



Beaudesert Shire Railway Support Group Inc trading as

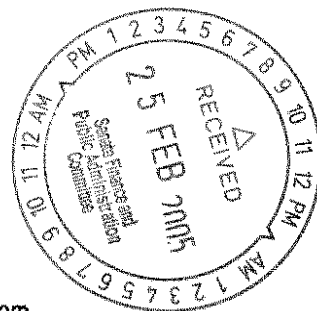
Beaudesert Rail

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25th April 2003

Mr Brian Gassman
Chairman
Gold Coast and Area Consultative Committee
Beenleigh

Dear Brian

At a recent meeting of the Beaudesert Shire Railway Support Group (BSRSG) Terry McKinnon attended and was accompanied by the ACC executive Officer Anne Norton Knight. During the meeting Mr McKinnon was frank in his condemnation of the financial activities of the group and with the current situation taken into account Terry McKinnon could assume this to be the case and the cause of the current financial situation.

Mr McKinnon raised the issue of Beaudesert Rails (BRs) knowledge that the project was underfunded long before last November and therefore it could be proven that the committee had acted improperly for a long time before the commonwealth funds ran out in December 2002. This information must have come from the ACC.

During Mr McKinnons talk Ms Knight raised the spectre of a senate enquiry into the activities of BR and the detail of information that would be required. The inference of this suggestion was that the committee members had handled public monies with impropriety and could expect serious personal consequences if such an investigation were to take place.

I acknowledge your desire to see the project saved but if all the current rhetoric is taken into account it would appear that it is more important to apportion blame and identify the guilty parties.

All of this comes as some surprise as if a rescue package was to be found it would be based on the viability of the future operation of the railway and not of the past activities.

During the funding period this project was audited every time a claim was submitted. Often this audit held up payment of funds due to the extent I personally had to constantly satisfy creditors that payments would be forthcoming. The audits were so comprehensive that I was accused of flippant behavior in purchasing \$11.00 worth of Easter eggs for staff. In hindsight I could have shown this expenditure as staff amenities but the acquittals to DOTARS were always open and transparent. The expenditure of the \$11 resulted in two of DOTARS representatives flying from Canberra at considerable expense to visit Beaudesert Rail.

In addition to the audit of acquittals an annual audit was done by accountants Gillow and Teese. After quoting \$2000 to undertake this audit the dithering of DOTARS in answering Gillow and Teese's enquiries as to the format of the audit blew the auditors account to over \$9000.00.

As the highest profile person in the organization I would welcome a senate enquiry into the activities of BR as it would expose many things where BR had concerns from day 1 of the project

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but these concerns could not get the serious attention of anyone who could have made a difference to the project.

In some sort of order I explain many of the matters that should have attracted more attention and action and were the cause of some of BR's frustrations during the project:

1: Commonwealth Government

Prior to the grant of \$5million the BSRSG submitted a application for funding under the Centenary of Federation Heritage grants. This application was turned down.

In hindsight (which is a wonderful thing) the application was naïve in that it did not take into account the realism of the infrastructure upgrade or the real costs of the restoration of rolling stock. The application also considered that QR would have a role in operating the trains. There had been no feasibility study and the grants body did the BSRSG a favour in declining the application.

I had no part of this original application and only came on board after the event.

As a later member of the BSRSG I approach Kay Elson MP as to how to further the project and Mrs Elson referred me to the ACC Chairman Brian Gassmen (yourself).

A grant was then made available through RAP funding to produce a Business and Marketing plan.

The plan was produced and was very comprehensive in its content. The plan was specifically directed at the operations of the railway and the viability of the three stages of the railway operation. The report was attractive in the promise of financial returns and a wonderful contribution it would make to the workforce and economy of the Beaudesert Shire.

The plan did not include the upgrade and maintenance of the railway infrastructure or any cost of restoring locomotives and rolling stock.

Again in hindsight and if there was to be a Senate enquiry into the activities of the BSRSG the granting of the \$5million could be seen as irresponsible and could smell of political opportunism and give some substance to the State Government and the Gold Coast City Council accusations of pork barrelling. The BSRSG knows this not to be true but then the group were the benefactors and would not look beyond that.

