



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

**HOUSE OF
REPRESENTATIVES**

STANDING COMMITTEE ON TRANSPORT AND REGIONAL
SERVICES

Reference: Transport networks inquiry

WEDNESDAY, 16 AUGUST 2006

CANBERRA

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

INTERNET

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

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

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

HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON TRANSPORT AND REGIONAL SERVICES

Wednesday, 16 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, Mr Haase, Mr McArthur, Mr Neville and Mr Schultz

Terms of reference for the inquiry:

To inquire into and report on:

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

WITNESSES

MEYRICK, Mr Stephen John, Managing Director, Meyrick Consulting Group Pty Ltd..... 1

Committee met at 9.13 am**MEYRICK, Mr Stephen John, Managing Director, Meyrick Consulting Group Pty Ltd**

CHAIR (Mr Neville)—I declare open this meeting 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. Since receiving the request from the Minister for Transport and Regional Services the committee has spent the past year examining the operations of regional road and rail networks in handling the rapidly growing freight task in Australia and the efficiency of the network connecting to the ports. An important part of this has been to examine how the three levels of government and the private sector can cooperate to enhance Australia's port capacity to cope with the growing freight task. The committee has conducted an extensive program of public hearings throughout Australia right from Mackay in North Queensland to Esperance in the south-west of Western Australia and also to Darwin. This is the 27th hearing in the program.

Today the committee will hear from representatives of Meyrick and associates, a private company that has been involved in several important reports relating to Australia's transport infrastructure, and I welcome you, Mr Meyrick. We are not going to place you under oath but we ask you to remember that these are hearings of the parliament and consequently warrant the same respect as proceedings of the House of Representatives itself. It is customary that I remind all witnesses that the giving of false or misleading evidence is a serious matter and could be considered to be a contempt of the parliament. Having said that, Mr Meyrick, would you like to give us a five- to seven-minute overview of your submission?

Mr Meyrick—My main comments will be echoes of some of the work we did for the Department of Transport and Regional Services on the national intermodal terminal study, which is of some relevance I think to the work of the committee. That work was commissioned in the first instance because there was a view within the government that the intermodal terminal system was going to be crucial to the effective delivery of freight not just into the port system but also in the interstate transport network. Very little was really known about that, and it was even less documented.

The ultimate pressure for that work came from the realisation that we do have a rapidly growing freight task that will place very serious strains on our current infrastructure and that in order to effectively deal with the challenges that that task will pose at least four things needed to happen. We needed to get the rail system to function as efficiently as a rail system can. We needed to get the road system to function as efficiently as a road system can. We needed to ensure that the freight task was effectively and appropriately allocated between those two modes and we needed to make sure—and this is where the intermodal terminals system comes into it—that there was effective and efficient integration of those various modes of transport. At the time the report was commissioned I think it was felt that we had pretty good data on the road system and that we had moderately good information on the rail system, but we had very little systematic collection of information about the nodes which joined those two elements of the system and hence the genesis of the study.

Given that background, it was essentially a fact gathering and fact assembly study rather than one that was supposed to come up with definitive policy recommendations. It was useful from

my own perspective, I think, because for the first time we began to see intermodal terminals as parts of systems rather than as individual facilities and we began to understand and have the opportunity to document how they work as systems. It became clear to us that there are two quite distinct subsystems: the domestic subsystem, which was essentially, but not exclusively, an intercapital one; and the port related networks, which ran by somewhat different rules and had somewhat different requirements. In particular the train links that were appropriate to be catered for at the port related system were somewhat different from the train links you needed to design for the intercapital system. Also it was desirable that the import-export oriented terminals have ICD facilities, AQIS and Customs facilities in order to facilitate an ultimate clearance of cargoes at the inland end of the task. So much of our work was about documenting what was known or could be known about these facilities and assembling that in an accessible form. But in the process we were asked to address policy issues and a cluster of issues which ultimately revolved around the question of what is an appropriate role for government and/or governments in this sector.

At the time, we broke those down into six main issue clusters, if you like: planning issues, which I think is fairly self-explanatory; access issues—and, in that case, we were focusing primarily on the issue of gaining economic and commercial access to terminal facilities and how well that works or does not work; the community impact of intermodal terminals—on the one hand, how the negative effects might be minimised and, on the other hand, how one could design systems so that the positive spin-offs for the host communities were maximised in order to make such developments as acceptable as possible to the host communities, because the committee, I am sure, will be aware of some of the difficulties which certain intermodal terminal proposals have had getting past community opposition; information flows; funding issues; and, finally, issues of skills and access to staff. They were the core issues we identified.

