



COMMONWEALTH OF AUSTRALIA

Proof Committee Hansard

SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE

**Reference: AusLink (National Land Transport) Bill 2004; AusLink (National Land
Transport—Consequential and Transitional Provisions) Bill 2004**

FRIDAY, 18 MARCH 2005

CANBERRA

CORRECTIONS TO PROOF ISSUE

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Friday, 18 March 2005

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SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION COMMITTEE

Friday, 18 March 2005

Members: Senator Heffernan (*Chair*), Senator Buckland (*Deputy Chair*), Senators Cherry, Ferris, McGauran and Stephens

Participating members: Senators Buckland, Heffernan, McGauran, O'Brien, Stephens

Terms of reference for the inquiry:

AusLink (National Land Transport) Bill 2004; AusLink (National Land Transport—Consequential and Transitional Provisions) Bill 2004.

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Committee met at 9.02 a.m.

CHAIR—I declare open this public hearing of the Senate Rural and Regional Affairs and Transport Legislation Committee. The committee is hearing evidence on the committee's inquiry into the provisions of the AusLink (National Land Transport) Bill 2004 and the AusLink (National Land Transport—Consequential and Transitional Provisions) Bill 2004. This is a public hearing and a *Hansard* transcript of the proceedings is being made. The committee has authorised the recording, broadcasting and rebroadcasting of these proceedings in accordance with the rules contained in the order of the Senate of 23 August 1990 concerning the broadcasting of committee proceedings.

I place on the record that all witnesses are protected by parliamentary privilege with respect to submissions made to the committee and evidence given. Any act by any person which may disadvantage a witness on account of evidence given by him or her before the Senate or a Senate committee is a breach of privilege. While the committee prefers to hear evidence in public, the committee may agree to take evidence confidentially. If the committee takes evidence confidentially, it may still publish or present all or part of that confidential evidence at a later date. The Senate also has the power to order production and/or publication of confidential evidence. The committee would consult the person whose evidence the committee is considering publishing before taking such action.

I draw attention to the continuing resolution relating to claims of commercial confidentiality. Under the resolution, a claim to withhold information on the basis that it is commercial-in-confidence can only be made by a minister and must include a statement setting out the basis for the claim, including a statement of any commercial harm that may result from the disclosure of that information.

[9.04 a.m.]

ARMITAGE, Ms Joan Irene, General Manager, AusLink Systems and Regional Investment, Department of Transport and Regional Services

ELLIOTT, Mr John, General Manager, AusLink Planning, Department of Transport and Regional Services

MRDAK, Mr Michael, Deputy Secretary, Department of Transport and Regional Services

CHAIR—Welcome. Would you like to make an opening statement, after which we will move to questions?

Mr Mrdak—Thank you. Firstly, I would like to apologise to the committee for not providing a submission to this point. We are urgently finalising a submission for the committee and we will aim to lodge that within the next day or so.

CHAIR—I think we can understand that.

Mr Mrdak—I will provide a brief update for the committee on where we have got to with AusLink since the release of the white paper in June last year and where we are up to in some of the critical tasks. Obviously the committee's examination of the legislation is a critical task as we strive to meet the deadline of having the legislation in place by the end of this financial year. At the same time, the department is managing the current 2004-05 program under the existing Australian Land Transport Development Act legislation and implementing the elements of the program that are being funded this year and continuing projects.

We have a number of specific studies under way, including studies in Brisbane in relation to options for the northern corridor and Ipswich Motorway. We are continuing bilateral negotiations with each of the states and territories for bilateral funding agreements for the first five years of the program. We are now launching corridor strategies, which is one of the key reforms of the Auslink package in terms of the future planning arrangements. We now have four pilot studies agreed with the states that are under way in relation to Sydney-Melbourne, Adelaide urban, Adelaide-Perth and Brisbane-Cairns corridor strategies, which are the first four of 24 corridor strategies we will undertake as a key part of planning for the next investment program. We are continuing to consult with stakeholders, industry groups and state governments in relation to Auslink.

We think we have made a great deal of progress in terms of implementing the key reform agendas. The bilateral agreements have been largely negotiated with some jurisdictions and we think they are a major step forward in terms of some of the outcomes the government is seeking, particularly in relation to some of the key issues such as cost estimation, the approach to land use, land acquisition and planning, getting a shared funding commitment from the jurisdictions and also a commitment to fit-for-purpose standards for maintenance for the future of the network.

Importantly, I think our relationship with the states and territories is proceeding very well on Auslink. We have received a high level of support from them and are working very closely with them in relation to corridor based planning and evidence based project assessment. As I have mentioned, we have a number of corridor strategies now under way. All of the jurisdictions have agreed to adopt a standard methodology for project assessment. While it sounds very bureaucratic, it is actually a major reform for infrastructure in Australia. For the first time, we have a nationally agreed set of guidelines for how projects will be planned, brought forward and assessed on a common basis across the country. All transport ministers signed off on that in November last year at the Australian Transport Council meeting. They are now being put in place and, for the first time, they provide a multimodal approach to project assessment.

Finally, we have had some movement from a number of jurisdictions in relation to key issues, particularly on the construction code. Both South Australia and Victoria have now settled a position with the Commonwealth in relation to the application of the code in those jurisdictions, which is enabling bilateral negotiations to proceed and to be concluded, we would hope, in the near future. That is a brief summary of where we have reached in terms of the program since the white paper. I am happy to take questions and to assist the committee. Thank you.

CHAIR—Thanks very much.

Senator O'BRIEN—Mr Mrdak, are you in a new position?

Mr Mrdak—Yes. I have recently been promoted to the deputy secretary of the department.

Senator O'BRIEN—Congratulations.

Mr Mrdak—Thank you very much.

Senator O'BRIEN—You now have responsibility for overseeing the Auslink program?

Mr Mrdak—Yes. I have had for some time. In my former position I had coverage of Auslink, but I will continue to have that in my new position.

Senator O'BRIEN—What other responsibilities will you oversee?

Mr Mrdak—They are yet to be finally settled. The secretary is yet to settle final allocation of the deputy secretary responsibilities. Principally, I will be handling transport matters.

Senator O'BRIEN—We will get another organisational chart.

Mr Mrdak—Yes. There is a new organisational chart out this month.

Senator O'BRIEN—Yet another iteration of the organisational chart.

Mr Mrdak—Yes.

Senator O'BRIEN—Was it June 2004 when the Auslink white paper was launched?

Mr Mrdak—That is correct.

Senator O'BRIEN—Within that there was to be a strategic component of \$400 million withheld from the \$1.2 billion allocated to the Roads to Recovery program and that was the funds for the four out years from 1 July 2005.

Mr Mrdak—That is correct. The white paper included a new component which was the strategic component of Roads to Recovery which provided \$100 million per annum commencing in 2005-06, which would be applied for regional strategic transport projects. The white paper set out a number of processes for how that would operate into the future.

Senator O'BRIEN—As I understand it, instead of channelling funding direct to local government this strategic component was to be allocated at the discretion of the minister.

Mr Mrdak—The white paper set out a process regarding the way in which we envisaged that local government, local government associations and state governments would work together on a regional basis to bring forward proposals that had regional strategic significance. The white paper went into some detail about suggested mechanisms for how that process might operate, with applications being made and assessed under the legislation that is currently before the parliament and then brought forward for consideration for funding by the Commonwealth.

Senator O'BRIEN—So councils and regional groupings essentially would be competing for funds, and projects would be assessed on merit?

Mr Mrdak—That is correct.

Senator O'BRIEN—I understand that the government committed itself in the white paper to making a call for submissions before the end of 2004, and that interested councils and regional groups could submit projects for consideration and that they would be assessed against a set of criteria and subjected to a strategic merit test.

Mr Mrdak—That is correct. That was what was set out in the white paper at the time. I should add that, subsequently, the government revised that position and in the course of the election period, on 15 September, announced a new policy, which is now in effect and which overtakes the position in the white paper.

Senator O'BRIEN—What was that new policy position which overrode the white paper?

Mr Mrdak—The policy position announced by the government on 15 September as part of its election commitment was essentially that the \$400 million which had been allocated to the strategic program would now be provided, along with the \$200 million per annum, to local government on a formula basis similar to that of the current Roads to Recovery program. That would mean that councils across Australia would receive a quantum of \$300 million per annum allocated by the formula and that \$150 million would be made available for strategic projects and unincorporated areas which would be available for councils in addition to the \$300 million per annum which would be available by formula.

Senator O'BRIEN—So we went from \$100 million a year for strategic projects to \$150 million over four years for strategic projects?

Mr Mrdak—That is correct, in a sense. The \$100 million was then applied to all councils by formula and there was \$150 million of additional funding, announced as an election commitment, which would be

additional to the AusLink funding that was announced in June. Essentially, the quantum of Roads to Recovery was increased by \$150 million.

Senator O'BRIEN—Prior to the election, what work did the department do in developing the process to govern application assessment and decision making under the strategic component?

Mr Mrdak—In relation to the white paper, the department undertook consultations with a number of parties such as the Australian Local Government Association and many councils and state associations of local government and the like who had an interest in this program and we prepared initial drafts of guidelines and the like which might apply to the program. But no decision was taken on any of those matters prior to the government going into caretaker mode at the calling of the election.

Senator O'BRIEN—Did the department do any work on the \$150 million 'package', if I can call it that, prior to the caretaker period leading up to the last election?

Mr Mrdak—No, that was a government election announcement.

Senator O'BRIEN—Since the election, what work has been done on developing the process to govern application assessment and decision making for those strategic regional projects?

Mr Mrdak—There have been two avenues of work: firstly, to seek detailed project proposals from the project proponents who were identified by the government in their announcements; and, secondly, to determine operating guidelines for how the department would assess and work through those in providing advice to the government about how the projects should proceed and how the payments should be made. Initial draft guidelines have been prepared on those, which are currently with the minister for consideration.

Senator O'BRIEN—Is it still envisaged that there will be a competitive allocation of this \$150 million?

Mr Mrdak—The work we have been doing initially has been on funding the projects that were identified by the government. Future decisions on how the program will operate are yet to be taken.

Senator O'BRIEN—So the government has already substantially allocated the \$150 million in election promises.

Mr Mrdak—That is correct. There have been 18 projects announced by government which will be funded under this program and which total some \$93 million. Additionally, \$30 million of that \$150 million is allocated for unincorporated areas, which leaves a balance for the program of around \$26 million. Minister Lloyd announced last year that his intention was to seek applications for funding under the program and through a process. However, no further details have been settled with the government at this point about how that will operate.

Senator O'BRIEN—You earlier told us about the consultations and the preparation of drafts in relation to the original \$400 million over four years proposal; when were those drafts supplied to the minister?

Mr Mrdak—I would have to take that on notice. They were supplied around July-August, I would imagine, before the government went into caretaker mode.

Senator O'BRIEN—I would be happy if you would advise us on that, please.

Mr Mrdak—I will take it on notice.

Senator O'BRIEN—Other than the discussions about the initial \$400 million strategic component, which was then revised to \$150 million, has the department had any discussions with state governments about the strategic component—that is, since the election?

Mr Mrdak—There has been some contact with state agencies in respect of those projects that are on state roads and to which we would be seeking a state contribution, but to this point they have been discussions.

Senator O'BRIEN—Which of the projects are conditional upon receiving a state contribution?

Mr Mrdak—Perhaps I could get Ms Armitage to give you those figures.

Ms Armitage—I will just go down the list. There is Pambula Bridge, which is on the Princes Highway.

Senator O'BRIEN—Some financial commitment had already been made to that by the New South Wales government at the time of the announcement. Is that the contribution that is required?

