is a pitiful—

**Mr GIBBONS**—What is a more accurate—

**Mr Jeremy**—I think about 11 per cent is coming from Tasmania.

**CHAIR**—Eleven per cent of the 15 per cent is coming from Tasmania?

**CHAIR**—Surely there is more.

**Mr Jeremy**—Toll carries it, we know.

**CHAIR**—Of course you have networks in Tasmania as well.

**Mr Jeremy**—It is a pitiful situation at the moment for two reasons: one, the infrastructure is very poor, and that is being addressed, but we really need to come to grips with this road-rail pricing issue. I am glad the Productivity Commission is looking into it and we are waiting to see—

**Ms HALL**—You were talking a little earlier about the need for the federal government to make a significant financial contribution. Do you think that the approach to this issue should be handled through COAG, involving the states as well as the federal governments, and developing a whole of government approach to the development of our transport networks? Could you comment on that please?

**Mr Jeremy**—I think that would be desirable. For the inland rail to work like a Swiss watch we need the support of the states. That does not necessarily have to be financial support, but we need their support in all sorts of ways—for planning and corridor reservations and so on. We have to look at the port connections for rail. If we are going to spend this amount of money on a project of this kind, let us get it right. We need to look at the port connections in the capital cities and we need to make sure there is appropriate terminal infrastructure. That is where we need the states' support, particularly Victoria and Queensland. It may be that if we bypass Sydney there will only be limited support from New South Wales but I would have thought New South Wales would be very interested in trying to crack the Sydney problem. It is a project that deserves that sort of framework.

There are broader policy decisions with which governments need to really wrestle and they need to give us an answer. If they want it to be a viable corridor then they need to make some decisions about roads and the way they are going to deal with that road-rail issue. If they are not willing to deal with it, then tell everybody and we will get on with our lives, but I think it would be desirable for the country if they were to deal with it. The GDP benefits of shifting more freight to rail have been quantified and are enormous.

**Ms HALL**—You mentioned the Hunter Valley Coal Chain as being an excellent project. How would we replicate that throughout the nation and what are the barriers to doing that? What catalysts and strategies could we put in place to do that?

**Mr Jeremy**—That is not an easy question to answer.

**Ms HALL**—It was not meant to be.

**Mr Jeremy**—I am sure it was not. The problem that existed in the Hunter Valley arose from the diversified ownership of the infrastructure and therefore the competing interests that existed—the 'what about me?' attitude.

**Ms HALL**—That has been put aside.

**Mr Jeremy**—That has been put aside and it is quite a unique situation. It took a long time to bring together. We first started working on it soon after we acquired Pacific National in 2002 and at that stage it was partly activated by Toll and Patrick coming in and looking at it as a supply chain rather than just, we had the trains and someone else had the ports. We saw real benefits in working it as if it were a single supply chain. The model for us was the Pilbara. The Pilbara is the world class railway because it is operated as one supply chain from mine to port and onto the ship. We thought we needed to bring that same approach to the Hunter Valley and because there were capacity constraints looming in the Hunter Valley we were able to get around the table with the principal mining companies, the port and then Rail Infrastructure Corporation and the New South Wales government and start the process of bringing it all together.

It has been quite a remarkable achievement. What it highlights to us is when government is looking at infrastructure there is a tendency at the moment to look at the individual pieces—I have got a road, I have a rail and a port—and what really needs to be focused on is the supply chain. What is the supply chain that we are trying to promote here? What are the components of



the supply chain and how do we bring them together to work cooperatively and then what are the benefits that can be achieved?

We are now trying to take that same approach to the grain supply chain in New South Wales where you have all the same dynamics. You have different parties owning the mines, that is the silos, different parties owning the trains, different parties owning the rail infrastructure and different parties owning the ports. They all run into each other and the system is terribly inefficient let alone the quality of the branch line infrastructure. We are now talking to a number of the other parties in the grain supply chain in New South Wales about replicating what we did in the Hunter Valley in the grain supply chain. We think there are huge benefits to be gained there. It really does require an entirely different approach to the way government policy operates and the way government regulates assets. At the moment the way assets are regulated it is very difficult for parties in a supply chain to come together in a room and talk about operating seamlessly together. Regulation is about the individual pieces—

**Ms BIRD**—Competing interests and encouraging—

**Mr Jeremy**—Encouraging competing and putting different tests and outcomes on the individual pieces. It also fails to recognise that some of the pieces are public sector owned and some are private sector owned. That is not easy to reconcile at times. There needs to be a completely different policy approach to identify key supply chains in the Australian economy. There are not many of them. There is coal, grain, export coal, export grain and domestic inter-capital city traffic. We need to find a few of those big chunky ones where the federal government in particular can really have a role to play and then bring the parties together and look at policy in the regulatory framework to encourage parties to manage a supply chain as an effective one. That is all very easily said and I am not sure how it is done but at a policy level I think that is where you need to start thinking.

**Ms HALL**—That is a good direction for us to be looking at.

**Ms BIRD**—One of the things it seems we often do not address in the committee hearings and I would be interested on your reflections—we talk a lot about the supply chain movement and we do not talk about the distribution movement. Is that because it is not a problem or are there conflicting infrastructure issues around that and bottlenecks that are perhaps created by that?

**Mr Jeremy**—This is in relation to land-based?

**Ms BIRD**—Yes and my second point is when we talk about the eastern seaboard rail, is there some reason why we do not move goods Melbourne-Brisbane by sea?