CHAIR—Yours is quite different from the other submissions we have received. It is welcome in that respect. But you make a point that we should have a strategic plan for coping with freight in Australia. How do you get to that point when you have this lack of equality in funding between rail and road? I would like to hear your comments, for example, on Commonwealth spending on the Melbourne to Brisbane coastal route and whether you feel that there is a case for an inland route, whether it is the ATEC or the GATR route. I would be interested to hear what you think of that. Then, if you are talking about having a strategic plan, doesn't it also hinge very greatly on whether you make the New England Highway or the Pacific Highway the main road corridor from Sydney to Brisbane? How do you get to a strategic position until those things are sorted out?

Mr Meyrick—The last phrase there was the one that caught me. Quite frankly, I am very heartened by some recent developments. I believe that the AusLink process is the first serious attempt that we have made for some decades to actually come to grips with the issue of formulating a strategic plan for freight in the country. Like everybody else, I have certain concerns about the AusLink program, most prominent of which is that we really probably did not start from quite the right place. This does go to your comment in that the AusLink network was almost defined a priori whereas I think it would be better if that was the result of serious analysis of what the optimal freight routes are. I think that is your point, Mr Chairman.

With respect to the inland freight route, I am aware that that is currently the subject of a major study, the results of which I have not had access to as yet. I think I am sufficiently cautious not

to be willing to do an off-the-cuff response to a question where I do not have all of the information that would be relevant to that decision.

CHAIR—I am talking about principles. I realise that you do not know the detail of it. For example, we have had conflicting evidence about whether there should be a freight hub at Parkes. I used to be in regional development before I got into politics. I have been going to Parkes for I think 30 years or 35 years to see this marvellous hub. I must say that its development has been going at a snail's pace. Is it really going to work like that? We also received evidence that the best places for hubs are not along the inland route or outside of Sydney but, rather, perhaps, in places like the Sydney and Melbourne basins.

Mr SCHULTZ—There is talk, isn't there, of having one in the Southern Highlands?

Mr Meyrick—There are at least two prospects that I am aware of in that region. One was mooted in Goulburn and another was mooted in Wingecarribee that I am aware of. In fact, I think there are two prospects at least lurking within Goulburn.

CHAIR—Would you like to comment on those? While you are at it, can you tell us what the elements of a freight hub are? What are the elements that make a freight hub work? You can call something a freight hub, but if it is just uncoupling the back of the train, we are told that is very inefficient. How do you make a freight hub operate?

Mr Meyrick—I think there is a hierarchy of hubs. The most primitive ones I have seen are those beyond which you cannot reduce things. The committee probably saw Picton out near Bunbury, which is about as rudimentary a facility as you can get. On the other hand, if you look at the cluster of transport and logistics development which has assembled itself around places like Acacia Ridge in Brisbane, you have another order of development. There seems to be a tendency to believe that for high-volume hubs the concept of what is called a freight village in Europe—it is a word that is not very popular in Australia because it sounds a bit fuzzy, I think—is a valid one. What makes major hubs work is accumulating as much logistics and distribution activity as you can in the immediate proximity of your intermodal terminal. That requires a number of things. You need excellent road connections, of course.

CHAIR—Do they need to be configured in a special way? When we did an earlier study we heard a suggestion that the train line should be down about three feet or six feet underground so that the tray of the train was level with the ground. Or is it just good placement of road and track?

Mr Meyrick—That is more of an engineering detail, which is manageable within the site. Fundamentally, what you do not want is a site which is very uneven so that you have massive and very expensive earthworks to level the site before you can even get down to the investment in terminal facilities per se. Also, for a major hub, particularly one that is operating on the interstates, you need at least a part of your site to be fairly long and fairly skinny so that you can accommodate the 1,800-metre trains, which we are looking for. You at least need a run-off—often they are broken into two rakes of 900 metres anyway. I think there will inevitably be a hierarchy of sites. There will be the core nodal clusters such as Dynon and Acacia Ridge. Hopefully at places like Moorebank and Enfield in Sydney you will be able to develop a fully fledged freight logistics and distribution centre. I think there are opportunities for that in the

regional areas as well. I think the logic development in Albury-Wodonga is targeting that sort of model. They have a pretty reasonable chance of being successful in effecting that.

CHAIR—There is a division in the House. We will return as soon as we can.

Proceedings suspended from 9.28 am to 9.43 am

CHAIR—We were talking about what the main elements of a freight terminal are and what makes freight terminals work.