Ms Armitage—Yes. There are also Lakesway, Great Alpine Road, the Daintree causeway, the Outback Highway, Sisters Hill and north-eastern Tasmanian roads. With River Road, the Tablelands Road and Bribie Island Road in Queensland, those details have yet to be settled.

Senator O'BRIEN—Other than Pambula Bridge, do I correctly understand that there were no discussions between the department and state government agencies about contribution to the new funding proposals announced by the government at the last election?

Ms Armitage—Is this before the election?

Senator O'BRIEN—Yes, before the election.

Ms Armitage—No. There were a number of black spot projects in some of the areas that had been put up. But, as you would be aware, there is a long list for black spots and so, for some of the areas where the government made an announcement, the department had had some contact through the black spot program.

Senator O'BRIEN—Is the expenditure of Commonwealth funds on each of those proposals now conditional upon a certain level of state funding—that is, that Commonwealth funding will not occur if state funding does not occur?

Ms Armitage—That was the announcement during the election.

Senator O'BRIEN—And that is still the position?

Ms Armitage—As I understand it. But obviously, as formal negotiations are entered into, the situation would be provided to government for the government to make decisions on those proposals.

Senator O'BRIEN—Has the department had any discussions with local government bodies about the Road to Recovery strategic component? I think you told us about the first \$400 million over four years, but what about the \$150 million for strategic regional projects?

Ms Armitage—We have not had any formal discussions with the Local Government Association at this stage, given that government has not made a decision on the program.

Senator O'BRIEN—Have state or territory governments given any indications of their priority proposals for consider for funding under any strategic project funding arrangements?

Ms Armitage—Not that I am aware of. But in relation to Sisters Hill—and this was not directly in the context of the strategic program—a letter was received from the state minister last August about Sisters Hill enclosing a submission that had been put together by the Cradle Coast group.

Senator O'BRIEN—So the Tasmanian minister sent a submission enclosing a proposal by the Cradle Coast Authority?

Ms Armitage—Yes.

Senator O'BRIEN—On the evidence we have heard so far, there appears to be about \$26 million left in the strategic component.

Mr Mrdak—That is correct.

Senator O'BRIEN—What is the proposal for dealing with that now?

Mr Mrdak—There is no proposal at this point. The government will consider how they want to manage that into the future, but no decisions have been taken at this point.

Senator O'BRIEN—Will that funding remain available in the coming four financial years?

Mr Mrdak—That is right. The money will be available in the coming years, and government will make some decisions in relation to how the program will be structured and operate. As I mentioned, Minister Lloyd did publicly commit to a process of seeking submissions and the like, but details of how that would operate are yet to be settled.

Senator O'BRIEN—Is it envisaged that the \$30 million for unincorporated roads will be the subject of a competitive process?

Mr Mrdak—No, that will be provided under the current arrangements to the state and local government agencies in the respective jurisdictions for allocation by them.

Senator O'BRIEN—Perhaps on notice you can give us an understanding of how that money will be allocated.

Mr Mrdak—Yes.

Ms Armitage—I can give you the funding under the new program for unincorporated areas now, if you wish.

Senator O'BRIEN—It would probably be more useful in document form than on *Hansard*, if that is all right.

Mr Mrdak—That is fine.

Senator O'BRIEN—Perhaps you could provide us with a copy now, if you are happy to do that. The Outback Highway was originally announced in January 2004 under the Roads to Recovery program, wasn't it?

Mr Mrdak—Not that I am aware of.

Ms Armitage—There was a Regional Solutions grant to the Outback Highway which was probably announced in July 2003 which was to help them assess the cultural and economic impact. You might be referring to that.

Senator O'BRIEN—It was announced by the Prime Minister on 20 September 2004. So that was not a reannouncement; that was the first announcement, to your knowledge, was it?

Mr Mrdak—Of any Commonwealth financial commitment to the construction of the Outback Highway, that is correct.

Senator O'BRIEN—There is a commitment of \$10 million to that project?

Mr Mrdak—That is correct.

Senator O'BRIEN—There was an amount of \$2.6 million announced separately for the West Australian part of the Outback Highway. Does that come from the \$10 million or is that in addition?

Mr Mrdak—No, that is from the \$2 million.

Senator O'BRIEN—What component of the \$10 million has been identified for the Queensland section of the work on the Outback Highway?

Ms Armitage—Western Australia, \$2.52 million; Northern Territory, \$4.48 million; and Queensland, \$3 million. But that distribution has not yet been put up for formal approval. The department has been working with the Outback Highway committee, and it is getting ready to put that proposal to government, but that is what is proposed by the group.

Senator O'BRIEN—I take it the department had consultation with the New South Wales government in the development of the proposal for the Bateman's Bay Spine Road bypass—the Pambula Bridge bypass.

Ms Armitage—It is my understanding, from a review of departmental records, that there was no previous involvement of the department with the shire, but on 29 October 2004 we received correspondence from the shire outlining the information on the bypass.

Senator O'BRIEN—I understand the Princes Highway upgrade in Eden-Monaro, including the Pambula Bridge, had been announced on 7 June but was reannounced during the election campaign by Mr Lloyd and Mr Nairn, the local candidate. How was the decision taken to fund this work from the strategic regional projects fund, given that the earlier announcement predates the decision to modify the white paper proposal?

Mr Mrdak—I think the white paper contained examples of the sorts of projects which the government was looking at dealing with under the strategic regional program. It included two highlighted projects—one of which was the Outback Highway and the other one was the Bateman's Bay bypass—as examples of the sorts of projects local government could choose to bring forward for funding under the AusLink Program. But there was no government commitment per se of funding at that point. They were illustrative projects put into the white paper to try to generate interest from local government in the sorts of projects that might qualify under the eligibility criteria. The first commitment by the government was the commitment during the election campaign, which took place during that period.

Senator O'BRIEN—So there was no real commitment in June 2004?

Mr Mrdak—There was certainly a disposition by the government to look at that type of project, and the Bateman's Bay bypass was certainly put forward as an example. We certainly made commitments in relation to the black spots on the Pacific Highway. But in relation to the Bateman's Bay bypass it was during the election period that the announcement was made.

Senator O'BRIEN—Not before?

Mr Mrdak—That is my understanding.

Senator O'BRIEN—There was no commitment before?

Mr Mrdak—Not to that extent.

Senator O'BRIEN—They might have thought it was a good project, but they had not committed to pay for it? Is that what you are saying?

Mr Mrdak—That is right.

Senator O'BRIEN—Is the department aware of the process that led to the identification of the Great Alpine Road, in the electorate of Gippsland, for strategic regional project funding?

Ms Armitage—Funding has actually been sought for other roads around the Great Alpine Road under the black spot program. But, as far as we have been able to ascertain from departmental files, there was no contact on that particular part of the Great Alpine Road, prior to the announcement by government.

Senator O'BRIEN—So there was no contact from state or local government bodies?

Ms Armitage—Prior to the election?

Senator O'BRIEN—Yes, prior to the election.

Ms Armitage—Not that we can actually identify, and we did do a search.

Senator O'BRIEN—So it is not on file, if there ever was one?

Ms Armitage—It is not on the files that have been looked at. It is not on file. As I said, there were some black spot program applications for roads around the Great Alpine Road.

Senator O'BRIEN—What happens to those? Are they now subsumed into the Great Alpine Road project?

Ms Armitage—I would not think so, because this is about the Great Alpine Road itself. It is an upgrading of the road between Bruthen and Ensay in Gippsland to address narrowness and lack of overtaking opportunities and shoulders.

Senator O'BRIEN—So this is a \$6.5 million project?

Mr Mrdak—That is correct.

Senator O'BRIEN—My recollection is that it was part of \$27.6 million of election promises made on one day by the Deputy Prime Minister in the seat of Gippsland. So this is a state arterial road?

Ms Armitage—Yes, I understand so.

Senator O'BRIEN—And the state government had not proposed the road for federal funding?

Ms Armitage—Not that I am aware of.

Senator O'BRIEN—What was the process that led to the identification of the Bancroft Bay boardwalk for half a million dollars of strategic regional project funding also announced by the Deputy Prime Minister on 28 September in Gippsland?

Ms Armitage—The department has not had any involvement prior to the election with that boardwalk.

Senator O'BRIEN—So there had been no state or local government proposals for funding of that?

Mr Mrdak—Not to the department.

Senator O'BRIEN—What was the process that led to the decision to provide \$10 million to fund the Bryn Mawr bridge under strategic regional projects?

Ms Armitage—The department did not have any involvement prior to the election with that project, although it was aware that there had been a public meeting about that in February-March 2004. But that was all that we were aware of.

Senator O'BRIEN—So there were no approaches from state or local government about that?

Ms Armitage—Not that we are aware of.

Mr Mrdak—Not to the department.

Senator O'BRIEN—Was there a public announcement that this was to be funded under that program?

Ms Armitage—I understand it was part of the national transport policy put out by the coalition during the election period.

Senator O'BRIEN—Was there a public announcement of the \$160,000 that was to be allocated from strategic regional projects for Yan Yean road improvements in the electorate of McEwen, or was that at the same time?

Ms Armitage—They would be listed at the same time. There may have been separate press releases at the time, but I do not have those here. Someone has just reminded me that that was actually the black spot which was announced—

Senator O'BRIEN—So it is not strategic regional projects funding but it is black spots funding?

Ms Armitage—It was looked at as a black spot but it could not actually get funding under black spots. It was not a high enough priority.

Mr Mrdak—So it was then subsequently funded as the government has decided to fund it—under the strategic project program?

Senator O'BRIEN—Can you tell me what consultation occurred between the Tasmanian government and the federal government about funding proposals for Sisters Hill?

Mr Mrdak—This has been a project for which the Tasmanian government has been seeking to have federal assistance for some time. As Ms Armitage has indicated, submissions were received last year from the Tasmanian government and interests in that area for that project. It is one of those projects that had been considered previously but there were not avenues for funding previously. The government subsequently took the decision during the election campaign to fund it under strategic programs.

Ms Armitage—I understand that there had been representations made and discussions about it being added to include the Bass Highway on the old national highway system and that there were some representations by Smithton council in the late nineties on this. As I mentioned, there was a submission coordinated by the Cradle Coast Authority, which was forwarded by the state minister, formally seeking funding on 18 August 2004.

Senator O'BRIEN—Under national highways?

Ms Armitage—No, it was just a submission for funding that was put forward. At that stage there was the AusLink white paper and the AusLink network—no longer the national highway.

Senator O'BRIEN—What about the funding for the Bridport to Scottsdale road?

Ms Armitage—Are they the lakes roads? There was no work prior to the announcement on that, although the government is contributing \$10 million towards upgrading the Lilydale main road and Golconda road between Rocherlea and Scottsdale. We understand from the preliminary contact we have had on this that the funding announced during the election campaign will be for the next sections along the two roads.

Senator O'BRIEN—There is money for the Tasman Highway.

Ms Armitage—Yes, that is right. There are directed works on both the Tasman Highway and the Bridport to Scottsdale road.

Senator O'BRIEN—The Bridport to Scottsdale road is a different road.

Ms Armitage—As part of the \$10 million toward the upgrading of the Lilydale to Scottsdale road, which was matched by the Tasmanian government, the Tasmanian government funding of \$1.8 million was directed to works on the Tasman Highway and the Bridport to Scottsdale road, as they are expected to carry much heavier traffic during the upgrade of the Lilydale main road to Golconda. This funding is understood to be for the next sections of the two roads, to assist those two roads of the highway to carry the traffic.

Senator O'BRIEN—Is it fair to say that all the road funding for Tasmania under the strategic component requires matching funding?

Ms Armitage—In terms of Tasmania, the Port Sorell road does not require matching funding.