**Mr Jeremy**—It is tied up with the old cabotage rules and the single voyage permit rules. Coastal shipping has basically died. A shipping service did commence recently from the eastern seaboard, Melbourne or Sydney, to Perth, but it is already in significant trouble. It is an option which really needs to be explored further and understood. There is some freight that really does lend itself to sea. During the last 12 months when Pacific National was suffering service difficulties because of the severe shareholder disputes, a lot of freight was actually moved by sea under single voyage permit arrangements by a number of the forwarders to Perth. It tends to be the heavier freight that lends itself to sea. The transit times are longer and there is no reliability

because you are relying on a single voyage permit type structure so sometimes you have got it and other times you do not. It is quite opportunistic and uncertain.

**Ms BIRD**—It is only the regulation that is actually prohibiting the use of that method?

**Mr Jeremy**—It is largely a product of that. There is a question which has not really been tested fully yet and that is whether a ship can be more competitive than a train on those long corridors.

**Ms BIRD**—That is what I meant. That has not been fully tested?

**Mr Jeremy**—I do not think it has been fully tested yet because the situation has been quite unstable for ships for quite a long time now.

**Ms BIRD**—The other thing was the flow-back of distribution of imports and whether you identify any particular infrastructure issues where they might compete with the flow-out of the export itself?

**Mr Jeremy**—It is essentially a congestion issue in the major ports. For example, in Sydney a lot of people are grappling with Sydney Ports Corporation over the inland port proposal which certainly has some merit. We would like to see a lot more of the import export traffic being distributed into and out of the ports by rail but there are quite significant congestion and infrastructure issues around all the ports that require a 20-year policy setting and 20-year planning from the various state governments to try and deal with them.

**Ms BIRD**—Is it harder to move import onto rail than export?

**Mr Jeremy**—I cannot answer that question, I do not know.

**Ms BIRD**—A lot of the delivery points are within the Sydney, Melbourne or Brisbane basin and therefore it is just not possible.

**Mr Jeremy**—I think that is correct.

**Ms BIRD**—Thank you.

**CHAIR**—We were expecting in evidence that the hubs would be out in the country like Parkes, Moree and Toowoomba. A lot of the evidence we have had so far is that hubs in the Sydney basin and outer metropolitan areas are probably more valuable in freeing up the ports than the inland ones. Would you like to comment on that as an extension of what Ms Bird said?

**Mr Jeremy**—I am probably not the right person with Toll to answer that in detail but I can say that our port business runs port shuttles from those regional centres into and out of the inter-capital ports and wants to do more of it, having been reasonably successful at doing it certainly in New South Wales.

It does not work for Pacific National as a pure rail line haul business but for someone who can put together as a package the distribution services in the regions and the rail line haul and the

port services—it does not matter which port, the port services in the capital city—there is definitely a business model there which we are exploring. The main problems are the quality of the regional rail infrastructure, a bit of a problem around road competition and the actual port interface—being able to efficiently get a train into the port. Those are the sorts of problems. For our ports business it is a business model they are very interested in and they want to do more of it. It is not an easy business but it is something that they are pursuing.

**Mr GIBBONS**—You mentioned the big volumes being grain and coal, both domestic and export. Is your company looking at any preparation for adding another large-volume commodity—liquid natural gas, for example? Over the next 10 to 20 years we are going to have to start moving some of that liquid natural gas from the North West Shelf—a lot of it we are exporting—but that is going to start playing a role in our overall transport fuel. We will have to think about moving that from that part of Australia over to the eastern seaboard capital cities. Is your company looking at any preparation for that?

**Mr Jeremy**—We have not been, but are going to start looking very carefully at those sorts of opportunities particularly for rail. We are starting to generate our 10-year plans and the resources sector in the west and the demands it will have over the next 20 years are of great interest to us. Unfortunately our plans and thinking is not developed at this stage.

**CHAIR**—The committee found as we went around to the ports—and you were not here when I described it—to Mackay, Gladstone, Brisbane, Newcastle, Port Kembla, Melbourne twice, Portland, Darwin, Albany, Bunbury and Esperance, that there is a common theme of some sort of infrastructure impediment in each port. It is not always the same; it is the lack of a ring road, a freight corridor into the port, a flyover—even for a place the size of Esperance there are problems. From your knowledge, are there any significant impediments in any of the ports on which you would like to comment? Probably one of our great terms of reference is the connectivity between the main line, the main road routes and the ports. That can mean the corridor or it can mean the stockpile or warehouse to ship problems. From your experience, can you tell us where that might be?

**Mr Jeremy**—I think your observation is probably correct. Each port has its own peculiar issues that need to be worked through and there is no vanilla solution for Australia's ports.

**CHAIR**—The secretary and I were looking at it the other day and commented again this morning. The magic figure seems to be about \$80 million—not every port. Was it Albany that needed the ring road or was it Bunbury? \$70 million to \$100 million seems to be the figure.

**Mr Jeremy**—I suspect it is not large; it is very small amounts of money here and there.

**CHAIR**—Times 10 or 12 ports it becomes significant.

**Mr Jeremy**—I am thinking in the overall scheme of things. My earlier comments about supply chains perhaps make the submission in relation to Tasmania relevant. At a policy level before we go putting little bits of money into everybody's port or everybody's rail connection we need to understand what it is we are trying to achieve. From a transport point of view what is the supply chain we are trying to service? In Tasmania there is a commitment from the federal government and from the state government to fund improvements in the rail network, which is

very welcome. We have said since we took control of Pacific National that, firstly, we will not be holding anyone to ransom over this and will continue to fund the inter-modal business. We want to work through what is the appropriate supply chain outcome for Tasmania. It is a relatively small economy—as are a lot of the economies in some of the ports you mentioned—and it cannot afford to duplicate assets. We are in the process of sitting down with Tasmania and then we intend to talk with the federal government about which rail line, which port is the best solution for Tasmania looking at it as a supply chain from Tasmania to the mainland. I think those sorts of questions need to be asked at a policy level and a funding level before this money is spent.