Mr Meyrick—The first key thing—which is fairly obvious, it seems to me—is the quality of the rail connections. When I say that, I am not just talking about the infrastructure. One of the issues, as you will no doubt be well aware of from your work, is access to suitable train paths across the urban part of the rail network. If you cannot secure adequate and appropriate train paths then any rail based facility is in trouble. Access to high-quality road links can be enhanced by some of the policies that you see developing, such as specific concessional vehicle limits for road vehicles accessing freight terminals and freight hubs to encourage efficient transfer of cargos into the hubs. The other one that we have mentioned previously is land that does not look like the Himalayas—that is extremely helpful. I think adequate available industrial zone land in close proximity to the terminal to at least create the permissive conditions for the development of synergistic industries in both production—

CHAIR—Apply your formula to the Sydney basin or Cooma or to the circumstances near Sydney, Melbourne or Brisbane. How do you design a freight hub there where obviously you are not going to get 1,800 metres of track? How do you make that work?

Mr Meyrick—We are going to go close in Moorebank, for instance. My understanding is—and I am not completely confident of this—that there are potential redevelopment plans for that site and Macarthur, the Minto site, which, if appropriately managed and governed, could take you pretty close to that. You have at least those two sites. With Enfield, you have a decent length of track. I am not quite sure what they are targeting there. Enfield is very clearly targeted to shuttling cargo to port, and you are not going to use very long trains for that. The shorter the haul, generally speaking and as a rough rule of thumb, the shorter the length of train that you are going to assemble and discharge. You probably do not need that sort of train length over a shorter distance. I imagine that we will probably find them using 300 metre to 600 metre trains there.

CHAIR—Sharon wants to ask some questions on this, but, just to give us the flavour, what do you consider to be the best two or three freight hubs in Australia at present?

Mr Meyrick—The best laid out?

Mr HAASE—The most efficient.

Mr Meyrick—The Kewdale facility seems, as near as I can work out—

CHAIR—Which one?

Mr Meyrick—The Pacific National facility at Kewdale.

Mr HAASE—In Western Australia.

Mr Meyrick—As far as I am aware, that works pretty well. I will not say that I was brought up in Western Australia.

CHAIR—Is that in Kalgoorlie, Perth or Fremantle?

Mr HAASE—That is in the eastern suburbs of Perth city, slightly to the south. It is the main hub for rail going through. It is very efficient. It was purpose built.

Mr Meyrick—I know less about it but I understand that Acacia Ridge works pretty well most of the time. Potentially, the Dynon facility could work well, but it has so many constraints at the moment—departure path constraints, train storage constraints and all those sorts of things—that it does not deliver anything like its potential. In terms of the regional ones—

CHAIR—Have you done any studies on Dynon?

Mr Meyrick—We have been peripherally involved as part of broader studies. We have not done any specific studies on the Dynon facility.

CHAIR—Would you like to give us a one or two pager on your vision of a good freight terminal?

Mr Meyrick—We could do that. It would be about what makes a good freight terminal.

CHAIR—Yes.

Mr Meyrick—I will be glad to do that.

Ms BIRD—Just before we go off that, I would like your reflections on one of the issues that you raise in terms of appropriate roles for governments. The issue was skilling and personnel provision to make a really good multipurpose hub. Instead of this concept ‘build it and they will come’, I am wondering whether access to population bases that have those skills would be better. In order to be viable, you have to have those things already in place.

Mr Meyrick—Are we talking specifically about the skills side of it?

Ms BIRD—Yes.

Mr Meyrick—That depends on what we are trying to build here. Let us take my favourite primitive terminal, the Picton one. You do not need a lot for that. It needs a very small amount of labour—you could probably run it with four men and a dog, or three women and a dog. And that is relatively low-skilled labour. But if you were trying to develop something more complex where you were butting against a logistics and distribution facility—a la the Albury-Wodonga model—then you need access to an adequate population base, and a fairly broadly skilled population base. That is one of the reasons that the Logic terminal has a lot going for it; it has a

reasonable population base on which it can draw for its skills. Because I get this message so persistently from industry, I cannot let this pass, Sharon, without mentioning the other side of the skill equations: the government side of the fence. These things need and require an interface between industry and government to get done. One of the continual complaints that I get from industry is about the churn rate in government institutions and the rate of institutional change and the deskilling of government. That has left them often with nobody to whom they can talk sensibly.

Ms BIRD—It is a common problem, I think, when you have a national skill shortage in engineering and those sorts of things. People will be attracted out of government into private enterprise. That is a good point.

Mr Meyrick—What is interesting to me is the number of times that is run by private sector people as an impediment to effective intermodal system development.

Ms BIRD—I get the impression from your report and from what we have before us today that there is a level of immaturity still in the private sector in Australia in this way. What would you see as the most useful thing governments could do to encourage the development of a viable private sector in terms of providing these hubs?