Senator O'BRIEN—Can you provide a breakdown of the \$10 million in strategic regional projects funding for the seat of Paterson during the election?

Mr Mrdak—We can take that on notice.

Ms Armitage—I can provide that now. Lakes Way, Raymond Terrace, Glen Oak, Clarence Town and Dungog and Paterson—so it is the \$10 million that was announced for Lakes Way in New South Wales.

Senator O'BRIEN—How much matching funding is required from the New South Wales government for that suite of projects?

Ms Armitage—It does require matching funding and, because it has asked for matching funding, it is usually dollar for dollar. So it would be \$10 million. But if that is not correct we will provide input.

Senator O'BRIEN—So what was the consultation between the department and the New South Wales agency about this prior to the election?

Ms Armitage—We have no evidence of any contact with the council. Black spots funding had been provided for expenditure on parts of Lakesway in 1998-99 and 1999-2000 over a number of years but none of these appear to be at the points proposed for upgrading. There have also been a number of proposals on the road which were not approved for black spot funding, but it is not possible to ascertain exactly where those locations are.

Senator O'BRIEN—In his speech to the Australian Local Government Association national assembly in November, Minister Lloyd listed, among projects already identified, the 'funding of a strategic link from a freight service area to the Sydney-Newcastle Freeway in the Wyong Shire'. Can you provide us with any more information about that?

Mr Mrdak—Yes, I think you would be referring to the Wyong-Warnervale link road, which is a link road from Britannia Drive in Watanobbi to Sparks Road, Warnervale. It will connect Watanobbi and Wyong township.

Senator O'BRIEN—Is that funded as a strategic regional project?

Mr Mrdak—Yes. It is a commitment of \$2.5 million.

Senator O'BRIEN—Prior to the announcement by the minister of the funding for that project, what work had the department done?

Ms Armitage—We have no record of any work having been done on the Wyong project before the election. There was contact after the election.

Senator McGAURAN—I have just been listening to all the questioning, and I wondered just how centred or indeed linked at all it is to the legislation of this inquiry. Is it going to eventually wind its way back to the legislation under inquiry?

ACTING CHAIR—I am sure that is where Senator O'Brien is going.

Senator O'BRIEN—Did the department provide any advice regarding the announced \$1 million for the Camden Valley Way-Raby Road intersection upgrade in the electorate of Macarthur prior to its announcement?

Ms Armitage—As far as we can ascertain, we did not provide any advice on Camden Valley Way prior to the election, but it was nominated as a black spot in 1999, which was not approved for that area, and also in 2003.

Senator O'BRIEN—And the \$2 million Bondi Beach-Campbell Parade works?

Ms Armitage—As far as I understand, there was no contact prior to the election. However, DOTARS contacted the general manager in November 2004 requesting details of the proposal.

Senator O'BRIEN—On 15 September the Deputy Prime Minister announced \$16 million of the \$30 million for unincorporated roads to be committed to the Northern Territory. I understand that there had also been a figure of \$1 million promised on a number of occasions under the previous strategic component of Roads to Recovery, which was reannounced on 2 March by Minister Lloyd and Senator Scullion as 'extra funds for unincorporated roads'. Was this extra funding or was it the same funding rebadged? Is it now to come out of the strategic regional project's \$30 million for unincorporated roads?

Ms Armitage—The announcement for the \$1 million was to announce the projects that were going to be funded under the \$1 million that was allocated for 2004-05. There was the announcement of the allocation and then there was a process that the Northern Territory government went through. They consulted the department, which was part of the agreement. Then the projects were announced. It is not part of the \$30 million.

Senator O'BRIEN—It is not part of the \$30 million?

Ms Armitage—No. It is additional.

Senator O'BRIEN—There was a press report in the *Northern Territory News* on 23 July that the Deputy Prime Minister had told cattlemen that the beef roads would get a further \$40 million. Was that an accurate press report?

Ms Armitage—I cannot comment on that press report. As I have said, the allocations to the Northern Territory through government was \$1 million. The \$30 million is allocated. So I cannot comment on that press report.

Senator O'BRIEN—Okay, and we are going to get a breakdown of how that \$30 million will be allocated?

Ms Armitage—Yes.

Senator O'BRIEN—On 2 March this year, Senator Scullion was reported in the *Northern Territory News* as saying that the unincorporated roads funding projects were chosen in consultation with the community. Was it the Northern Territory government that actually carried out the consultation?

Ms Armitage—It is my understanding that the projects were selected in consultation with the Local Government Association of the Northern Territory, which obviously would be consulting. That is the extent of my knowledge—that the consultation would have been through the Local Government Association.

Senator O'BRIEN—Between whom and the Local Government Association?

Ms Armitage—The funding of \$1 million was provided to the Northern Territory. Part of the memorandum of understanding was that they would consult with the Northern Territory Local Government Association, or LGANT as it is called, in the termination of those projects. I cannot comment on Senator Scullion's comment on public consultation.

Senator McGAURAN—I just have a quick question on behalf of the committee secretary. You mentioned before that bilateral agreements were negotiated with the states. Can you name those states?

Mr Mrdak—We are negotiating with all of the states and territories. We have substantially negotiated an agreement, which we think is pretty close to being finalised with a couple of the jurisdictions. They are South Australia, which we are very well advanced with, and Victoria.

Senator McGAURAN—I want to bring you back to the legislation under question. I have two representations from good bodies such as the Victorian Farmers Federation and the National Farmers Federation who have a concern regarding the Roads to Recovery now including and incorporating public transport, cycling, walking infrastructure and regional airports. Can you confirm that or otherwise?

Mr Mrdak—The definition of a road, essentially, does pick up such things as cycleways, pedestrian walkways and the like.

Senator McGAURAN—Is that new?

Mr Mrdak—This is in the current bill. The AusLink funding would not be available for airport pavements and the like. So it is very much limited to a road corridor type approach. The definition of 'road' in the bill does provide for walkways, pedestrian access, pedestrian bridges and cycleways.

Senator McGAURAN—When you say cycleways, is that alongside the asphalt?

Mr Mrdak—That is right.

Senator McGAURAN—It is not a separate entity in itself.

Mr Mrdak—It is not a separate entity in itself. It is part of a road.

Senator McGAURAN—Right, and a walking infrastructure might be an overbridge.

Mr Mrdak—That is right.

Senator McGAURAN—Has that not been the case in the past?

Mr Mrdak—It essentially replicates previous arrangements.

Mr Elliott—The arrangements in the current bill are pretty much the same as they were in the previous legislation.

Senator McGAURAN—If you have articulated it or written it in, why has it just been circled now? Why have the Farmers Federation suddenly had it brought to their attention?

Mr Elliott—I am not sure I can answer that.

Senator McGAURAN—So it has always been the case.

Senator McGAURAN—My reading of it—and theirs—was that suddenly we were going to get away from Roads to Recovery and start doing cycling tracks and walking infrastructure as separate entities. We just thought there was going to be a total watering down of the good project that Roads to Recovery has been for the rural sector.

Mr Mrdak—The definition is as it currently applies to Roads to Recovery, and local government is now choosing to expend some of those Roads to Recovery funds on those ancillary facilities to roads.

Senator McGAURAN—There have been cycling tracks. In my own state, Bairnsdale was given some funds last year to build a cycling track. I know that in the city of Bright a cycling track was built along old railway lines—I opened it myself a couple of years ago. I do not believe that money came from Roads to Recovery. Would it be eligible for funding under these criteria?

Mr Mrdak—If it was part of a road project, yes, but if it was a cycle path away from the road I do not think it would be. I can check where those projects were funded from, but most likely they were not funded under Roads to Recovery. I will check that.

Senator McGAURAN—That is good, if you do not get the two mixed up. I want to keep them as separate entities and separate funding arrangements.

CHAIR—I have a question. I come from Junee, where it is very dry. It is a big railway town, so for many years I have watched the deterioration, especially in recent times, of the infrastructure of rail—the days of fettlers are gone and they have teams now. In part of the handover that AusLink is all about, I understand there is some agreement with the states that lines have to be up to scratch when they are handed over in several years. Is that the case?

Mr Mrdak—The Australian Rail Track Corporation has taken over the New South Wales interstate track, and as part of that we have given a commitment to expend \$872 million in New South Wales and Victoria in upgrading that track to a standard that we and the New South Wales government have agreed it should be brought back to. I think that is what you are referring to.

CHAIR—Are you going to actually see that the money gets spent on that project and not somewhere else? Is there some traceability in all of this?

Mr Mrdak—There is. We have leased a defined track. New South Wales retained responsibility for the branch lines, and that remains New South Wales's responsibility—

CHAIR—And that will always be so under this?

Mr Mrdak—That is right. AusLink defines a national network of rail track which can be funded under AusLink. That is largely captured in the ARTC lease track that they have taken over in New South Wales. Regarding the branch lines in New South Wales, the ARTC is managing those for New South Wales, on a consultancy basis essentially, but New South Wales are responsible for how much work is done and the funding—

CHAIR—Some of the tracks are down to a speed limit of 10 kilometres an hour now. Is there nothing we can do about it under the contract that you have with the New South Wales government, if they just continue to deteriorate?

Mr Mrdak—If they are not on the interstate track, no—

CHAIR—Even though we are managing them?

Mr Mrdak—If New South Wales chooses not to fund them. I think the ARTC, as the manager of some of those branch lines, would tell the New South Wales government that they are in a condition which is not sustainable. Then New South Wales makes a judgment at the end of the day about whether they want to continue to fund those branch lines.

CHAIR—You would be aware, perhaps, that New South Wales farmers are going troppo about the prospect of these lines just becoming like the Tumut line, which is now a kangaroo track?

Mr Mrdak—We share those concerns, particularly the concerns of the grain handlers and farmers in those grain-growing districts. Essentially, if those tracks are not in a suitable condition to take the grain load, it will go by road, which has a major impact on roads.

CHAIR—Thinking of it as your own, if I were taking over something and had to manage it but there was no clause to have it maintained, which there is not here, I would have thought that was a bad business decision. Why would you take over something that you are not responsible for when it could become, as some of them are, just untraffickable?

Mr Mrdak—We have taken over responsibility for the interstate, which is the main line in New South Wales—

CHAIR—And the maintenance of it?

Mr Mrdak—And the maintenance and operation of it. So we have full responsibility through the ARTC for construction and maintenance of that track. The ARTC is simply managing the branch lines—essentially in terms of managing capital works or maintenance on those but very much as a consultant to the New South Wales government. The liability of the ARTC is simply as a project manager.

CHAIR—So there will be less money for the rail and more for the management because there is another layer of management?

Mr Mrdak—The ARTC has essentially taken the position that RIC, the Rail Infrastructure Corporation of New South Wales, used to take in relation to those branch lines. Essentially they charge a fee to New South Wales to manage those branch lines, but the decision on the condition of those branch lines and the amount of investment that takes place is very much New South Wales's.

CHAIR—Why would you take that on?

Mr Mrdak—It is simply a business decision by the ARC.

CHAIR—But that is crazy. It is bad business. I am telling you here and now: it is bad business. How could you justify it? Some of these things are a disgrace. There is a doctor in Junee who is a mate of mine and drivers come to him and complain about the track. They will not let their families travel on these lines. Do you know what happens if you complain, according to the doctor? You get sent for counselling. These lines are a disgrace, yet the Commonwealth in its wisdom has said, 'We are going to manage these lines.' We have got no control over how they will be maintained or the amount of money that will be spent on maintenance, but you are going to be in charge of that.

Mr Mrdak—At the end of the day the ARTC is stepping in as effectively a consultant to manage. The risk lies with New South Wales at the end of the day as to whether they accept the ARTC's advice or not—and the condition. But, as you say, we share at the Commonwealth level and—

CHAIR—These lines are a disgrace.