**CHAIR**—I understand that. It is regrettable that we did not touch on Tasmania because it has dynamics of its own. How about you and your colleagues coming back to us with a supplementary submission on your observation of the impediments of each of the ports you deal with?

**Mr Jeremy**—I would be happy to do that.

**CHAIR**—Because you are the biggest freight handler and so I would be interested to hear what you have to say about it to supplement what we have seen already.

**Mr Jeremy**—I would be very happy to do that.

**CHAIR**—Would you like to make a few comments about Tasmania before we wind up?

**Mr Jeremy**—Firstly I would like to say that it was unfortunate that last year Tasmania, if you like, was held to ransom and we have apologised to the federal and Tasmanian governments for that and said that is not the way Toll does business and we will not do business that way. A crisis was developed in Tasmania which was unnecessary and we have taken the heat off that. We are putting capital into our inter-modal business to allow it to continue in operations while we talk to the federal government about the right solution.

The problem in Tasmania is that it is a very old network which was originally designed to service a lot of small ports. There is intense competition from road on which are very short hauls. Throwing a lot of money at the rail network itself will not solve that problem. It needs to be a very targeted investment to ensure we get the optimum port-rail connection so that rail can deliver an efficient supply chain into Tasmania along with the ships. It is a very difficult problem and it is not simply a matter of just spending \$75 million on the rail network. I believe Tasmania and the federal government feel the same way and I know it is a bit frustrating for those who have made funding commitments to Tasmania in what they thought was a crisis to find now that the pause button has been hit. It has been hit for a very good reason and that is to really work out what the best way for spending this 20-year money. You want a 20-year outcome for the state and you will be making 20 years of investment.

**CHAIR**—You have inferred that you are going to go point to point from Hobart to somewhere. Is there a necessity there to link Burnie, Devonport, Launceston and then to Hobart? Is the north-west line of relative importance?

**Mr Jeremy**—We do not know the answer to that yet.

**CHAIR**—Is there a study going on for that?

**Mr Jeremy**—There is work going on presently. Pacific National is doing its own work at the moment and we intend to present that to the Tasmanian government shortly. Then we expect there to be a joint effort undertaken with the federal government to verify our views or otherwise.

**CHAIR**—This money is on hold in the meantime is it?

**Mr Jeremy**—The money is on hold in the meantime and we think that it will be a matter of picking the best port out of the number of options there at the moment. Each port has its own peculiar issues as we discussed earlier. It has to be a port that is not only appropriate for rail, but it has to be appropriate for ships, a good deepwater port as the ships are getting larger. It is not an easy problem to solve.

**CHAIR**—On that note we will wind up this segment. Thank you Mr Jeremy for your evidence today. I trust you will get back to us with supplementary comment on associated port infrastructure.

**Mr Jeremy**—Yes. Thank you.

[12.09 pm]

**DONALDSON, Mr Francis Barry, Strategic Planning Director, The Great Australian Trunk Rail System Pty. Ltd.**

**WAUGH, Mr John Neill Cameron, Director, The Great Australian Trunk Rail System Pty. Ltd.**

**CHAIR**—Welcome. Thank you for your attendance here today. Do you have any comments to make on the capacity in which you appear?

**Mr Waugh**—I am the foundation director of this company. We started investigating the procedure for this railway line in June 1989.

**Mr Donaldson**—I acknowledge the input over the past 10 or 15 years of Dr Ken Davidson, one of the pre-eminent strategic thinkers in transport consultancy. Also to Professor Lance Endersby, the Emeritus Professor of Civil Engineering at Monash University, who taught me about the value of the quality of transport in speed, reliability and frequency.

**CHAIR**—Gentlemen we are not going to put you on oath for this hearing but we ask you to recognise these are formal hearings of the federal parliament and warrant the same respect as proceedings of the House itself. It is the custom to remind witnesses that the giving of false or misleading evidence is a serious matter and could be construed as a contempt of the parliament. Having said that, you are most welcome. Before you go to an overview, I would ask my colleagues to accept an overview paper from GATR. There being no objection, it is so ordered. We will take that into the record as an exhibit and authorise it for publication. Mr Waugh or Mr Donaldson, is someone going to give a five to seven minute overview of the project?

**Mr Donaldson**—I will give that, Mr Chairman. The Great Australian Trunk Rail System has sprung out of the dynamics of the bluewater situation with larger vessels, container vessels mainly, operating on a larger basis between specific ports on various continents. That dynamic has been developing and speeding up on an inverse relationship over the past 10 years. Where previously in Australia we were lucky to see container vessels of 2,000 TEU capacity arriving in our ports, now we are starting to see 4,000-plus TEU capacities coming into our ports. With the dynamic of the increasing cost of fuel, including bunker fuel, these vessels prefer to operate on a port-to-port basis, continent-to-continent rather than heading around the coast in Australia for instance and calling in at several ports, if able because of depth limitations, and then heading off to the destination on another continent whether it is South-East Asia, North-East Asia, the European continent or North-East America. This dynamic has become a very large issue in the mind of transport strategic thinking in Australia because, if we are going to have these larger containers arriving at our coast, then we need very capable ports that can aggregate and disaggregate large numbers of containers in as fast a time as possible.