There was never any figure that could be substantiated as to how much the infrastructure upgrade would cost or if the rolling stock restoration figures were realistic. Surely this was the responsibility of the funding body before handing out \$5million of public money.

When the grant was made public the BSRSG was equally as surprised to get the grant as the political organizations who condemned the grant

It would have been prudent of the BSRSG to turn down the grant but as with most like groups, passion and believe in achieving the outcome overruled any doubts that it could not be done.

The first payments were for July and August 2001 and it was apparent by October 2001 that the project could have a deficiency in funds to complete the project by December 2002.

The ACC was approached in November 2001 and this fact discussed. With the assistance of the ACC a meeting was set up with representatives of the State Premiers department and representatives of State Development. At the meeting held in the ACC office, when I attempted to explain to these representatives the true plight of BR I was told to suppress such information and

be extremely positive. When I questioned this approach instead of telling the truth I was informed that I had to be positive in every statement. The outcome was that it took very little part in the discussions that followed.

From this meeting a further meeting was set up with state government officials. BR was not invited to have a representative at this meeting and a QR representative Phil Lock was accepted by the officials as a spokesperson for the BSRSG and QR. Mr Lock advised the meeting that if QR was to attempt to do what the BSRSG hoped to achieve then the cost would be likely to be in the vicinity of \$50million.

Obviously with such a statement the State Government did not even consider that the BSRSG could achieve an operational railway with \$5million. The final result of course is that the BSRSG did achieve such an outcome for \$6.5million a lot less than QRs' \$50million. There are people in QR who are very embarrassed at the final BR outcome.

Mr Chris O'Grady the DOTARS representative was told verbally and by letter that costs for rolling stock restoration and infrastructure could not be specific as the cost of these items changed constantly due to unknown costs in the beginning.

I explained the shortfall in funding several times to Mrs. Elson, and I am sure that at all times Mrs. Elson acted in the best interests of BSRSG but there was no outcome from these verbal and written requests.

There would have been no misunderstanding of the funding shortfall. It was first raised with the ACC in October/November 2001, the state government, the local federal member and representatives of DOTARS.

Our pleas for funding assistance were based on the rescue plan that the federal government achieved for the ABT railway in Tasmania. This project was granted many millions of dollars in additional funds and now belongs to a private organization. It was common knowledge that the ABT funding and the additional rescue package was politically motivated.

Whereas the ABT railway project is isolated, is in inhospitable country and extremely expensive, BR has access to many millions of visitors is competitively priced, is not influenced by extreme weather conditions and has marginal operating costs.

I am sure if the above scenario was revealed to a Senate enquiry the BSRSG would not be the only recipient of criticism.

In a Senate report last year BR was commended for its action in getting 48 CJP participants into permanent jobs. Currently there are another 24 working on BR projects and many of these may end up in permanent jobs.

A final point seemingly overlooked is that industry within and out of the shire have already benefited financially to the tune of around \$6million (including CJP money). This is more than the projected annual shortfall in the Beaudesert Shire resulting from the loss of revenue due to dairy deregulation. This is a point that the current federal government appears to have overlooked and could get some mileage from.

2. Queensland Rail

Queensland Rail has now taken a very aggressive and righteous attitude towards the money it is owed but there are several issues that could be seen as opportunism by QR to take public monies from a community group who had to rely on the integrity and honesty of this state controlled entity. Examples are:

- a. Queensland Rail would not give the BSRSG an indication of the condition of the railway infrastructure unless the group paid over \$144,000 for QR to inspect the infrastructure and prepare a report. The group paid this money and a report was duly received.
- b. The infrastructure report indicated that the infrastructure upgrade would cost \$3.1 million yet in the final contract a price of \$3.736 million was submitted. There were 4 price options included but for each lesser cost contract items of repair were removed.
- c. After the contract was signed QR advised BR that they had not included a cost for non standard wooden headstocks which had to be replaced (\$107,000) and also that they did not want to go ahead and upgrade the Waters Creek Bridge. BR ultimately took over the non standard headstocks and completed the in steel for a price of \$51,000 and also arranged to have a new steel span put into the Waters Creek Bridge.
- c. After accepting a upgrade option BR had the opportunity to obtain a track upgrade quotation from a Western Australian contractor. The price submitted was \$800,000 less than the QR price. When challenged regarding the variance in price QR reviewed the contract and dropped the price by \$800,000. There would have to be some suspicion as to the original price when such a dramatic reduction of cost can be justified.
- d. BR's Civil Engineering Consultant challenged QR on some of their bridge costs when making comparisons of cost and could find no relation to the work undertaken and the charge. QR submitted some variations to the contract and the Boonah Shire Council undertook the work for substantially less than QR's prices. All bridge upgrade work undertaken by Boonah Shire Council was certified by BR's certifying engineer.
- e. On submitting tenders for additional bridge work it was found that Boonah Shire Council's tender was substantially less than QR's prices
- f. On questioning QR in regard to their apparent inflated bridge upgrade prices BR was told it had achieved a \$800,000 reduction in the track upgrade program and that the group should leave it at that.
- g. On further protestation regarding excessive charges BR was advised that certainly there were overcharges but there were many undercharges. BR can testify the overcharges but QR has to this stage shown no evidence of the undercharges. If there were undercharges BR would request costing from the private sector and then make comparisons.
- h. QR procrastinated for over 18 months on allowing access for BR to the 600m of track allowing BR to access platform 3 at Bethania. The issues regarding access to Bethania were mainly QR internal issues and it appeared that the process was deliberately being drawn out. This was apparent to BR representatives by the frustrations experienced internally by QR representatives who appeared to be cooperating in gaining access for BR
- I. Over the Easter weekend BR's Revenue was \$7000. Was this because of the availability of access to Bethania and therefore the greater awareness by the public of BR's activities? If this was the case and taking that BR had trains available to operate into Bethania in December 2002 it could be argued that there was a loss to BR of over \$84,000 created by lack of access.
- j. BR is currently in dispute with QR over two items in the infrastructure upgrade program and QR will not acknowledge these disputes. The standard contract AS 2142 allows BR to take the issue to arbitration and BR has told QR that this appears to be the only course of action. QR has still not responded to BR's disputes and appears to take a big brother attitude to these challenges. The value of the disputes is around \$100,000

3. Beaudesert Shire Council

The current attitude of the Council appears to be a personal one rather than an attack on Beaudesert Rail.

In December the Mayor was delighted to wave off the first train and stated that the trains would be hugely beneficial to the shire. He indicated at that time he was highly delighted to be part of the project.

BR receives a great deal of assistance from the Councils workshops (authorized or unauthorised?) and on several occasions this cooperation has been the difference in operating or not operating.

BR is currently hosting a council CJP program because the council program fell through. BR's assistance in this matter must be saving a great deal of embarrassment for someone in Council.

BR has had problems with the engineering department over the Logan Village roundabout and level crossing signs. These disputes were in the main because Council wished to contravene the transport infrastructure act for expediency and between BR, QR and QT this was not permitted.

4. State Government

If QR current threats to take action against BR it will be portrayed as a state government organization acquiring a federally funded project at no cost. The improved asset value of the rail infrastructure is way in excess of the BR debt to QR

This assumed underhanded attitude can be substantiated by a clause in the QR mortgage documents in regard to a 'preemptive right' The clause is to prevent BR from running types of trains that may conflict with QR. If BR does run conflicting trains the preemptive right gives QR an authority to start negotiations with BR to take back the position of Railway Manager and the ownership of the infrastructure. BR would then have to negotiate an agreement to be able to retain the role of railway operator on the infrastructure it paid QR to upgrade. The clause is definitely anti competitive as was the delay in granting BR third party access to Bethania. I am sure the ACCC would have an opinion on both of these matters.