Mr Mrdak—Yes.

CHAIR—And the only reason they are a disgrace is that the priority of government over the last 10 or 15 years—and it could well go back to a previous government—has been that we will spend our money somewhere else. I think you have bought yourself a problem. Thank you very much.

Senator O'BRIEN—On the issue of the \$600,000 upgrade of the Tableland Road in the electorate of Hinkler, the \$800,000 upgrade of the River Heads Road in Wide Bay and the \$125,000 upgrade of the Bribie Island Road in Longman and the \$500,000 upgrade of the Barron River Crossing in Leichhardt, is that all strategic regional projects funding?

Mr Mrdak—Yes, Senator.

Senator O'BRIEN—Was the department doing any work on those proposals prior to their announcement?

Ms Armitage—Not on Bribie Island, not on the Daintree Causeway, that we are aware of, and not on the Tableland Road.

Mr Mrdak—It is important to recognise that these were roads that traditionally the Commonwealth and our department had not been involved with, because they are local and state responsibilities. This new program, for the first time, gives us the capacity to provide a contribution to some of those areas which have—through lack of funding in the past or through decisions being taken—not been available to us. So we do not have a history in relation to these roads.

Senator O'BRIEN—I just wanted to understand whether the government had the benefit of work the department had done in relation to these projects before they had been announced. Clearly that is not the case.

Ms Armitage—There were black spots on Tableland and River roads, obviously not on the whole length. So we had had some involvement through the black spots program.

Senator O'BRIEN—Can you give us a breakdown of the total amount committed under the strategic regional projects by state and by electorate?

Mr Mrdak—Yes, we can. If I can take that on notice we can get that for you by state and by electorate.

Senator O'BRIEN—As I understand it there will be a competitive process for the \$26 million or so that remains—or am I wrong? Is that yet to be decided?

Mr Mrdak—Minister Lloyd in November last year in his speech to the Local Government Association did outline his view that there would be a competitive process, but the details of that are yet to be settled.

Senator O'BRIEN—So it is fair to say at this stage that there is not an established criterion for the distribution of future strategic regional projects funding?

Mr Mrdak—That is correct, Senator.

Senator O'BRIEN—Has the government indicated its thinking in relation to the appointment of an advisory council to advise on the prioritising of projects?

Mr Mrdak—The government have certainly made a commitment and are looking to get some advisory body in relation to private investors and private involvement into AusLink. We at the departmental level are working through a number of forums to build a lot of stakeholder consultation. No decision about a formal council has been taken at this point. As I said, it is a strong intention of the government to develop an advisory body which can give them advice, particularly in relation to private investment into AusLink, which is one of our key objectives. The AusLink white paper did reflect a decision reached a few years ago by the Australian Transport Council of ministers, which was to have a National Transport Advisory Council which would look at strategic issues in relation to the national network.

At its meeting in November last year, the council, which comprises the state, the territory and the federal ministers, took a decision that it was not the right time to establish such a council, that the issues did not warrant such a council being effective at this point, that they would prefer to work through existing Commonwealth and state mechanisms to do further work and that they would review that decision in about 12 months time. With regard to the proposal that is in the white paper for the establishment of NTAC, the National Transport Advisory Council, ministers in November decided to defer consideration of that for a bit and to do work through existing mechanisms.

Senator O'BRIEN—Hence nothing in the legislation.

Mr Mrdak—That is correct.

Senator O'BRIEN—What is the proposed timetable for dealing with the legislation? It is with the parliament now. It is intended to be passed into law before 30 June, I take it.

Mr Mrdak—We certainly hope so. The existing Roads to Recovery legislation, which provides for the funding to councils, expires on 30 June this year. In the absence of these bills, there would be no Roads to Recovery funding available from 30 June onwards. So, for reasons of certainty and funding—particularly for Roads to Recovery—the legislation would certainly need to be passed by that time if we were to meet that existing timetable.

Senator O'BRIEN—Is that really the case? What if it was passed in August?

Mr Mrdak—There would be some delay in the payment of the Roads to Recovery and of the funding to the councils, hence our view that it would be preferable to have the bill passed before the end of this financial year.

Senator O'BRIEN—So it would be preferable, but it is not absolutely essential.

Mr Mrdak—Councils would like advice before the start of the financial year with regard to developing their budgets and in terms of Roads to Recovery. Payments to those councils are made during the first quarter of the next financial year but they would like some information—certainly in relation to allocations—as soon as possible so they can start. In particular, when they have works underway and have tenders set to go for projects, they want to get moving fairly quickly and not be delayed.

Senator O'BRIEN—What about regulations? Is it necessary for regulations to be promulgated to give effect to the government's policy at this stage, or is that something that is more futuristic?

Mr Mrdak—Not at this stage. We do not envisage any regulations being required. There are some areas of the bill which provide for them if they are necessary in the future but, at this stage, we do not envisage any.

CHAIR—I think you bought a bomb in taking over the management of the branch lines with no control over the money. Is there any opportunity to renegotiate that?

Mr Mrdak—There is. It is essentially a commercial contract between the ARTC and the New South Wales government.

CHAIR—Is it signed in gold?

Mr Mrdak—It has the effect of a term of a contract. I can come back to you with advice on what that contract provides for in terms of termination.

CHAIR—I understand there were some commitments up for five years on getting them up to scratch. If they do not come up to scratch, it seems to me you are lumbered with them.

Mr Mrdak—I am not sure that we are lumbered with them, but I can check if you like.

CHAIR—There is no hurry.

Mr Mrdak—I have just confirmed that it is a commercial contract between ARTC and the New South Wales government. It would provide for a standard period and termination provisions, but I can look into that for you if you like.

CHAIR—I am pleased you have the contract and I have not. Thank you very much for your attendance this morning.

[10.06 a.m.]

ALTHAUS, Mr Chris, Chief Executive, Australian Trucking Association

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

CHAIR—Welcome. I invite you to make an opening statement, and then we will ask you a few questions.

Mr Althaus—The Australian Trucking Association represents the road transport sector at all levels, from major corporates through to owner-drivers in the road transport industry. In the context of the committee's deliberations on the AusLink bill, the ATA wants to reaffirm the position of road transport in the Australian economy. We are a very large nation geographically, with a small population and some 800,000 kilometres of road. Our economy is built on a highly efficient transport system which is dominated at this point in time—and has been for many decades—by our road network and the industry that runs on it.

We are looking at a situation going forward where the demand for freight movement generated by our economy is set to double by 2020, and bulk freight could even go beyond doubling. Road freight will double before that—by 2015. This is a reflection of economic growth in Australia; it is a reflection of economic activity. We are one of the most road freight dependent economies in the world—we are certainly one of the most transport-dependent economies in the world—and the material that we have provided gives you some inkling of that, as our comparison is well beyond countries like the US and key European nations.

We have looked very seriously at the issue of infrastructure and have participated in a recent report by the Committee for Economic Development of Australia, which looks at the economic benefit of investment in infrastructure. Clearly there is a flow-on effect throughout the economy. Further to that, the Australian Council for Infrastructure Development has estimated that we currently face a level of some \$10 billion of unfunded road infrastructure projects which, if we were to be maintaining our level of infrastructure investment, would need to be addressed.

Against this background, we looked at the government's AusLink package in a favourable way. This country has never had a national transport plan of this nature, and it certainly offers huge potential for bringing much-needed coordination and focus to the movement of freight around the country. We welcome the breadth of AusLink, and we certainly welcome the way in which the government is seeking to embrace a strategic plan approach across Commonwealth and state jurisdictions, including local government, so we can achieve the best possible outcome for efficient freight movement around the nation. Our economy depends on this efficient freight movement, both in regional Australia and for export trade.

The ATA is also supportive of the continuation of the Roads to Recovery program under the AusLink framework. We have a very strong view that a strategic focus on freight movement, given the freight demand that we face, is a critical element. We must not let policy frameworks like AusLink drift away from that. This nation's future prosperity will depend to a significant degree on how efficient our transport system is, and it is important that the focus of AusLink is maintained. I might draw a pause there. There are specific questions that are before the committees, but I will stop there for a moment.

Senator O'BRIEN—Your submission says that the ATA seeks recognition by this committee of the establishment of cost recovery from heavy vehicles for their allocated road infrastructure use and that such a system be administered by the National Transport Commission and reviewed on a regular basis in a transparent manner with the involvement of industry. Then you go on to say that currently this system, through payment of truck registration charges to state governments and retention of 20c per litre of net diesel excise by the Australian government, recovers approximately \$1.5 billion, which is 110 per cent of the costs of road wear that are allocated to heavy vehicles. Where is the detail about the cost allocated to heavy vehicles to be found?

Mr Althaus—The National Transport Commission and their carriage of the charging determination process would be able to provide all the bases for their conclusions. Similarly, the Bureau of Transport and Regional Economics, which falls under the federal department, has a very substantial body of research analysis on the subject. Indeed, the comment made flows from the work of those two agencies.

Senator O'BRIEN—So this is construction and maintenance costs—\$1.5 billion?

Mr Althaus—That is the amount drawn from what is now known as the Energy Grants (Credits) Scheme, whereby 20c per litre of diesel is retained by the Australian government. In the recent *Securing Australia's energy future* paper, released by the Prime Minister prior to the election, that charge was formally recognised for the first time as a road user charge, albeit a non-hypothecated road user charge.

Senator O'BRIEN—The figure 3 in your submission on road freight tonne-kilometre per capita is a little hazy. Does that mean there is a figure of about 7,000 tonne-kilometres for Australia?

Mr Althaus—Yes. If you turn to the publication we have provided with the submission, on page 2 there is a much clearer view of that. Essentially, it is a reflection of our use of road transport, given our population size and the size of our nation, which leads to a very high level of freight transport via road throughout this country.

Senator O'BRIEN—What does 'tonne-kilometre per capita' mean?

Mr Althaus—You are essentially looking at the mass of freight per kilometre per person in the nation.

CHAIR—Is part of that allowing for the deterioration of the branch line? Is part of your thinking that you are going to get more from rail?

Mr Althaus—The demand created for freight movement in this country combined with the management approaches that are used by manufacturing industry, particularly the 'just in time' phenomenon, requires that elements of the economy demand ever more efficient freight transport.

CHAIR—What I am saying is: are you anticipating in those calculations getting more market share off rail?

Mr Althaus—If you look at the figure in the book above the one that we have just been discussing, it also forecasts, via the same agencies, the modal split. You will see some increase in the volume of freight moved by rail, but the dominant representation in that figure—up to 80 per cent—is road.

CHAIR—Yes.

Senator O'BRIEN—The \$10 billion figure that you spoke about—where do I find that?

Mr Althaus—We can certainly provide you with a reference to that. It is from the Australian Council for Infrastructure Development. They do a report card of infrastructure investment around the nation. In their most recent report, which came out late last year, their estimate of the underinvestment in road infrastructure was \$10 billion. I can point you to that reference and that organisation.

Senator O'BRIEN—So that is not maintenance, that is infrastructure.

Mr Althaus—That is new, specific projects that have been identified, and that is the level that that organisation estimated was required to find those projects.

Senator O'BRIEN—The \$1.5 billion is across all roads, is it?

Mr Althaus—That is funds raised from the road transport sector via our use of fuel. The agreement of the industry at the time that these arrangements were made was that 20c in the dollar be retained by the government. We have always seen that as our road user charge, and when agencies such as the Bureau of Transport and Regional Economics do an analysis of the allocated costs to our sector they conclude that that amount of money is certainly covering our use of the network.