We know that the ports are merely the interface between the ocean transport and the land transport. So the issue really comes to how we upgrade our land transportation system from a system that has become almost totally dependent on road transport and has utilised to the

maximum the efficiencies and technology in road transport. That situation is coming to a head where the road transport infrastructure is not capable of taking on the transport tasks that we have in front of us now.

It comes to the rail issue as part of the land transport system. We certainly acknowledge—and we noticed this some time back as we have been working on this for 15 years—that the rail infrastructure needs to take up the core element of the land transport task and obviously integrate with road transport in a very strong fashion.

The rail infrastructure in Australia is disparate, on various gauges and radiating out from various parochial capital situations in the various states. Basically it has been unaltered since the 19th century; the inter-capital connections that we have now are original branch lines that have been extended to those destinations. It is such a disparate system that we have no hope of getting it to take up the core element of the land transport situation. That has brought us to the issue of how we make the rail element of our land transport into an appropriate facility. That is where the inland rail or as we call it, the Great Australian Trunk Rail, came into being. It did not come into being as a convenient fast transport system between Melbourne and Brisbane, important as that task is; it came in as a trunk line system that would be pivotal to the reconfiguration of the rail transport infrastructure which would then flow into the road transport infrastructure. That is exactly what the trunk line is; built purposely to the highest possible standards that technology allows, such as 68 kilogram rail. It will certainly be a sealed corridor so it can facilitate high speed rail services over it.

The trunk line is about reconfiguring the existing rail infrastructure into a nationwide utility of transport. If we get the trunk line constructed, then we logically flow on to other projects that need to be sensibly assessed and developed. Certainly we can look at the road transport infrastructure within the realms of shorter haul delivery to rail nodal points. We can move away from trying to keep road infrastructure on the long line haul element. Road infrastructure can be restructured; the north-south area economic zone can be redeveloped to a more east-west supply into nodal points along that spinal type route, which is the trunk line. It can also be restructured onto branch lines, whose relevance will significantly increase, because branch lines, as they were in the 19th century, are connected only to one port, usually a capital city port. In those days it was appropriate to haul the raw commodities from there to the national or the parochial port and then off it went to the mother country. Manufactured items came back from the mother country and they were hauled in the opposite direction.

**CHAIR**—We understand the general dynamic. We want to hear about your project. We also understand the general dynamic of a north-south rail line and know there are two or three proposals being looked at by the federal government's special committee at present. We would like you to describe your train line, the route you are going to take, what your solution is to the Toowoomba problem and if you have a comment on the Warwick solution which was given to us in evidence in Toowoomba recently. We would like to get a feeling for where GATR is in the scheme of things.

**Mr Waugh**—This started in 1989 and the proposed route was picked by travelling it in four-wheel drives and utilities. It was picked on the basis of the fastest, flattest and straightest—

**CHAIR**—Flattest, fastest and the straightest?

**Mr Waugh**—The fastest, flattest and straightest line we could put in because the best lines in the world are fast, flat and straight. We did not want to have to run over hills or a huge number of coastal rivers. We looked at the alternatives—the New England and the other line up and down the coast. That is the reason why it is designed to go into these areas. There have been small changes to what we proposed, but that was based again on being the flattest, fastest and straightest. For instance we did propose to go from Inglewood towards Warwick and Toowoomba initially but then found if we go from North Star to Millmerran it is a straight line. It is flat, straight, out of flood water and out of the hills and would save probably a couple of hundred million. That is the reason it is where it is, why designed that—

**CHAIR**—We are not familiar with the route there. Is this the new route you are talking about?

**Mr Waugh**—Yes it is the new route.

**CHAIR**—I see. I thought you said you had—

**Mr Waugh**—No that is the latest one.

**CHAIR**—I misunderstood you.

**Mr Waugh**—Since that has been printed there has been a variation on the Millmerran to North Star area by virtue of what Ken Davidson has done for QR, but that is basically the route.

**CHAIR**—What is your cost on this?

**Mr Waugh**—I will leave it to Mr Donaldson to answer that question.

**CHAIR**—Could you give us a profile of the cost of what you see being covered by investment equity and Commonwealth government or state government contribution?

**Mr Donaldson**—The trunk line, which is the central piece of infrastructure to the reconfiguration of our land transport system, has had to be built to the highest possible standards and that involves going as straight as possible. It is not such a line that is going to service each town. Ancillary infrastructure will service the towns, the actual trunk line will bypass towns, for instance Narrandera, Moree and Dubbo. However those towns will be serviced by the existing infrastructure that the trunk line connects to or links past. It will be in a similar fashion as when the Hume Freeway was introduced; the old existing highway. The extant infrastructure linked through to the towns.

As a result of that, the trunk line will be built to high standards of ballast thickness, of the number of concrete sleepers per kilometre and to 68 kilogram rail. It will be built to 3,500 metre minimum radii curves to facilitate high speed freight trains. That trunk line is then central to increasing the relevance of the branch line infrastructure that is basically isolated to one port. If there is a trainload of containers of high quality wheat that needs to get to a flour mill in Melbourne, it certainly can use this line or it can use the ancillary branch lines that it might originate from and then be distributed to that point. Presently there is no way that the rail infrastructure can handle that transport task except by a long, very circuitous and perhaps unreliable route from there around the coast and then to Melbourne. It will go by road transport



straight away. We are talking about high standards, a trunk line at the centre of the reconfiguration of the rail network and then onwards flowing into the road infrastructure. The cost we believe will be approximately \$3.5 billion.