Mr Meyrick—I think it goes back to the chairman's comment in a way about strategic planning. I do not know if you have seen this, but we helped with a bit of work done by the Australian Logistics Council—an industry infrastructure action agenda. Amongst the top four priorities they pick planning. The way it is put to me by the private sector people generally is that we can just contribute usually one element of the jigsaw puzzle. We need to understand the framework within which that investment is being made. That can only come from laying down a clear plan. Then when we know where we are going with the planning we can sensibly evaluate our own private investment decisions. But while things are very fluid and uncertain with respect to the overall framework within which we are making an investment we are going to be extremely cautious about putting our money on the line because quite often it is irrecoverable. The sort of investment you make in an intermodal terminal, once you have spent it you cannot pick it up and take it elsewhere. I am very confident—because industry people tell me this—that the lack of clear signals from government about where they see priority freight networks developing, and consistency over time for that initiative, is an impediment to private sector investment.

Ms BIRD—Just following on from that and the last question, it is an interesting dynamic we have heard also in terms of the provision of rail—that the market to some extent is not going to drive coordination. It in fact drives the opposite. Recognising that your report was not on intermodals but on the general provision of road and rail services, do your comments extend to that? Is industry saying that about those as well?

Mr Meyrick—I would have to check precisely the wording but what they are looking for is guidance on what the freight and network development will look like. That is a network. A network typically consists of sets of nodes, like your ports and your intermodal terminals, and sets of links, which will be rail and road. One of the things we have done as part of the economic reform process in this country, and done quite well, is we started from an arthritic system and we broke it into bits and we set in place policies which made the bits work quite well—and the bits

do work well. But in the process we did not really pay a lot of attention to the glue, to how the bits fit together. I think we have now come a further way, which has shaken down and made the bits work more effectively, and people are saying, 'The next wave of gains is going to come through integrating those pieces better.' The individual bits are quite good now, but the system as a whole remains suboptimal because we have not worked through how we integrate the bits and pieces of the network as a whole.

Mr HAASE—I am interested in the argument that emerges from industry for not having intermodal hubs. The argument is invariably: 'Well, if we are going to have an intermodal hub, that will stop the flow of the freight item and that will require breaking down of containers or loads and double handling and all of that adds to the cost. Leave us alone. We will put it on a truck at point A and we will take it all the way on a truck to point B because that saves us money as individuals. The best thing that government can do is butt out and leave us alone. We don't have the volume of freight that justifies and intermodal terminal'—etcetera. There always seems to be a reluctance to change unless you are talking about the very top end of town, as far as corporates are concerned, who see a vision for trade expansion and so forth. Do you have anything to tell us about the experience of the cargo-cultish 'build it and they will come'? What are some of the carrots that can be dangled—

Ms BIRD—Or sticks.

CHAIR—or sticks that can be used to encourage the creation of an intermodal hub, given that we are practically minded and are interested in improvement as an outcome?

Mr Meyrick—First of all, let me say that there is some sense in the small end of town view. You do have to be careful. Handling cargo onto and off a vehicle and onto another is a cost in the chain, and you do not want to kill the goose that lays the golden egg. However, I think that the reason that you get more sympathy from the big end of town than the smaller operators on this is basically about planning horizons and how far they look into the future. Typically for me, as a managing director of a small to medium enterprise, the planning horizon tends to be rather short. Some of the larger organisations have the luxury of strategic planning over a longer distance. I think it is generally acknowledged that the key capacity constraint on at least three of Australia's ports—and I am thinking about Melbourne, Sydney, Fremantle and, to a lesser extent, Adelaide and Brisbane—will come through the constraints on the land-side access to the port rather than on the sea-side access. If we look forward then we will have to look at what we can do to maximise the ability to move cargo efficiently into and out of the port. I think that will necessarily involve a higher rail ingredient than we have at present, so we need to plan and built towards that.

CHAIR—You are pretty right. We have observed that, while there is rail to a lot of ports, it is not very functional. There are no loops or triangular and Y systems to get trains in and out. In some areas the trains have to shunt in and out, and things like that. We have seen quite a bit of that.

Mr Meyrick—The Sydney-centric focus in me says that there is also a train path issue. You are competing with the network in Sydney a lot of the time. Fortunately, in due course we will not be, but at the moment we are competing with passenger travel, which has priority, and that makes a mess of the freight efficiency system. What are the sorts of things that you can do? One

of the things that I think is an unexceptional thing you can do, because I am an economist and think like an economist, is to properly price the externalities, particularly in urban road systems—and they are not at the moment. Do I think that that would induce—

Mr HAASE—Excuse me, Steve. You said a mouthful and you glossed over it very quickly. You said ‘and they are not, in my opinion, at the moment’.