Senator O'BRIEN—What is your organisation's view of the federal government's departure from its previous responsibility to fully fund construction and maintenance of the national highway network?

Mr Althaus—We have long had the view that the Australian government's retention of that responsibility is a desirable thing. We have that view because the national highway system is, in a sense, the spine of our road network and in being so it is tremendously important to the integrity of the network. Similarly, we would hate to see that network being subject to debate between jurisdictions, or between the Australian government and state governments, such that investment in the network failed to happen—in a sense, that we had a market failure.

At one point an example was given to me where, many years ago, the Western Australian government and the South Australian government had a dispute about who should fund the pavement that would connect Perth to Adelaide. That is a key part of the national network, and the intervention of the Australian government to resolve that is an example of the sort of problem we would not want to face with such a critical element of our road network. So we have always maintained that such is the importance of the national network that the Australian government's control over that and responsibility for funding it would take those sorts of vagaries out of play—and that would be a valuable thing.

Senator O'BRIEN—In the case of Victoria, where the federal government is making funding conditional on the state government breaking contractual obligations on the Mitcham-Frankston Freeway, would your organisation advocate that those funds earmarked for that work be available for other projects?

Mr Althaus—We have looked at the totality of what we know about the bilateral agreements that are currently being negotiated between state and Australian governments. To be fair, we are in no position to be across the details of those arrangements. Certainly the road transport network and the members of the ATA in Victoria have identified those key projects in Victoria as being of high priority, but I am not privy to and not able to comment on the redirection of funds in that case.

Senator O'BRIEN—What is ATA's view of the need for a national infrastructure advisory council?

Mr Althaus—We believe it is absolutely essential. We have in various public fora on several occasions expressed our concern at the delay in the establishment of the council. Notwithstanding the deliberations of the Australian Transport Council and the ministers represented in relation to a time frame for the establishment of that body, we now see various groups around the country identifying a vacuum and positioning themselves to fill it. NTAC is a very important group. Strategic focus and advice on priorities for infrastructure investment is a very serious matter. The longer it goes on without an NTAC, or at least a clear indication of the roles and responsibilities of that group, the more concerned we as an association get. We have made that view known at every opportunity.

Senator O'BRIEN—What is your organisation's view of the capacity for the federal government to assist in capital investment and other forms of assistance for strategically important public transport, cycling, walking infrastructure and regional airport runways under AusLink?

Mr Althaus—Our view is that the AusLink package is part of a national transport plan with a specific focus on freight movement around the country. As I said earlier, it is critical that that focus be retained. We do not support the dilution of that focus—it is something that will underpin the economic growth and prosperity of this economy. It is a very serious issue and as part of this legislative package it must be the priority. We do not want to see other, to coin a phrase, distractions brought into the focus of AusLink. It must remain focused on the efficient movement of freight around Australia.

Senator O'BRIEN—So to the extent it already covers cycling tracks connected with roads, you do or do not support that?

Mr Althaus—We would not see those as priorities under the AusLink funding package even though they have a position in the package. I go back to the incredible volume of freight growth that is going to hit this economy—and is hitting it right now. If we are going to be investing government funds under this program, in our view there is a great shortfall in road infrastructure investment and we would not be supportive of those funds being used in areas that will not address that freight pressure. We do not support that.

Senator BUCKLAND—Given what you have said and given that many of the roads are upgraded or built with this funding, how would you suggest that the bike lanes and pedestrian access ways are funded if they are done in conjunction in the one project?

Mr Althaus—If the access and needs of pedestrians and bike lanes can be done in association with a major project of significant value in terms of economic return and movement of freight then we would not have a problem with that. What we do not want to see is this very significant policy program being subject to rafts of claims to do things which, in the totality of their economic return, would be right at the margin. If they can be tacked onto other projects, such as putting cycle lanes along major freight routes, major highways and major roads, we do not have a problem in that regard. But we are concerned about the dilution of focus into these areas.

Senator BUCKLAND—I do not think that is what this is getting at. You mention a couple of times in your document upgrading bridges et cetera to take higher freight loads. If you are building a new bridge or upgrading a bridge then surely, because there is public pressure now to provide bikeways and walkways in conjunction with these projects, you would not have a different funding line for that.

Mr Althaus—No, we do not and, no, we would not advocate that. 'In conjunction' is the operative term. When these sorts of projects can be wrapped together there is clear economic benefit to do so and there is a social responsibility to provide these facilities. We would be concerned if dilution of the total pool of funds was created by other approaches that were specific to those needs rather than in conjunction with major transport route development.

Senator BUCKLAND—What if there were freight interchanges between rail and road? Do you see this money being spent in those areas?

Mr Althaus—The opportunity in the future for a greater utilisation of intermodal freight planning is of great interest to the ATA. Many of our members operate both trains and trucks, so we would have no problem with AusLink having a component within it that would look at intermodal activity.

Senator BUCKLAND—I have one other area to cover, and it runs into that. Looking at your specific responses to the inquiry, the ATA strongly supports the focus of the AusLink program where it seeks to achieve an extension of higher mass limit networks in New South Wales and Queensland. I imagine you are specifically talking about those two states.

Mr Althaus—There is a need for reform in those areas in those two states, and that element has been built into the bilateral agreement that the Australian government is seeking to achieve with the states.

Senator BUCKLAND—Regarding the higher mass limits, are you talking about higher axle loads for existing vehicles or something else? I know you are using B-doubles on the main trunk routes in New South Wales and Queensland. Are you talking about B-triples or road trains? What is this higher mass load?

Mr Althaus—Essentially, in this context higher mass limits relate to the opportunity for industry to carry higher mass, particularly in New South Wales and Queensland. That opportunity was presented in years past by both state governments on the condition that no higher road wear was imposed on the road network. That was demonstrated to be achieved by the use of advanced suspension systems within heavy vehicles. On that basis, industry invested heavily in those suspension systems, and the majority of vehicles on the road use them these days, yet the extension of the mass carrying opportunity was not forthcoming in New South Wales and Queensland. The Australian government supports that approach and is now seeking to include that as part of the bilateral agreement under AusLink, and we support that approach.

Senator BUCKLAND—I do not know if I am right about this, but I interpret that to mean that, with things like air suspension, you would have higher axle loads on a particular vehicle.

Mr Althaus—When you go to higher mass limits, you have higher axle loads, but the mitigating factor in terms of road wear is the design and use of advanced suspension systems so the net impact on the pavement remains constant. So, even though you have a higher load, you are not subjecting the pavement to higher wear as a result. In terms of the roll-out of this factor on the broader network, as is mentioned in the submission one of the more critical elements to make this network functional is bridges. Most of the jurisdictions have recognised that, and there is funding provided under AusLink specifically for bridge upgrades.

Mr Gow—The exact quantum on the axle groups are in fact 2½ tonnes on a tri-axle group and half a tonne on a dual. For the standard industry workhorse, the semitrailer, it would amount to an extra three tonnes across the whole vehicle, which is still well within the manufacturer's safety limits of those axles, and for a B-double you would therefore be adding an extra 5½ tonnes. Nonetheless, it is a significant productivity gain. As has been mentioned already, all the research that has been done shows that, firstly, there is no extra road wear from road-friendly suspension and, secondly, there are two other conditions to running at those higher mass limits: one is to have an auditable accreditation scheme to show that you are estimating or actually weighing the mass on your vehicle to stay within that area, and the other is that only certain roads are gazetted for those higher mass limits. If the 1999 reform had been fully implemented, we expected that all states would be up to the level of Victoria, where 99 per cent of the arterial network is open to higher mass limits. Unfortunately, in New South Wales that number is a single digit and in Queensland the figure is only about 12 per cent, so there is a terrific constraint on mass limits in those two states.

CHAIR—So it is highly unlikely that in getting the wheat to the silo you are going to get the benefit of that.

Mr Gow—It will deliver the extra mass, of the quantum that I have mentioned, with no extra road wear.

CHAIR—But the roads that run to silos all over the place will not be eligible for the higher mass.

Mr Althaus—That is often taken account of in various states via the use of grain harvest loading schemes where, for the period of the harvest—

CHAIR—You would be aware of what is coming up in New South Wales next harvest, which is going to make harvesting a pain in the arse, I have to say, for blokes with an ordinary man's truck. The offenders are these dopes that come in with B-doubles, with 80 and 90 tonnes gross, and make it tough for the poor bugger who comes in with a tonne on a bogey.

Mr Althaus—That is exactly right. This association certainly looks at that gross overloading and it is pleading with government to give industry as much support in compliance as possible, because there is no-one

that is going to enforce that sort of stuff—so, industry’s own systems. The committee may be aware of something called the ‘chain of responsibility’. That is a piece of legislation—

CHAIR—Yes, the header loader—the guy who is loading it out of the bloody header. I declare an interest, by the way: I load trucks out of the header. It is just bloody outrageous.

Senator McGAURAN—That was going to be my question. In the document that you gave us you talk about the improved chain of responsibility regulation. Can you tell us about those improvements?

Mr Althaus—What is currently before all state jurisdictions as a result of work by the National Transport Commission is a piece of legislation called the compliance and enforcement bill. That gives a legislative framework to the concept of chain of responsibility. Chain of responsibility would then create a legal liability to all elements of the supply chain. In the trucking industry’s case, if there is an incident on the road, previous legislative arrangements have made the driver and the operator of the vehicle the primary source of prosecution and investigation, whereas this bill will transfer liability up and down the supply chain to other elements which may have had a significant role in events leading up to an incident on the road.

Senator McGAURAN—This bill has been around for a very long time, hasn’t it? When is it going to happen?

Mr Althaus—It has been around in the development stage for a considerable period of time. It is world-leading legislation. As an industry, we still have some substantial problems with elements of it.

Senator McGAURAN—Is that what is holding it up?

Mr Althaus—No, that is not, because we have failed to have our concerns recognised. The model provisions, or the model bill, are now with state governments. The bill is in the parliament in New South Wales and it has been through the parliament in Victoria. State jurisdictions are adopting it for implementation in their own legislatures. It has been around for a while. It has been long in the gestation period, but now state governments are actually taking the bill forward, putting it through their parliaments and it is becoming operational.

Senator McGAURAN—What is the federal involvement?

Mr Althaus—Federal involvement at that point has been via the National Transport Commission, but it is essentially a bill that has been picked up by state jurisdictions.

Senator McGAURAN—What are the penalties? I guess it depends on the gravity of the matter, doesn’t it?

Mr Althaus—Many and varied. There are essentially three levels of breach: minor, substantial and severe. ‘Minor’ involves fines and the like, depending on the level, but when you get into ‘substantial’ and ‘severe’ you get into seizure of equipment, investigation of records, very substantial fines and the potential for jail terms, depending on the circumstances around the incident that is being investigated.

Senator McGAURAN—Are you confident this is the answer to one of the big problems in the industry—that is, the pressure on the drivers to make quick turnaround times?

Mr Althaus—No, I am not confident it is the answer. It is certainly part of the solution. The biggest single element of the solution, if you like, in that context is industry compliance. The important thing that this bill will do is that it will make everybody much more nervous about the circumstances Senator Heffernan was referring to in terms of gross overloading, because you have a liability pathway that can track back to you that does not stop just at the driver of the truck. When such as that can happen, we think more compliance is likely. It is definitely not the silver bullet, but it is part of the solution.

CHAIR—Can I put on the record how bloody stupid that is. I actually drive a header and I drive a truck. You get behind with your own work so you get a contractor in. I have a twin-steer bogey drive. You will be on the header unloading into his truck, he will signal when to move forward when he thinks he has got his set-up right and then away he goes. You do not get to look in the truck because you are operating the bloody header. He goes into town and he is overloaded and I get the bill. That is ridiculous. God help government!