**CHAIR**—Can you give us a breakdown of that?

**Mr Donaldson**—It will cost approximately \$1 billion for the tunnels under the Toowoomba ranges and the Liverpool Range. The track will come down and sweep south of the Ipswich air force base and into a point south of Acacia Ridge and then into Acacia Ridge. Out on the flat inland plains the costs come down quite considerably. Where it is new track infrastructure it will cost in the order of \$1 million and then when it is upgrading existing track that will come down significantly, again probably to about \$600,000.

Of that \$3.5 billion also is the ancillary infrastructure for interacting between road and rail. As I said earlier it is a sealed corridor therefore there will be separate grade crossings right along it. That area, which is not a ‘tollable’ area for the constructors of the project, would become a responsibility for funding by the federal government or maybe through local government grants to the various local government areas. That type of funding can be justified certainly from the federal government because there are enormous community benefits from having separate grade crossings.

**CHAIR**—What would the total Commonwealth contribution be?

**Mr Donaldson**—We believe that, over the five-year construction period, it will be in the area of \$200 million to \$240 million per year for that five years, which comes to just over \$1 billion.

**CHAIR**—Does that include the cost of track infrastructure—flyovers, bridges and so on?

**Mr Donaldson**—Yes it does.

**Ms HALL**—All above ground costs?

**Mr Waugh**—Yes.

**Mr Donaldson**—Yes.

**Mr McARTHUR**—One and a half billion over five years, is that what you are saying?

**Mr Waugh**—From the government, the total cost—which I went over so many times it is not funny—for everything over five years is \$4.5 billion. That is the amount that I have mentioned that we are financing.

**Mr McARTHUR**—Without rolling stock?

**Mr Waugh**—That is without rolling stock. That is for the line, fully fenced, overpasses—the whole lot.

**CHAIR**—Does your consortium claim to be an operator as well or purely a provider?

**Mr Waugh**—The consortium we are working with financially is a financial institution, a very powerful financial institution that, to my knowledge, has nothing to do with transport in any way.

**CHAIR**—Who would be the operator of the line?

**Mr Donaldson**—The GATR system is the developer and operator of the below-rail infrastructure. It will not operate any commercial transport services above-rail. It will be open access infrastructure, so any accredited rail transport operator can purchase train paths on the system. Having said that, we do not envisage being separate from the Australian Rail Track Corporation. The Australian Rail Track Corporation is doing excellent work on the latest technology in train traffic control. We will certainly be after the best train traffic control. It is probably going to be a GPS based service system. Our train path slots will be five-minute windows, which is very high standard as far as getting opposing train paths to be reconciled at the passing lanes, which will 20 kilometres long. Also, when high-speed tilt passenger trains come into the picture they will take five minutes at 250 kilometres per hour to cover 20 kilometres.

**Mr GIBBONS**—At 250 kilometres an hour?

**Mr Donaldson**—At 250 kilometres an hour. We are talking about fast rail, which is fairly standard around Europe.

**CHAIR**—Just give me the speeds again for normal freight, bulk freight and passenger?

**Mr Donaldson**—Bulk freight can do 100 kilometres per hour—you are talking about the raw commodity freight?

**CHAIR**—Yes.

**Mr Donaldson**—Double stack container trains, as has been said earlier, can do 120 kilometres per hour.

**Mr McARTHUR**—As a matter of interest, do the containers go through this new tunnel double-stacked?

**Mr Donaldson**—Absolutely, yes. The standard clearances are to 7.1 metres, which is now the Australian standard for high-profile rolling stock. It is not only double-stacked containers; it can be the triple-stacked type motor vehicle rolling stock et cetera. Sorry, I have lost track of the question.

**CHAIR**—The third speed was for passenger.

**Mr Donaldson**—The third speed is for the high-value express freight, which might be perishable fruit products—bananas, when they are growing again—in their case moving between the north and the south at 160 kilometres per hour. The standards are there. The 3½ kilometre radii curves will facilitate a train—

**CHAIR**—What were the passengers services at—160 kilometres per hour?

**Mr Donaldson**—No, that is the high speed freight. There are three echelons of freight.

**CHAIR**—Yes.

**Mr Donaldson**—There are the raw commodities, the double-stacked container type freight, and then the time sensitive freight, which will travel at 160 kilometres per hour. That type of track geometry will facilitate tilt train style fast passenger trains up to 250 kilometres per hour.

**CHAIR**—What is the transit time from Melbourne to Brisbane for a passenger train?

**Mr Donaldson**—That would be eight hours at that speed.

**CHAIR**—Eight hours—that would be incredible.

**Ms BIRD**—Did you hear the previous evidence given by Toll? They reflected that, in any of these proposals, they would see potentially some problems by not linking Sydney in some way. Is that something that your consortium has considered and how that might happen?

**Mr Donaldson**—We have certainly considered that. As the trunk line development proceeds, which hopefully will be very soon, the economic sense then of an upgraded linkage being constructed over the Southern Highlands will be very clear. None of these projects, as separate item projects, make full economic sense, but when they are looked at in the context of a trunk line system going through eastern Australia, the upgraded linkages or loops—whatever the situation is—start to make enormous economic sense. We can see there would be a very quick move to a separate consortium style upgraded linkage construction, from about Temora, linking into probably a spur to north Canberra and over the Southern Highlands into Sydney—and into the south-west part of Sydney where the great majority of the industrial areas are. Those south-west Sydney industrial estates would certainly utilise the trunk line system connecting on the upgraded linkage over the Southern Highlands to the trunk line and then through to Brisbane, Darwin, Perth, wherever.