Mr Meyrick—Things like urban congestion and pollution—

CHAIR—You can price the externalities.

Mr Meyrick—They are not priced at the moment. Where there is congestion, noise, air pollution, greenhouse gas emissions and so forth, all of those things are not priced at the moment.

Mr HAASE—How would you impose that price?

Mr Meyrick—There are a number of ways you can do it. You can do it on specific corridor prices, you can do it through coordinate studies—

Mr HAASE—Do you mean tolls?

Mr Meyrick—Yes, I do. You can do it through general road pricing, if you want to—through the NTC determinations of road prices. There is an issue that the National Transport Commission is currently grappling with: whether or not some recognition of the external costs of road transport should be built into the road access prices, which are set by the NTC and the sequential determinations. If you properly price those externalities at the present time, on the basis on which we have done it, I do not think that you would really affect much of a mode shift in the short term. There is a leap of faith involved about what we think the network will need to look like in the long term.

CHAIR—Who triggers the leap of faith? Can you enlarge on that? Is it government seed funding or something else? What is the triggering mechanism? I think that is what Sharon was leading to. How do you get to that point?

Mr Meyrick—Again, we start with the planning and the planning then leads to the first stage of intervention. So the first stage of intervention is planning, where we say we have a vision for how this freight network will evolve. Therefore, there is going to be government investment in the freight network—we know that. There always has been and I think there always will be. So we are signalling, firstly, that this is where that investment will be directed—to particular roads, to particular rail links—and because the intermodal site development is contingent on having appropriate road and rail links, that will in itself effectively direct investment attention to particular sites. I strongly suspect, however, that there are some sites that you will want to preserve particularly when you get into urban centres—and I am including country town urban centres here. You will identify sites which you need in the medium to long term which are not going to be commercial propositions in the short term. So then you have to face the next hurdle for government which is: do you want to get into the land banking business? Is government prepared to wear the holding costs of reserving strategic sites for this activity? My view is that

there is a strong case for so doing because of the reversibility of the decisions. In most urban areas there are only a handful of sites where you could reserve a reasonable intermodal terminal. We are just working with the Western Australian government at the moment on the Kwinana site, but that is about it. Outside of Kewdale the only other place in the metropolitan area where you could probably build a decent intermodal facility is down at Kwinana or the Hope Valley, Wattleup area.

Mr HAASE—You have heard of Parkston of course, Steve? You haven't, have you?

Mr Meyrick—Parkston? No, tell me about that.

Mr HAASE—The goldfields—Kalgoorlie, Boulder—

Mr Meyrick—No, I am talking about the metropolitan area.

Mr HAASE—Yes, but you said you would be working with the Western Australian government and the only two that you are aware of—

Mr Meyrick—I should have said within the metropolitan area—my apologies. I am aware not of the label but of the proposition near Kalgoorlie. If you look in Sydney, you have got the Minto site and Ingleburn, Moorebank and Enfield. That is about all you have got, so you have got to make a decision that would be suitable for this application—and this is what I meant by a leap of faith. There has to be a decision, I guess, made by government about whether it is worth reserving those sites in this application or not because they are not necessarily going to be attractive immediately as a commercial proposition to industry. That is a government call but it should, in my view at least, be a conscious decision.

If you look at the Brisbane area, you have got active work being done by government with two particular sites—Perga, in the west, and at Bromelton, Beaudesert. Decisions are being made there at the state government level that these precincts will be reserved for activities. Whether or not they will be viable in the short run is questionable. So I guess, to put it in an economist's terms, you have questions of differential discount rates and whether the sort of discount rate to future benefits, which a private sector firm will apply, is the same discount rate that—

CHAIR—If it is crown land the holding costs are not that great to government in most instances, are they?

Mr Meyrick—In cash terms, no. I guess the counter argument you will get is that there is an opportunity cost. You could flog it and you could develop it for another purpose.

Mr HAASE—You can do something else with it, can't you?

Mr Meyrick—I think that it is wise to be very cautious about alienating potential intermodal terminals just because of their scarcity and irreplaceability. It is an irreversible policy. Once you have got rid of it you can forget about getting it back.

CHAIR—It is hard to recapture sites like that.

Mr Meyrick—Very hard.

CHAIR—There are two other areas we would like to touch on. We hear all sorts of predictions about where the freight task is going and what proportion roads are going to have. One figure that is thrown around is that it is going to double in 10 years and treble in 20. Then you get another group that say that by 2020 it will have doubled and then in the further 10 years it will treble. As an economist, what is your prediction?