Senator O’BRIEN—Your comments are obviously on the record now, Mr Chair.

CHAIR—A lot of that is state government, by the way.

Senator O’BRIEN—I understood that was exactly what you were saying.

CHAIR—No, I wasn’t. I don’t give a bugger who it is.

Senator O'BRIEN—I want to know what your organisation thinks the criteria should be for strategic regional projects—projects funded by the Commonwealth out of strategic project funds.

Mr Althaus—Our association has always considered the focus of AusLink as being on key freight corridors. That has been our concern. That is the basis on which we supported the package. We have not been involved in any detail in the criteria that are used by the government, or the department for that matter, to allocate funds under the regional funding package. We are not really in a position to comment any further on that subject.

Senator O'BRIEN—What do you think about the provisions of the bill that leave discretion to the minister over approving projects?

Mr Althaus—We retain our strong view that the focus of the allocation of funds from a road transport point of view should be on key arterial corridors and key links between corridors to maximise the efficiency of freight movement around the country. To us, that is a substantial and significant criteria that we would use, but we understand the government has a raft of other criteria it chooses to use from time to time.

Senator O'BRIEN—Surely the role of a national infrastructure advisory council would be to look at the strategic corridors where funds should be aimed at.

Mr Althaus—Absolutely. We therefore have a very keen interest in the establishment of the advisory council so that it can begin that function.

Senator O'BRIEN—What does your organisation think of the process that seems to direct funds to projects not on the basis of strategic need but on the basis of political need?

Mr Althaus—That comes and goes in the cut and thrust of how government operates. We would not be privy to their deliberations on those matters and have no role in judging them. We simply say—

Senator O'BRIEN—You would rather it did not happen that way?

Mr Althaus—There is an enormous amount of freight that has to move around this country efficiently. If we do not pay attention to where we put our money in an infrastructure sense we will be the poorer for it.

CHAIR—Are you happy with the criteria for the allocation of that money?

Mr Althaus—The criteria for the allocation for strategic projects?

CHAIR—What should the criteria be for strategic projects? For regional projects, that is.

Mr Althaus—We can look at it in detail but essentially we see many examples, particularly in regional Australia, where there is a crying need for linkages between major arterial roads and production facilities. If we were talking about higher mass limits, for example, you can use higher mass limits vehicles on the Newell Highway but you cannot go further than 500 metres off that highway in that configuration. That is a serious constraint. If you were going to provide appropriate linkages in the network to maximise efficiency, you would look at abattoirs and you would look at production facilities and you would design a system where the linkages could be made to the major arterials so that the efficient movement of freight was maximised. That is a key criteria for us because we are all about doing the best transport job possible and we are constantly tripping over inconsistencies in the network which mean inefficiency, in short.

CHAIR—I am pretty familiar with all of that, I can tell you.

Senator McGAURAN—I am very interested in the trucking fatality issue. What states have not introduced this uniform legislation?

Mr Althaus—It is going around at the moment. Currently, we know it has passed the Victorian parliament. It is before the New South Wales parliament. We are aware that all other jurisdictions are considering the bill but are yet to put a time frame.

Senator McGAURAN—So it is that new and fresh? There is no federal umbrella facilitating this?

Mr Althaus—In this case, the federal involvement was in developing the model bill for implementation and adoption at state level.

Senator McGAURAN—Looking at your graphs here, we can take it that fatalities are coming down?

Mr Althaus—Absolutely, given the volume of freight moving around the roads. I would hasten to say that in an infrastructure sense the higher the quality of the road the safer the environment for those using it. We have a very good safety record in Australia compared to other nations, particularly when you consider the amount of road that is not freeway in this country. So we are making very strong gains in the safety area.

CHAIR—Thank you very much. You only have to point to where our dual carriageways go into a single carriageway for a few kilometres and people daydream along thinking they are still on a dual carriageway and boom.

Mr Althaus—Indeed.

CHAIR—Thank you very much for that. We will receive your document as a public submission and the associated—

Mr Althaus—And that attendant document.

CHAIR—Yes. Thank you very much.

Proceedings suspended from 10.42 a.m. to 10.54 a.m.

NYE, Mr Bryan Geoffrey, Chief Executive Officer, Australasian Railway Association

CHAIR—I welcome Mr Bryan Nye of the Australasian Railway Association, who is well known to me. I invite you to make an opening statement if you would so choose and then we will ask you some questions.

Mr Nye—Briefly, the Australasian Railway Association represents 100 per cent of railway in Australia and New Zealand. I am talking about the freight operators, the metropolitan operators, the manufacturers right through to the heritage sector. We look after the whole industry and are based in Canberra. For our sins, we also look after New Zealand.

I would like to make an opening statement. I pass to you a document, which I do not expect you to read now, called *The future of freight*. This document is quite fundamental to the future of rail in Australia. Its genesis is that rail historically has been arguing that we must fix and straighten the track and invest more in rail. But at no time have we done a comprehensive set of research to show the economic benefit that rail is to the economy. That is what this research is and we have only recently put it into a report. The report shows that rail fundamentally represents a cost advantage when used on all intercapital corridors—and the intercapital corridors are what it was really looking at.

If that is the case, why isn't rail doing what it is meant to be doing? Currently, only 17 per cent of freight is moved by rail on such corridors from Melbourne to Sydney. We have been trying to get COAG reform on transport issues. Among the real impediments to rail is rail-road pricing; there is certainly an inadequacy there. In simple terms, as part of its charging, rail has to pay back some of the capital costs of its construction; road users do not have to do that with road. As you read the report, you will see that passenger vehicles subsidise some of the heavier vehicles on roads and there is argument about that. So we are asking for complete reform when looking at road-rail pricing.

There is a whole series of inefficiencies; a good example can be seen with safety regulation. In Australia, for only 20 million people, we currently have seven state based safety regulators looking after rail; in the United States, for 220 million people, they currently have one safety regulator looking after rail. Out of these state based silos, we have put in place systems that have not allowed the efficiencies of rail.

CHAIR—I have to say that the record is not too good in New South Wales.

Mr Nye—You say that, but since—

CHAIR—Don't take the bait.

Mr Nye—I will answer that question. Since 1920, in Australia, there have been 196 deaths on rail and 169,000 deaths on roads. That is the comparison you have to look at. We do not tend to compare apples with apples. Rail is inherently safe; it is 17 times safer than any other road transport.

CHAIR—You do not have an argument with me on that.

Mr Nye—I did not think I would, but sometimes we forget that. One of the other issues we have been trying to deal with is common access pricing, which allows consistent expectation of capital return. Currently each state has a different access pricing regime and the access pricing can be raised overnight. That means that, if you invest in infrastructure such as rolling stock, there is no guaranteed rate of return. We are trying to push for a common approach to that across all states.

The industry itself has a huge amount of work to do; it has been incredibly inefficient. As you would be aware, the private sector has taken over the freight network only recently—some of it only within the last five years. In addition, the federal government has taken over the lease of New South Wales track. If we do not get that right and get investment in there quickly, the east coast freight lines will not go very far.

We have to improve our service delivery, which will require a change of culture. State based rail, which was public service run, must be made into highly efficient customer focused rail. It will take some time to change that culture, but the industry is doing an immense amount of work to achieve that. We have to sort out vertical integration investment—investing above the track and investing below the track—which must be consistent with rolling stock operators. We are doing that. We now have a wheel/rail interface committee agreeing to where the investment should go in the track. We have to make some major reforms internally. But the challenge for the future of freight in Australia rests with our not using our rail system well, and much of that is due to the lack of investment made in it.

I will move on to the AusLink funding. We are very supportive of AusLink; it represents the first time the federal government has put money into rail. There is a whole series of issues we would like to go through on which we have put in only a brief submission. One is the engagement of infrastructure owners. It is interesting

that with AusLink, when doing the modelling and looking at ways of assessing how to fund some of these things, the committee they put together comprised only road based members. Roads are all state government owned, whereas the whole national rail network is owned by private operators.

CHAIR—Unlike the rivers.

Mr Nye—So we have totally different focuses there. We have to engage more and we have to have considerations. There is currently the cross-modal approach and the freight paths. What AusLink does for us is it actually allocates funding for the intercapital corridor, but the majority of freight on the rail network is in regional Australia. That is the really big challenge. The grain lines throughout Australia need a review. One of the things we are pressing elsewhere is to get a federal parliamentary inquiry into grain transport—not only grain lines but the whole of the grain system. It is not only New South Wales. In Senator Buckland's state, South Australia, the grain lines in the Eyre Peninsula are particularly bad. We are looking for money out of this strategic funding for that. We are after \$19 million to work towards putting some money back into the rail there. If we do not, there is going to be a crisis in the grains industry. We need a review of that grains industry. That is on regional rail.

The other issue is that you can have the fastest train line you like between Sydney-Melbourne and Melbourne-Brisbane, but if you cannot get through the urban areas and get to the ports, you are really not achieving much at all. So the use of terminals and where their future locations will be all has to be part of the AusLink program. It is soon to be announced that there will be a rail corridor study, basically looking at the Melbourne-Brisbane direct train link, that we will work with the government on. There is a great view that, no matter how much money you put into the Sydney-Melbourne line or the Sydney-Brisbane line, that will reach capacity within the next five years, and we have to sort out how we move the freight along the east coast corridor. If you look at that east coast corridor, only 20 per cent of freight goes by rail, but from east to west—from Melbourne to Perth—about 80 per cent goes by rail. So we have to sort out the east coast. I think everybody is aware of that. Even if you sort out the main intercapital network, you also have to sort out the regional rail to go with it.

There are some exciting projects going on in that regional strategic program, and one is very close to where the committee chair, Senator Heffernan, comes from. There is a proposal we will be submitting next week for the Cootamundra to Tumut rail to be reopened—that is to support the expansion of the Visy mill. That is a 100-kilometre railway line that has not been used for 20 years, but with a public-private partnership between the government and the private sector you could reopen that line and take an immense amount of vehicle traffic off regional roads and sort that out. It becomes cost-efficient, but you have to get over the infrastructure barrier that is currently there. We are after a lot more money to be put into strategic transport initiatives, and some of that should go to rail because it is the best transport solution. Again, what we are looking at is a combination of road and rail for some of those areas. We really want AusLink to go to the next step: it has to look at urban areas as well as regional areas. That is fundamental.

One of the areas that will be compared and assessed will be passenger and private car transport. We really happen to think that it is essential to look at that overall. The road investment for the use of private cars has to be balanced against the long-term sustainability of transport sectors overall. You cannot continue to fund freeways around the cities, which puts more cars on the road, and not look at the public transport angle as well. Sustainability in the cities is becoming a real issue in every city. Currently, the federal government say, 'It is not our issue,' but the taxation regime is the federal government's initiative and there are certain areas that you can act on in that.

One of the things we are keen to push further is the facility for private sector investment. Although that is talked about in the AusLink program, we need to hasten that. The rail corridor study for the investment in a rail link between Melbourne and Brisbane is soon to be announced. That is a \$2½ billion project. The private sector has announced that it is quite willing to come up with about \$1½ billion of that and has been quite up front with the government in saying, 'A billion of that will have to come over from the government to get through the Toowoomba ranges.' It just does not become commercially viable unless you get—

CHAIR—Is this the so-called 'inland'—

Mr Nye—This is standard gauge rail. This is not the Everalld Compton AIRE one. This is a consortium that will be really pushed and supported by the rail industry. Of particular interest is Queensland Rail and PN working in a joint venture to promote this—a whole new focus.

CHAIR—Will it be so-called 'coastal' or inland?

Mr Nye—It will go from Melbourne to Brisbane inland through Parkes. Our view is that no matter what you do you cannot overcome the problems of Sydney.