**Mr GIBBONS**—You mentioned, and we heard earlier, that there is potential evidence of big benefits for those small communities along the trunk line—Moree, Narrabri, Dubbo and Parkes. What sorts of benefits would there be for those communities, given that obviously the trunk is going to run probably 10 kilometres from the actual—

**Mr Donaldson**—First, a trunk line going around a town or a community certainly does not mean that that community is missing out.

**Mr GIBBONS**—I understand that, but what are the benefits for those communities?

**Mr Donaldson**—The benefits, for value-adding industries particularly, are that it will enhance the potential of the raw commodities that are produced in that area to be value added into a product that can be moved swiftly through the most appropriate port and onto the bluewater trade routes. When I was flying here this morning from Wagga, I was talking to a CEO next to me. He asked me what I was doing and he started talking about his transport situation. He has a

value-adding industry in the Southern Highlands. He said to me, 'If we had a quality transport system like that, our economic zone of raw material procurement would increase enormously,' and he told me some of the distances and so on he was talking about, stretching right over into South Australia. He said, 'That would mean that we could upgrade our industry so that we could get greater economies of scale. We could expand quite significantly.' He said, 'At the other end of it there is also our transport issue where our products have to be road transported through to the port of Melbourne and then Patrick'—now Toll—'then aggregate those products into containers for the bluewater voyage.' He said, 'We could load those containers if we had rail, that type of quality transport system, and send them in all directions, including to the appropriate export port.'

The point is that transport is not a one-leg issue when you are talking about value-adding industries. There are several legs. There is procurement of inwards products; for instance, a gold mine requires 50,000 tonnes of inwards goods to operate on an annual basis. Value-adding industries are usually reliant on some sort of packaging coming in. There might be some sort of element that is already valued added that goes into their product, so there is more transport involved. Then of course there is the distribution and the aggregation at an export port for the bluewater voyages. It is a multitask transport situation that value-adding industries face, and they do not have that now.

**Mr GIBBONS**—I see.

**Mr Donaldson**—They can do it by road, at great cost, but there are still some issues there.

**CHAIR**—Mr Waugh, do you want to add something to that?

**Mr Waugh**—I have been in local government a long time, and the big thing that this proposal will do is create small businesses in all the progressive towns along that railway line.

**CHAIR**—It is not planned to stop this train at every small town.

**Mr Waugh**—No, but at the major places. Land is much cheaper than in parts of Sydney. The relativity runs right through. There will be plenty of small businesses that want to allot a position for business right beside where a high-speed railway line pulls up, which will create a lot of employment in those areas. It will be a rejuvenation of those inland areas.

**CHAIR**—Let me tell you why we are asking this sort of question.

**Mr McARTHUR**—You have been saying that for 100 years though. It is a 100-year-old argument, that one. That is a 100-year-old article is it?

**Mr Waugh**—Yes.

**CHAIR**—Let me just say why we are asking this question, and Mr McArthur may wish to add to this. This is directed to any of these Brisbane-Melbourne consortia, not just your project. There is a lot of spin and a lot of 'This could do such and such', rather than what my deputy was asking you, which is, 'What have you identified so far as being some of the things that could—'

**Mr Waugh**—Not so much ‘could’ but ‘will’.

**CHAIR**—When we did our study of Darwin, we reviewed the Alice Springs to Darwin railway. I can remember when that was in the making, and the spin was on, what a huge difference it would make to the inland cattle industry, the grazing industry. No cattle are carried on that line, nor do they want to carry it because of double handling. You have to get the cattle from the property to the railhead, from the railhead to the train, from the train to Darwin, off the train to a spelling paddock, from the spelling paddock to the ship. It is much easier to take the semitrailer from the property to the ship. Why we are probing this question is that we want to understand what sorts of industries are identified as being capable of adding to the dynamic of this railway. We are not trying to throw cold water on it, we just want to understand. We just do not want, ‘This might happen, this could happen.’ We want to know what you have identified as being the sorts of industries that might come along this corridor.

**Mr Waugh**—I converse regularly with the mayors or chairmen, or whatever they are designated, of towns along the line. I know that at Parkes a very large amount of money is being spent by high-profile Sydney business people on purchasing that land and building there because they think—

**CHAIR**—With the greatest respect, Mr Waugh—

**Mr GIBBONS**—What are they building though?

**Mr Waugh**—I have just heard that there is a lot of money going into those towns, such as Moree, from these people.

**CHAIR**—I am a great supporter of the Parkes concept and, as you know, before I got into politics I was in regional development. I have been going to Parkes for 30 years to see this thing that is about to happen at the crossroads of the major rail and trunk routes. Although there are some industries moving there now, we want to know what sorts of industries or what sorts of hubs will develop at Parkes to make that sort of thing happen. Do you know what we are coming at?

**Mr Waugh**—I know what you are coming at. The cities are getting very crowded. People are moving from Brisbane to Toowoomba, and people with their families are moving into regional areas, where there are opportunities, from the cities because it is a lot cheaper to go there. I believe this will create a great opportunity for people to move in. They will be close to transport.

**Mr McARTHUR**—But where are the precise examples?

**Mr Waugh**—But even without that—what have we got now, today? We have some of the best sporting grounds, airports, hotels, one of the best parliament houses in the world and one of the best opera houses. Why do we have to have second-class transport?

**Ms HALL**—I do not think any of us would argue with you there. I think we all believe that transport is very important. Here we are trying to seek some tangible examples and tangible demonstrations of how, if a hub is put in place there, if it becomes a hub, how that will work, how it will link into the system—how the whole thing will work.