Mr Meyrick—We are pretty much in line in respect of the national task for domestic predictions which the BTRE are making of 3½ per cent to four per cent for overall freight. How that works with modal share is really very tricky because you have to look at that on a corridor-by-corridor basis. For instance, if you look at the east-west corridor, that is very heavily rail oriented now. Unless somebody does something very badly wrong it will continue to be so in the future. So you would expect the kind of relative mode shares to stay more or less the same. There may be a little bit of marginal movement, but both should grow at the 3½ per cent to four per cent per annum rate. On the other hand, if you look at the north-south corridor you have a very different proposition. I think the outcomes there will be very dependent on policy decisions. It will depend on what government decides to do in terms of—

CHAIR—I got the latest figure yesterday. It is only 11 per cent for Melbourne-Sydney and 19 per cent for Sydney-Brisbane, which is quite small really.

Mr Meyrick—I cannot remember the exact figure for Melbourne-Brisbane. I think it is in the twenties.

CHAIR—Melbourne-Brisbane, theoretically direct, is 21.

Mr Meyrick—Melbourne-Brisbane is quite a long corridor and, therefore, a rail-friendly corridor.

Ms BIRD—Do you think the oil pricing stuff will have an impact or is it a lost opportunity because the rail is not yet efficient and reliable enough to be competitive?

Mr Meyrick—It will have, and is having, an effect anyway, but I do not think it is a game maker at currently foreseeable levels. Obviously any increase in oil prices helps the rail case.

Ms BIRD—From a government point of view it is driving inflation so it may not be a problem that industry is particularly concerned about solving. They can just continue to pass their costs on. But, even with that economic argument about driving down the inflation drivers, there is the reliance on oil.

Mr Meyrick—I think that is right. The other area of demand, though, is the one that this committee has a specific focus on, which is port oriented demand. That is a different kettle of fish. For box trades, we are still predicting in the short- to medium-term a six per cent to 6½ per cent per annum increase. That will probably taper in the second half of the next decade down to the fives and the high fours.

Ms BIRD—Is that in and out movements or just in movements?

Mr Meyrick—That is total volumes handled in the ports. It will probably be increasingly driven in New South Wales by import volumes. There will be more of a mix in states like Western Australia. But generally across the board those are the sorts of levels of task increase we expect to see. Then there is the issue of the commitments that the various state governments have made to rail shares of the port oriented task. If they come to pass then for the port oriented rail task there will be a fourfold or more increase, if you have both the sorts of trade increases we expect and meet the rail share targets of the various state governments.

My own belief is that, on a steady-as-she-goes basis, those rail targets will not be met in any state. At the moment I believe them to be aspirations rather than policies because, while many governments have put up a flagpole and said, 'We'd like to do this,' there are not really credible supporting policies. And I think they would have to take the form of some financial support for a shift to rail. How that is best delivered is a hotly contested issue. My own view moves very much in favour of capital development grants rather than any formal operating manipulation—and when I say manipulation I mean either a surcharge on trucks purely to encourage a transfer or a subsidy to rail to encourage a transfer. This is a very personal view. My own colleagues and company do not necessarily share this view because it is a fairly complex question.

I tend to favour capital grants because I think there is less risk with capital grants as your support mechanism of inducing dependency on subsidies which is always a risk when government gets involved in funding things.

CHAIR—So they are one-off grants to give a specific capital injection at a strategic point in the planning of the corridor; they are not there forever and a day.

Mr Meyrick—Yes. There is always a danger if you have an ongoing subsidy. There is a kind of ramp-up effect. It is never quite enough, and the next year somebody is back with a bigger bowl for more. Whereas I think you have a better chance of quarantining that effect if you just say, 'Okay, we as the government, because we are pursuing these policy objectives, are prepared to build this bit and hand it over to the track operator.'

CHAIR—What is your view of the inland rail route from an economist's point of view? I think it is generally acknowledged that if it does go ahead then it will need some form of up-front government capital injection. One thing that has been suggested is under and over rail accesses at crossings and that sort of thing. I think the figure of \$300 million was given for those. Then there is the problem of the Toowoomba Range where there will have to be some cooperation between the state and federal governments. What is your view: can that line work?

Mr Meyrick—This is not a cop out, but I honestly do not know. I have not had access to sufficient information to have a view. I do know that it is going to be very difficult without something like that to get credible north-south rail share; in particular because of the difficulties of getting good train access through the northern part of Sydney. I think we can solve the south-west problem, and there is a plan to do that with freight-only routes out of Sydney. I think it is much harder to do something sensible going north, from Brisbane to Sydney. If you have to route Melbourne to Brisbane through Sydney and through the north of Sydney then I am not sure how one would solve that problem. I suspect that if you are ever going to get anything like you see on the east-west routes on the north-south route between Melbourne and Brisbane then you would have to do something like the inland rail route. That is a heavily-caveated statement.