CHAIR—You have not got an argument with me.

Mr Nye—Some of the things we will be looking at will include getting to Sydney from an inland port, coming in from the south-west and north-west, and not trying to put a freight corridor through Sydney, because it is just not achievable. That is among some of the big sidings developments we are trying to promote for this AusLink funding in the next five-year program. A lot more work has to be done on aligning private and public sector investment. The private sector has shown a great willingness to invest in the transport sector, particularly rail, but you have got to do that in harmony with both working together. We are trying to promote that. I think this inland rail study will certainly demonstrate that as a way forward. We are very keen on AusLink. It is the first time rail has been in there but it is dealing with only one issue—that is, the intercattle network, which we believe it has done a good job on. Now we have got to go to the next stage, and if we do not start looking at regional rail—certainly the grain lines are a great example—we are going to have a disaster.

CHAIR—You may have heard my earlier remarks about the deal on the regional lines whereby there is a proposition to manage them without having any influence on the maintenance of them. By that I mean the money side.

Mr Nye—The whole current structure of and set-up of regional rail is just not going to work in the future. I will give you a good example—Tottenham to Bogan Gate. It is a regional rail line; it is there for wheat, for moving the grain. It has got nine silo stations along it. The train is limited to about 30 kilometres an hour. The silos are old and inefficient. It takes about half a day to load the trains. Consider the cost of leaving the old trains to sit there. These are 40-year-old locomotives—that is how old the locomotives are. You cannot get a modern locomotive onto the line. At the same time you have the two majors, Grain Corp and the AWB, building competing silos. Some are attracting the use of trucks; some want to keep the grain lines there. We really have to look at what the structure is and what the best transport solution is for some of these grain lines. It will be about the use of trucks to deliver to highly efficient silos in certain areas and putting it onto rail.

CHAIR—That happens between Junee and Stockinbingal, by the way.

Mr Nye—Yes, but Junee is on the main line so it is well served.

CHAIR—Yes.

Mr Nye—At the moment we have got the interests all competing, not working together. Until we actually try to elevate it and get all of them to come to the table and move towards a solution, we will not solve that problem. The AWB and Grain Corp say, 'The infrastructure's not our problem. We're only after the cheapest way to transport our products to the ports.' That does not allow a return on capital to allow investment to go back into the lines.

CHAIR—What I was trying to say before about the competition between the AWB and Grain Corp is that if you are in the Junee district and it is 10 kilometres to the subterminal on rail you can get a price from the AWB which is very generous in its freight subsidy, which I presume comes out of the pool, to take it across to their plant over at Stockinbingal and save 40 kilometres of road use.

Mr Nye—There is evidence of that throughout Australia. Western Australia is exactly the same. That is not sustainable. If we do not do something about it we will have to close all the branch lines. If rail cannot operate on branch lines, it is not going to get a return. What impact would it have? It would mean more trucks on country roads and a detrimental impact in the longer term on local networks. We really have to look at that as a different transport solution. I think the next stage is that we have really got to start looking at regional rail or regional transport networks right across the board, because it is not only about one state—every state in Australia has the same problem.

Senator O'BRIEN—So you think the legislation should be amended?

Mr Nye—AusLink is going in the first stage of the right direction. I think the direction of where it is going is very solid. It is the first time that the government has actually shown some foresight in a national plan, but it has to go further. This is the first stage. The \$11.8 billion over the period of time is extremely important, and \$1.2 billion going into rail is the first step. With better policy levers being pulled by governments the private sector will be willing to invest, but it has not been seen that yet in regional areas. State governments are really not showing much interest in investing in transport networks.

CHAIR—If you were a state government now, regardless of your politics, and you saw the opening door of this federal money for rail, you would probably be a bit slow to do up your branch lines, would you not?

Mr Nye—You mention New South Wales. The government will rise or fall on what it does about its CityRail. That is where its focus is; not on its regional rail. I think that is throughout the country and that is part of the problem. I do not disagree with you.

Senator O'BRIEN—You are talking about the legislation being limited in terms of rail to metropolitan rail.

Mr Nye—No, it is limited at the moment because it looks after the intercapital network—the freight lines between the capitals. As I said, you can sort out the train line between the two distances, but you have to get through to a port somewhere. That is why you have to look at urban planning issues. A good example would be in Adelaide and some of their urban planning issues. They were trying to build a port, but then one of the local councils built a road over the rail line that stops them double stacking the containers onto train lines. That is just dumb, but we continue to get that everywhere because there is no coordinated transport plan.

Senator O'BRIEN—What do you think about the fact that the bill leaves discretion with the minister for approving projects?

Mr Nye—I think at certain times there have to be certain projects where that happens. I do not really have a problem with that. If we are talking about the strategic transport investment area—the \$120 million over five years—there have to be certain cases put to the minister and the minister has to evaluate those. We would like really clearly established criteria for those and that has not come forward. There is a bit of a vacuum there.

Senator O'BRIEN—There is not much of the \$120 million left, in fact. I think we were told \$24 million this morning.

Mr Nye—There is never money in any government program.

Senator O'BRIEN—You are talking about a four-year program of \$150 million of which \$126 million is committed before it starts.

Mr Nye—Yes, but I think there is other money in the program that still has not been committed. The Scoresby Freeway money has not been allocated. We would like that to go back into that area.

Senator O'BRIEN—Should that be reallocated? Is it your view that the Scoresby money should be allocated to some other projects?

Mr Nye—Certainly. If the government does not wish to go ahead with that, then we would certainly like it to go back into strategic transport initiatives.

Senator O'BRIEN—In terms of the responsibility for the national highway, what is your organisation's view on the federal government's departure from its previous responsibility to fully fund construction and maintenance of the national highway network?

Mr Nye—We really do not have a view on the highways; that is really not in our ambit. I think really what we are after, more than anything else, is for the Commonwealth to take a leadership role on all the transport networks. That should be done in partnership with the states because they get some of the benefit of it. It is really a national plan that we are after.

Senator O'BRIEN—How do we achieve this partnership with the states? What is the solution to the impasses that inevitably occur between the Commonwealth and the states?

Mr Nye—One of the things that we have asked for, and have been actually pushing quite solidly for, is to get the whole infrastructure problem and transport reform put onto the COAG agenda—have a COAG review of it and pull it out from the transport ministers, who tend to argue with the ATC with very little effect. It is such a serious issue it should go to COAG. If we do not sort out the transport network in Australia, the constraint on the economy is going to be huge.

Senator O'BRIEN—What about a national transport advisory council? Do you think that that is the sort of body that is needed?

Mr Nye—That is one of the bodies. At the moment, we have nothing really overseeing the administration of Auslink. It is really left up to the government. I think it has to get more important than that. I think COAG really has to review where it is going and actually have a whole plan for transport. Then, after that COAG review, you start looking at an NTAC type arrangement.

Senator O'BRIEN—But a COAG review of the transport systems in this country will take some time. That is the reality: if you get it onto the agenda then it goes back to the working parties around COAG, then you get a broad statement of support and then it goes away. You only have to look at the national water agenda to see that it is languishing.

Mr Nye—First of all I would like to see terms of reference for the NTAC and then who they intend to appoint before I put my firm stake in the ground, but we support some form of advisory body to actually do that.

Senator O'BRIEN—Surely a national transport advisory council would be the sort of body which could commence work quickly on the issue of the impasses and barriers to an efficient economically viable transport system and the intermodal relationships between road, rail, sea and air to make the system work better.

Mr Nye—I do not disagree with you, Senator. One of the problems with NTAC is that it was not looking far enough into such issues as competition policy. If you are going to sort out some of the grain-line issues you are going to have to look at competition policy issues as well. I think you have to go further. If you are going to have a look at a review of competition policy and access pricing, it has to go beyond what the NTAC ambit was. Overall, I would like to see NTAC up very quickly, but in the meantime we have got to try to keep the agenda to try to get a national review of transport. If we do not, the consequences of not doing it are going to be great.

Senator O'BRIEN—Has your organisation any idea of the sort of criteria that should be applied by the government to applications for strategic funding?

Mr Nye—Under that strategic area, it is really focused on regional areas. It is to improve the regional economy. We do not have a problem with that and that is what we have demonstrated with what we have been putting in there. Benefits to the region and sometimes to the regional economy and fewer fatalities on the road—all of those things do not take long to stack up. The guidelines are there. They are very broad, but we have not seen anything in detail.

Senator BUCKLAND—I have a few questions. Earlier in your presentation you talked about technology and getting the alignments and the wheel-to-track dynamics right. If you look at the brand-new line we have basically from Adelaide to Darwin but certainly from Alice Springs to Darwin, and even the line to Alice Springs from Adelaide, they are really advanced high-tech railway technology, and yet the pricing structure is now forcing two fairly big trucking companies to say, 'We're taking our freight off rail.' That worries me, because I am a great supporter of that line. Is it the technology that is wrong, or is it simply that the management of the carrier is wrong so that the pricing is wrong? I have done the sums as best I can by very simply counting the number of double-stacked and single-stacked containers, and counting a carriage as a container as well, on trains using that rail. I see it quite often. I will pass at least one freight train tonight. I count that and I work out the horsepower that is pulling that compared to the horsepower that pulls two containers on the road. What is causing freight users not to use rail when the technology is so high tech? I do not understand that.

Mr Nye—If you read that report, it is road-rail pricing. Rail currently prices itself to compete with road. But the road pricing structure is totally different from rail because we have to make a return on the investment. That is the real issue. What they are doing throughout Europe is actually going to mass distance charging. Again, part of that focus is that you cannot continue to put more trucks on the road. There is a role for trucks on the road, I am not trying to put that argument, but I think you have to have a better formula over the longer distances.

I will just give you some figures. From Melbourne to Sydney, one train takes 450 trucks off the road, saves 46,000 litres of fuel and 130 tonnes of greenhouse gases. Why don't we have more? Because it is not an equal playing field at the current time. That is what we are trying to argue with this current review. We have to look at the whole transport pricing structure. There are two ways of looking at it. You can either change the trucking or the road pricing structure or you can level it out by giving greater assistance to rail. That is a government issue. But you cannot compare them because they have got two different cost bases.

Senator BUCKLAND—There is also the problem that there are insufficient intermodal units for the distance of tracks such as those, going east and west and north and south. I am not talking about the east coast. I understand the difficulties there and I fully understand what you are talking about with regard to bypassing Sydney. But there does not seem to be any emphasis on the intermediate load-carrying capacities of trains. It is all about getting from A to B and forgetting about all those little stops in between. There was a lot of talk, I

remember, back in the late nineties and early this century of an intermodal unit at Port Augusta. That does not even seem to get a whiff these days. I am sorry about the long statements with my questions. When I see 40 trucks on the road-railer units going along the track, I cannot understand why we are not putting more emphasis on intermediate stops.

Mr Nye—I think the best comparison is with where we want to get to, which is the North American-Canadian model. You could have high-speed, super rail lines between the major cities and in between them you could have smaller railway lines and smaller rail companies feeding into the lines—for example, Cootamundra and Tumut. The Mount Gambier line feeding into the main line is another one that could be reopened to take timber products. It is all of those. We have to change the model. The reason we are not stopping it is that, on the east coast at the moment, you could not get another container on the rail because it is at its total capacity and will be until we get the investment to get the track back up to speed. This is what this \$1.2 billion will hopefully do. Once we get to that level and start using that more efficiently then we start looking at the second tier, which is what you are talking about—the smaller railway lines. But in the interim, we do not want to see those being done away with or say that we are not going to look at those or close the lines down completely because we are not looking at efficient transport corridor use. So that is part of the planning arrangements. What is best for Australia? We have never really looked at that nationally. We have kind of played around with little regional areas.