**Mr Waugh**—Nothing happens in life, in my opinion, before something is done—it always happens after. I have seen the development of a lot of places. I come from the inland. It always happens after something has brought them there. They do not go out hoping something will happen; they go out when it has happened. This applies right through the rural towns of Australia.

**CHAIR**—I think this committee is broadly in favour of an inland track. What we want to understand is, as well as the fast freight, bulk freight, the double-stacking, the time-sensitive freight and possibly passenger, what is the fifth dynamic that will be generated in the regional centres along the route? What have your studies thus far shown? Have you identified what types of industries, or a specific industry, that would be likely to use this route?

**Ms BIRD**—And can I clarify how many times it would stop.

**Ms HALL**—Yes, I am interested in that too.

**Mr Donaldson**—How many times what would stop?

**Ms BIRD**—The train would actually stop. You have identified all these towns that you say could have the flow-on effect, but will it actually stop at them? If it does not, if it is just going to pass—

**Mr Donaldson**—No, there will be a whole variety of train paths; there will be express train paths, local train paths that will sweep up the various intermodal points and lift from them. We are not talking about one single type of train.

**Ms BIRD**—Thank you, I needed that clarification.

**CHAIR**—Up until now no-one has said that.

**Ms BIRD**—We are just picturing this train shooting up and down.

**Mr Donaldson**—Trains will come on and off branch lines, for instance. Maybe a grain train, or one with some other commodity such as coal, will come off a branch line, perhaps at Narrabri, utilise the trunk line for a section of distance and then head off to the appropriate coastal port. There will be a whole host of different styles of train paths. It will take a lot of heavy computer modelling to sort these various train paths out, because we are still talking about a single-track infrastructure. However, the running passing loops, or the 20-kilometre long passing loops, plus the bypassed town loops, will come into the picture to reconcile opposing train paths.

Coming back to the fifth dimension that you are looking for, Mr Chairman, this trunk line will actually be crossing seven irrigation regions. We know, and it is not just hearsay, that there are great opportunities to value add to a lot of the raw commodities that are produced in the irrigation regions. Of course there are also opportunities for the raw commodities, the cereal type crops. These can be value-added into high quality flour type grains that can be containerised and exported in that fashion.

The trunk line will enhance or impel the type of value-adding industries that cannot be justifiably known to be economically sensible at this stage because of the high cost of transport in inland regions. It is not only the high cost. There is not that quality of transport with the speed and reliability to move products through to the appropriate point for the international trade. Some of those products, such as asparagus from some region in the Southern Highlands, need to get to an airport very fast. That is a very high-quality perishable type product. The types of services that will be facilitated by this project will enhance those sorts of value-adding industries.

It is very hard for us to say definitely what is going to happen and where. But we know there is a huge potential, over those seven irrigation areas that the trunk line itself directly interposes with, for great opportunities for value adding. Our meat processing industries are having terrible strife lately in continuing to exist. They do not have the confidence to upgrade their infrastructure, their meatworks, to a modern standard, and they are finding that as the ability to get cheaper labour in diminishes, they are struggling economically to continue going. They certainly have not got the confidence to upgrade because of our transport system.

**Mr McARTHUR**—Can we move to the more important issue of the actual construction of the line instead of staying with some of these arguments about what might be. We have heard some of these arguments on the Adelaide-Darwin line; we have heard them over 10 years and some of them have not quite worked out. I just make the observation. I am interested in how you are actually going to construct the line and the relativity of the red line and Mr O'Rourke's slide in the back of our publication. I want to know the quality of the yellow line—the existing track—relative to the new track, and what the group claim will happen with the older railway infrastructure.

**Mr Donaldson**—The orange parts are the new track—

**Mr McARTHUR**—We have heard a lot of discussion over the years about the acquiring of the various easements to enable this project to proceed. Four or five years ago some of the witnesses told the committee that seemed to be a major problem. You might just enlighten us how that is going.

**Mr Donaldson**—It has not started yet. We have to do a refining engineering study first.

**Mr McARTHUR**—There is a lot of work that has been done on this track by other people. Either you have some easements you can take on or you have not, or there is a problem.

**Mr Donaldson**—There is extant rail infrastructure that we can upgrade to the same standard. It is basically just about a rebuild. The ballast might be appropriate. Certainly, the rail weights will not be appropriate to the new standards.

**Mr McARTHUR**—Are you telling us that you are going to rebuild the whole line?

**Mr Donaldson**—No. We are going to upgrade those yellow sections. They may have to be realigned in some places. The new sections shown in orange will be total rebuilds. Well, they will not be rebuilds; they will be greenfield sites.

**Mr McARTHUR**—The \$4 billion costing really is a new railway line? It is a new rail line from Melbourne to Brisbane that has new heavy gauge rail, good ballast, good sleepers and the whole lot will take 150 kilometres per hour speed?

**Mr Donaldson**—Yes, certainly it will all be new rail. It will be 68 kilogram rail. It will be all new sleepers. As far as I can remember, there are not many concrete sleepers anywhere along the extant infrastructure.

**Mr McARTHUR**—Why have you got the yellow lines there though that suggest using some of the old track? Is that just for—

**Mr Donaldson**—It is. That is exactly where the old track is. You will see—

**Mr McARTHUR**—Is that easement considerations or actual railway line?

**Mr Donaldson**—It is actual rail line from Shepparton to Narrandera.

**CHAIR**—What standard?

**Mr Donaldson**—It is actual alignment. It is on different gauge, and of course we are talking about certainly regauging.

**Mr McARTHUR**—In very simple terms, you are going to rip up the old line and put a new lot in?

**Mr Donaldson**—We would move the existing rails on to perhaps branch line infrastructure if that made economic sense, but basically it is a brownfields redevelopment when we are talking about existing infrastructure.