It has been suggested that QR does not wish to have to challenge a "community service obligation" paid by the State Government to a third party as a third party may show that it could be more financially efficient as to how it operates its services

5. Local Business

The BSRSG attempted in all cases to use local businesses for supplies and services. It was found in the latter stage that many local businesses saw BR as an opportunity to charge excessive costs

An example is electrification of the restoration shed - Beaudesert Quote \$25,000, Tamborine contractor \$11,000

The locomotive restoration was budgeted at \$269,000 from quotes. The final figure is in excess of \$700,000

An auditors fee for checking in and out financial transactions for DOTARS increased from quoted \$2000.00 to over \$9000.00

Summary

A senate enquiry as suggested by Anne Norton-Knight may show BR up in a poor light but I am sure others who abdicated their responsibilities when made aware of the financial shortfall may also have to bear some criticism.

Both myself and Alan Robert stated regularly that the project was under funded but these concerns were disregarded

There has already been several audits of BR, the most recent by the gold group. None of these audits have shown that any BSRSG individual has personally gained from the funding or acted with criminal intent.

All financial transactions are transparent and have always been available for instant perusal.

Beaudesert Rail has a unique product with capacity and potential. It and the Commonwealth Government can benefit publicly and personally from this contribution to the future economy and creation of employment for the Beaudesert Shire.

At the recent meeting the BSRSG was accused of dithering. Since December 2002 BR has kept up a profile of a successful heritage train operation. These trains as manned by volunteers who have given hundreds of hours to the future success of this project. If there has been any dithering in BR it is because the group has asked for help from persons who could give such help but instead have put the responsibility back to the group. If the group could resolve the current situation they wouldn't be asking for help.

It is very obvious if anybody is dithering it is not BR

It would appear that the recent \$10,000 report from the Gold Group was a waste of money, as after listening to Terry McKinnon it has produced more negatives than were apparent before.

Terry McKinnon has stated that public perceived high profile people in Beaudesert Rail must step down..

Instead of innuendo he should state who these people are.

In the last 2.5 years my business has contributed probably in excess of \$150,000 in wages, lost income to my business, free advertising and vehicle and personal expenses. This is a large contribution from one who is deemed to be politically expendable.

I have advised the BSRSG that I will be stepping down but there is no guarantee that my stepping down will resolve the current issue.

Terry has already withdrawn his offer of one month's expenses until he gets satisfactory information from the committee. He has indicated he may or may not then continue with his offer. This is after sending me a facsimile on Thursday authorizing me to pay wages and fuel from operating monies..

In the light of my knowledge of the Beaudesert Rail situation that was apparent 18months ago I resigned from the committee on 2001 and I did not accept the position offered to me of General Manager. I have been working under the title of General Manager as such a position is required for our Safety Management System

As I hold the 'Go to Gaol card' with BR's safety management plan, when I step down the trains will cease to run until a replacement is found.

I will not be critical of the current committee in writing as they need to search their own conscience as to whether or not they have a future contribution to offer towards the project

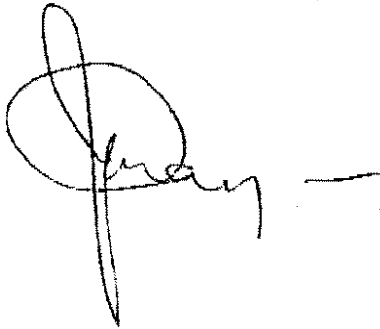
You have stated that no politician will come near the project for fear of being tainted. I think any politician who had the guts to see an opportunity to do something for a community would benefit politically and personally. Maybe there is no such person:

If the Beaudesert Rail project is to shut down, and from the discussions with Anne and Terry on Thursday night they seem to be pushing this decision rather than a rescue package. The committee wants the project to continue but Terry McKinnon told them that they should be going to banks, finance companies and also to get the assets valued for possible. This is hardly the advice of someone who has come to help.

BR has already been down this track and that is why the cry for help was made. With nothing to tell the creditors the non thinking ones will shut the project down in a short time. Alan Robert is arranging a creditors meeting on Terry's advice but I am sure they will cut him down on the evening

Easter Weekend and this last weekend BR has done better revenues than during the entire previous 4 months. Given half a chance and with the enthusiasm and dedication of the volunteers Beaudesert Rail will make a buck for someone. It won't happen over night but all the indicators are positive.

I personally would welcome a Senate Enquiry as it may take a great deal of pressure from the BSRSG and especially me.

A handwritten signature in black ink, appearing to read 'Alan Robert', with a horizontal line extending to the right.