Being a good economist, I would say that it depends how much it costs. I do not know at this time what the balance of costs and benefits would be. I suspect that if you do not do it then you will live more or less permanently with a high road share on that corridor, but that might be what we have to do if the cost of fixing it is exorbitant.

CHAIR—Mr O'Rourke, who you know from New South Wales and Queensland rail and who is now a consultant, made the comment that Australia is being too incrementalist in its approach to fixing up rail. We get it up as a percentage from 60 per cent to 80 per cent or from 80 per cent to 90 per cent and we think that we have the job done. He suggests that we should have a line from Melbourne to Brisbane capable of speeds up to 160 kilometres an hour single stack and 120 kilometres an hour double stack. He gave that to us in evidence. What are the economics of that sort of thing? I think his point is that we have never had a benchmark in Australia against which to judge a highly efficient freight corridor and that we are slipping behind Europe. What is your view as an economist and as a strategic planner?

Mr Meyrick—I can make some off-the-cuff strategic comments, but my view as an economist is always qualified by the numbers because economists tend to work with numbers and take them seriously. I would be a little cautious about it. The reason for that is that density of traffic is very important to the economies of railways. If you can muster, as you can in the United States, 10 or 20 times the volumes that we can carry on a railway here then you can do stuff—and similarly in Europe—that you cannot economically and sensibly do in the Australian environment.

I am also very conscious of the history of the east-west route. There was a time when rail looked like a dead dog on that route, and we seem to have managed to claw back in the order of 80 per cent of the intercapital road transport without doing anything particularly extravagant. We have cleaned up some things. We still have to do messy things, like do a double stacking in Adelaide rather than ex Melbourne or Sydney, because we cannot accommodate them. Even with those things, we have been able to achieve a reasonably efficient rail outcome on the east-west route. I guess I might be a little bit more cautious than Mr O'Rourke. I am probably a dyed-in-the-wool incrementalist at heart, when I can get away with it. It is probably going to involve a fair bit of public money, and I tend to be a little bit cautious about grand dreams with public money.

Mr HAASE—Something has crossed my mind—as it often does. We have been talking about the costs. With moderation and in the medium term, what are the costs of doing nothing in relation to the creation of intermodal hubs—even if it is on the basis of a cargo cult mentality of 'build them and they may come'?

Mr Meyrick—I think that is right. I think that in fact the costs of inaction will be very high. To be honest with you, that is probably not so much a regional issue as a capital city issue. It is particularly relevant to the container trade. We have only got a handful of key container ports in this country, and rightly so. But I think that the constraint on the ability to use those facilities effectively is going to come from the landside access side. That means that if we do not work towards a solution which will allow us to maximise the throughput of those ports by delivering from the landside efficiently—and that will imply higher rail volumes—then we will pay a very high price.

I think that there are significant costs of inaction, and I do believe that it is time now. I think it is being increasingly recognised at both federal and state government levels that we do need to take seriously the task of building an effective intermodal network—particularly a port focused one. That again goes back to the commitment to a plan, because what we do not want to do is spraygun money all over the place—because that would be a disaster. There are 6,423 regional councils throughout the country—

Ms BIRD—Intermodal?

Mr Meyrick—They all want intermodal hubs, and I am really glad of it, because half of them are hiring us. At the risk of shooting ourselves in the foot, there are a lot of propositions out there, and we would need to try to sharpen our ideas about what qualifies and what does not.

Mr HAASE—In order to focus us, I suggest that what you are saying, as far as the ultimate cost in the port nodes, is that the slowdown in the movement of product—from hold to receiver onshore or from exporter to final destination—is going to take more time; I guess that it is the commodity that you see as being wasted?

Mr Meyrick—That, and I am also conscious of community resistance.

Mr HAASE—In what form? Noise pollution and that sort of thing?

Mr Meyrick—What you see happening in Europe and here—even in some of the regional towns—is that as the volume of traffic increases, so do various forms of aggro. And it is largely not the port itself; it is largely the land transport access. As that grows, every new port development and every expansion of capacity in the port meets more and more community resistance. The local councils are really up in arms. You can talk to Botany people, you can talk to the people at Strathfield Council about the infill development, you can talk to the people in Fremantle. There is a lot of community resistance to enhancing port capacity—

Mr HAASE—Traffic congestion, noise, delays—

Mr Meyrick—Yes. So it is not just the costs on the logistics chain that I am concerned about, although I think that is a very serious concern. It is also the artificial limitations on port capacity which will be placed by the impossibility of getting approval for port development projects, unless we find ways of managing the land transport access to the port in more community friendly ways. I think intermodal hubs have a very important role to play in that management task.