**Mr Waugh**—Can I ask a question.

**CHAIR**—Yes.

**Mr Waugh**—Are you asking whether all the line is going to be new or just parts of it?

**Mr McARTHUR**—I am asking whether all the rail is going to be new, because this map suggests that there is a bit of the old infrastructure being used.

**Mr Waugh**—The different colours are where existing line exists now. The other part is where no line goes. Which colour is the existing line, Barry?

**Mr Donaldson**—That is the yellow.

**Mr Waugh**—The yellow is the existing line upgraded to the best standard in the world using that corridor.



**Mr McARTHUR**—From any point of view you have a \$4 billion line with new rail, new ballast and new sleepers.

**Mr Waugh**—New line all the way and a tunnel, using existing corridors where we can.

**Mr McARTHUR**—The easement is the big argument that we have heard historically, and you are putting in the two tunnels to overcome this problem of getting across the range?

**Mr Donaldson**—Yes.

**Mr McARTHUR**—Just so we now understand exactly what you are saying. Historically we have had some strange figures put to this committee by some of these projects.

**CHAIR**—I have another question along the same lines. With the Toowoomba to Brisbane link—which, as you know, is the problem area in all the consortia—what does your \$1.25 billion from the Commonwealth presuppose will be spent on that part? Does that presuppose a substantial contribution from the Queensland government as well?

**Mr Waugh**—We hope that the Commonwealth does a refined engineering study for it. Until that is done, there cannot be an answer.

**CHAIR**—No, wait a minute. You say you have had the best rail engineer look at this.

**Mr Waugh**—We have had Dr Ken Davidson who is—

**CHAIR**—What I am asking is: when you set the price of \$4.5 billion, of which you want the Commonwealth to contribute \$1.25 billion, does that presuppose that the Toowoomba Range solution is part of that?

**Mr Waugh**—Yes.

**CHAIR**—Or does it presuppose that you are expecting a contribution from the Queensland government into that particular—

**Mr Waugh**—It presupposes that it is part of that contribution, but hopefully we can work with the Queensland government because they will want a line through it too.

**CHAIR**—You would work cooperatively with them?

**Mr Waugh**—Yes. We will have to because they will want a line through that new tunnel too.

**CHAIR**—A standard gauge line you suspect?

**Mr Waugh**—We want a standard gauge and they will need their gauge through it too.

**CHAIR**—If you presuppose double-stacking, does that cost of \$4.5 billion include the dedicated line from the bottom of the Toowoomba Range into Acacia Ridge?

**Mr Waugh**—Yes.

**CHAIR**—Who would pay for that—the project or the Queensland government?

**Mr Waugh**—We have asked the Commonwealth government for a certain amount of money.

**CHAIR**—I understand that—\$1.25 billion.

**Mr Waugh**—Yes. That is to seal the line with fences and to put overpasses where necessary so it is a sealed corridor. That would also be the sealed corridor to Acacia Ridge.

**CHAIR**—What about the purchase of the Acacia Ridge corridor and the building of the track? Is that covered in the cost?

**Mr Waugh**—The Queensland government are not prepared—they have surveyed the track. They know where it is. They want the line. We had better go and shake hands and have a drink and fix it up.

**CHAIR**—No, wait on—

**Mr Donaldson**—Can I answer that, Mr Chairman?

**CHAIR**—What I want to know is: are all the costs of Toowoomba to Brisbane included in your \$4.5 billion, or does it presuppose that the Queensland government will make a contribution to the range crossing and the dedicated line into Acacia Ridge?

**Mr Donaldson**—No. It is included in the \$4.5 billion.

**CHAIR**—Okay, that is all I wanted to know.

**Mr Donaldson**—As far as—

**Ms BIRD**—Is that the same for what needs to happen at the Melbourne end?

**Mr Donaldson**—Yes, the same as the Melbourne end. Within the context of the project we can see that as you get closer to the capital cities there becomes other projects that could roll naturally into the trunk line system. This is where the state governments can start coming into the picture with funds to say, ‘That is enormously sensible and would help us out of our situation, whatever that is, and we would be interested in contributing funds to that.’

**Ms BIRD**—It would be a common interest development.

**Mr Donaldson**—Yes, that is right.

**Mr Waugh**—To give an example, the congestion from Brisbane to Toowoomba now on the Warrego highway is obscene. People are getting killed there every week. We could start building this line at the Brisbane end and get it to the foot of the range very quickly on their corridor with

the cooperation of Queensland Rail. They could put a big car park at the bottom of the Toowoomba Range and get half the traffic off it overnight. Those sorts of things are where we want to cooperate with people.

**CHAIR**—Sadly we have run out of time and we have another commitment at Port Botany this afternoon and we cannot be late for that. I want to thank GATR for their submission today. Please do not be put off, in any way, by our intensive questioning. When it all gets down to it, the major arterial line that is proposed for this country is the one from Melbourne to Brisbane, and we really want to know and understand the dynamics of that. As I said before, we had a bit of soul searching going on in Darwin to find that the spin that most of Australia have accepted is quite different from what is happening at present, especially in regard to the cattle industry. We wanted to probe those things so that we understand the dynamics of your proposal.

I thank you again for coming. We trust we can come back to you if we require more information. I would appreciate a supplementary submission from you on what you see happening in the provincial cities and towns along the line. I think that is a very important part of the standing of this proposal.

Resolved (on motion by **Mr Gibbons**, seconded by **Ms Bird**):

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

**Committee adjourned at 12.58 pm**