Mr HAASE—If governments are convinced that they can solve that social angst on one side and the cost of delays of movement on the other—if they are convinced that they can solve those two problems independently—then they do not need to improve the connectivity. But if they cannot reasonably solve those problems then they need to do something about improving the connectivity, and that involves intermodal hubs. Is that how you would sum it up?

Mr Meyrick—That is fair, but my personal belief is that you cannot solve those two problems—

Mr HAASE—Mine also.

Mr Meyrick—without an effective intermodal system.

CHAIR—Let me take you back to your original premise, which is that there has to be more strategic planning of the whole network, and that the hubs are just parts fitting into that network. You were sort of implying that there has to be some control mechanism for that. How would you propose that the national and state governments organise that? Would they organise it through a new entity or would you use bodies like the National Transport Commission or the National Infrastructure Council? Do you need some more focused organisation that looks hard-headedly at what is required and where and when? Give us your vision of that body.

Mr Meyrick—First of all, I do not think that that is a good job for the National Transport Commission. The reason I say that is that we had something to do with the legislative review of the National Transport Commission and at the time there was a decision made by the government on the basis of the report that was written that it was a good idea to separate the regulatory functions—functions which essentially the National Transport Commission does—from strategic planning functions. That was a good call. Unfortunately, the other half of the good call never happened. There was a body called the national transport advisory council proposed at some stage, which, for reasons that I do not fully understand, got canned. The original vision was for two bodies: the National Transport Commission, which is essentially a regulatory body, and NTAC—the national transport advisory council—which would be the spearhead of—

CHAIR—And it would have been updating plans on a rolling basis. Is that the idea?

Mr Meyrick—It would have been doing that. With the federal system, a lot of the control is with the states. In a perfect world, my belief is that you would have a genuinely national body—and I regard the NTC as a genuinely national body; it is cross-jurisdictional because it has federal and state representatives—that would be a strategic planning body. Strategic planning is being done on an ad hoc basis at the moment through the AusLink program. I have to say that the bureaucrats who are trying to manage that are doing a heroic job trying to keep that together, but it is not an institution which is necessarily well adapted to that, because it does not have that kind of partnership feel to it. That body would be essentially visionary. The implementation would almost necessarily lie at the state level.

We have a couple of interesting models. The Queensland Office of the Coordinator-General, for instance, which is already in place, is an interesting model of the sort of institution I am talking about that could deliver on that. Western Australia has also been doing some interesting things legislatively to provide a framework within which you can deliver on those programs. I do not think that any of those models are functioning perfectly at the moment, but there are some interesting ideas coming forward. I note that the Prime Minister's task force on exports and infrastructure talked about a one-stop-shop for development approvals for key infrastructure, and I understand that that was endorsed by COAG. I am not quite sure how far that has proceeded in terms of implementation in jurisdictions, but that would be the other part of the jigsaw puzzle.

This is completely blue sky, but, in my ideal institutional world, we would have something like the national transport advisory council, which would be a peak national body whose task would be to forge consensus—a difficult job, but a possible one—on national infrastructure

priorities in the transport sector. The delivery mechanisms would largely be state based, with the Commonwealth playing a role in funding. That is because essentially that is where that function is constitutionally and to try and unpick that would be too heroic a task. That would be done through a powerful planning agency, perhaps of the character of the Queensland Office of the Coordinator-General. Then you would have planning processes which facilitate private sector contributions to the realisation of that vision. The one-stop-shop, single window approach, which has been endorsed by COAG, would essentially be facilitative. If you put those three pieces of the jigsaw together, I think you would have a living model of how you might actually deliver a coherent national transport strategy vision. That is a very idiosyncratic view of the world, and I have not even checked it with my colleagues, who probably think I am rabid.

Ms BIRD—It is actually a fairly consistent message that this committee has heard.

Mr Meyrick—That is interesting.

CHAIR—Would you like to expand on that a little bit when you give us that other piece of paper?

Mr Meyrick—Certainly.

CHAIR—Thank you.

Mr Meyrick—It will be brief.

CHAIR—That is all right.

Mr HAASE—Succinct.

Mr Meyrick—We will make it a one-pager!

CHAIR—We have already observed a lot of the things that we have said today. There is one impediment in just about every major port in this country. Whether it is the lack of a ring-road, another rail line into the port or widening the channels within the port, every port has some major constraint that needs to be eliminated. Had there been a sort of strategic framework some years back, those things, or a lot of them, may not have occurred. Thanks for your evidence today. It has been very helpful. We look forward to receiving those two papers from you.

Resolved (on motion 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 10.26 am