Senator BUCKLAND—You mentioned Mount Gambier to the main line, I imagine up at Bordertown or wherever.

Mr Nye—That is right.

Senator BUCKLAND—Of course, all those lines were closed with the closure of the broad gauge, but they were completely ripped up. Grain-carrying rail in South Australia is probably beyond redemption. I cannot see where the funds can come from for single purpose carriers. I support the idea of having it. In fact, I have written submissions with various boards I have been on previously to support the reopening of those corridors. But it seems to me that the cost is just beyond us. I wonder how you overcome that.

Mr Nye—If you look at that line and also the Limestone Coast rail and put it together as one, in the submission all we are asking for to go forward on that and reopen it only requires about \$19 million, if I recall, from the federal government. The rest will come from the private sector. This is the whole change of focus. The private sector is showing quite a willingness to invest in these but it needs some help to get over some of the deficiencies in some of the infrastructure. So that is what is required.

You talked about the technology. Another major project we really need is a communication system for rail across Australia. At the moment there are eight radio networks across Australia. The Indian Pacific train that leaves Sydney has 345 kilograms of radio equipment and eight different radio sets to go across the continent. Yet with today's technology we can have one. That is what we are trying to move towards, and there are certain things that the industry can sort out. We have not used ourselves; we have not been inefficient in what we have done. We can overcome some of those issues, but the infrastructure burden requires some assistance from government.

Senator BUCKLAND—One final question. I have others, but they are more out of personal interest. You mentioned the bridge in Adelaide. I assume that that is the Dry Creek Bridge, is it?

Mr Nye—Yes.

Senator BUCKLAND—I understood that that was a national highway.

Mr Nye—Yes. It was approved to put it across, because who was going to pay the additional cost to put it higher to enable double stacking of containers? That is just one example in my home state. I can give you one in every state. As we continue to do this, we do not have a long-term plan to say that every bridge built over a railway line should be built to a height to enable double containers to be stacked.

Senator BUCKLAND—I am debating now and I should not be doing that. I understand the importance of being able to double stack on lines such as that one. But, apart from going to the port, you cannot bring anything double stacked, for instance, from the Eastern States through Melbourne because you have the tunnels. Therefore, you need to look at the Adelaide Hills bypass line that I have certain councils lobbying me about at the moment.

Mr Nye—We are looking at all of that. If you look at the ARTC—the Australian Rail Track Corporation—program for the future, you will see exactly that: trying to get a double stack line all the way round. One of the

reasons for building a direct Melbourne to Brisbane rail is that it is far more cost effective to get a double stacked vehicle and the maintenance sitting alongside the Newell Highway than trying to upgrade all the bridges, all the tunnels and everything on the east coast. You will still need that link, you will get a certain capacity, but you have to go to the next level. We need a lot more rational thinking about it. But at the moment you have councils, state governments and the federal government all looking after different aspects, with no coordinated plan. What is needed there is a coordinated planning approach to all of this. You cannot just say, 'I'm going to look after the inner capital corridor.' You have to look at the whole thing.

Senator BUCKLAND—As one who knows they will be having to overtake at least 12 roadtrains tonight and a series of B-doubles, I wish you well in what you are doing. I would really like to see more focus on the rail.

Mr Nye—On the Hume Highway, B-doubles are incredibly safe. But in regional areas, that is where we have to start looking at some of the transport linkages.

CHAIR—We have received your document and attachment. Thank you for appearing before the committee.

[11.28 a.m.]

APPS, Mr Michael, Executive Director, Bus Industry Confederation

CHAIR—Welcome. If you would you like to make an opening statement, then I am sure someone would like to ask you a few questions.

Mr Apps—The Bus Industry Confederation represents both bus and coach operators and the manufacturers in Australia. I guess the broad tenet of our approach to being in Canberra and the lobbying is that we have a view that land transport systems, as they currently exist, are unsustainable. If you look at the pure numbers, you will see that the cost of the system is around \$31 billion—made up of congestion, road accidents and health impacts—versus about \$12 billion collected in revenue. So at the outset we are behind the eight ball. As part of that system the BIC is working towards what we would call building a public transport culture for Australia, as one of the mechanisms to try to address some of those issues.

We believe AusLink takes a first step in resolving some of those issues. But it is primarily freight focused and largely ignores what we would term ‘moving people’ and how we do that today and in the future. So therefore it does not really take a holistic approach to transport infrastructure that has become a little bit too freight-centric, despite the AusLink white paper actually recognising the importance of public transport but still not quite getting over the line. We see that as a major flaw in the current AusLink plan and the legislation because it does not pick up these issues. We will touch upon those as we move through.

I guess it is clear that, without a parallel moving people strategy to fit in line with a moving freight strategy, issues that are with us today and will be in the future are just not going to be addressed. Issues of congestion, vehicle emissions, social exclusion and isolation and access to employment, services and education are all economically, socially and environmentally important, but AusLink does not really seem to get over the line on infrastructure.

I should also note that BIC accepts that the delivery of public transport services is actually a state issue, but we do not accept the view of the Commonwealth that it does not have a role in public transport. We believe the Commonwealth has a strategic role to play in the development of what BIC terms a ‘moving people strategy’, and this includes AusLink and the provision of infrastructure and the prioritisation of that infrastructure.

We think that AusLink should be a key plank in the Commonwealth’s strategic role in public transport and moving people. Without the core public transport infrastructure needs being included now as part of the AusLink process or regime, states will never be able to deliver the right services because the appropriate infrastructure is not in place. We have been left behind. It is sort of a catch-up, actually. We do not think that you can leave public transport and land use planning outside the gamut of the assessment criteria within AusLink and then hope that somehow, magically, the services are going to be provided on infrastructure that was never built to meet the current mobility needs of our urban and regional communities, let alone the future urban mobility needs.

We believe that public transport planning and land use planning should be key criteria in the assessment process for identifying and prioritising transport infrastructure within this process to ensure that we do not get behind the eight ball. Interestingly, the national assessment guidelines, whose development impetus was the AusLink process and which were signed off by the ATC last November, recognise public transport needs as a potential future criterion but do not go any further. We think it should be a key criterion now and be included within those assessment guidelines. It is also interesting that the ATC, in signing off on those guidelines, made that exact point at the meeting. They thought the guidelines should be extended to include areas such as public transport, air and sea transport and non-motorised transport. They are clearly not there at the moment.

If you look at the AusLink program, there are clearly identified and recognised urban corridors that are established within what is termed the national land transport network. It is clear from our perspective that you cannot look at those urban corridors in isolation from the broader mobility needs of the community today and in the future. Those urban corridors that are already recognised within the AusLink plan need a criterion to be picked up to allow public transport infrastructure and land use planning to be included as part of determining who is going to get the funding for which infrastructure projects.

We believe that in the Roads to Recovery program local governments should have a similar criterion placed on them in relation to that kind of PT planning and land use planning. This would make it clear that those regional local councils, who largely receive that Roads to Recovery funding, are accountable and that they use that funding to ensure that the mobility needs of regional Australia are being met beyond just the car.

The reality is that congestion and the resulting emission concerns are already large problems. Current issues such as rising fuel prices—and they are not going to go away; they are going to increase—actually create more and more pressures and raise issues about how people can afford to run cars without looking at what alternatives and attractive travel options there might be beyond the car. An ageing population and a changing coastal demographic are going to bring their own problems as we go, but AusLink does not pick up these issues that have been identified in other policy forums within the transport portfolio. By looking at it in isolation, and in looking at freight, I think we are missing the boat slightly.

Interestingly, the recent troubles at Macquarie Fields were identified by Dr Murray Lee of the University of Western Sydney as symptoms of the lack of planning and the lack of provision of public transport services; that social exclusion, through the lack of access to employment and education opportunities and the lack of public transport services, was part of the undertow that actually drove that community behaviour. It has probably more to do with the provision of services, but the reality is that those developments were not planned appropriately to take into account the mobility needs of a broad spectrum of that community and all the focus was on cars. If you want to get into the city from the Campbelltown area and you do not want to take a train and you do not have a car then you are going to have trouble. I think in its own way the Scoresby Freeway has provided an insight into the problems that occur when public transport factors are not really taken into account. The simple inclusion of a bus priority lane into and out of Melbourne as part of that project would have at least provided infrastructure for any future services to be provided by the state.

We have a national interest in public transport and in moving people and in ensuring that AusLink is the strategic infrastructure platform to allow states to deliver the appropriate passenger services—should they be bus, rail or whatever. We believe that public transport and land use planning should be the core criteria in assessing which infrastructure projects are going to be funded and how they are prioritised.

In conclusion, it is interesting to recognise that Australia is probably one of the last—if not the last—Western developed economies not to have a national strategy on moving people or on public transport. If you look at some international experience, the US has its Intermodal Surface Transport Efficiency Act, Canada has its Canada Strategic Infrastructure Fund and New Zealand has its Transfund. They all provide funding for public transport infrastructure, yet the Commonwealth of Australia wants to hide behind the attitude that ‘it’s a state responsibility’ without taking into account the long-term mobility needs of our regional and urban communities. Those are the points I wanted to make to begin with. I am happy to take any questions.

CHAIR—One of the things about rail freight is that the longer the journey and the heavier the load the more economical it is. I presume that would apply to people as well—that the more people and the further they wanted to go the cheaper it would be on rail?

Mr Apps—You have to look at the bus and coach sector.

CHAIR—If you are being strategic, you could argue that.

Mr Apps—Yes.

CHAIR—Taking the Comet parcel from Redfern to somewhere nearby would not be a job for rail, and there would be a better argument for a bus in taking people from Liverpool to Parramatta.

Mr Apps—That is an interesting issue, because I do not think the best mode of transport and how you do it have been looked at strategically. Our view is that, whether it is bus, rail, ferry or tram, the mode is not the issue. The issue is actually providing the community with access to a travel choice and letting them have the capacity to use that mode or that travel choice. The bus sector largely provides route services, school services and a tour and charter component, which is really the long distance stuff. Then there is what I guess you would call some regional transport issues which really are between regional centres and how people move between those. If you looked at it economically, the longer distances—

CHAIR—It was just something to think about.

Senator O’BRIEN—I take it that your view is that the emphasis on Commonwealth responsibility being a freight responsibility is too limited?

Mr Apps—Yes. If you look at transport more broadly or holistically, you cannot look at a freight moving strategy without clearly looking at how we are going to move people today and in the future. You cannot stand back and say that it is a state responsibility to deliver public transport services when there is a real core strategic role for the Commonwealth to play involving taxation and infrastructure.

Senator O'BRIEN—As you are probably aware, Mr Apps, I have an interest in the tourism sector. I think we generate something in excess of \$17 billion annually from international tourists, and domestic tourism would outweigh that significantly. The transport sector is integral to that, and tourism is becoming an integral industry for regional communities. When you talk about the Commonwealth's role with the AusLink legislation—and you may want to take this on notice—what deficiencies in the legislation have been identified by your organisation with regard to the critical needs of transport infrastructure for industries such as the tourism industry?

Mr Apps—The tour and charter sector will clearly benefit from the AusLink program as it exists because it is actually addressing the national land transport network. Those particular urban corridors and the former national highway system will provide benefits for the tourism sector. In many senses we are really talking more about the route and school services that operate in both urban and regional areas and how their particular infrastructure requirements are not being met. For instance, in urban corridors it is clear that there is no point in just building another freeway and then putting the route bus services in the same congested traffic as the car. Bus priority lanes should be an integral part of those infrastructure developments.

In regional communities it is clear that there are problems with layoff areas and exits and entries to bus stops et cetera that, clearly, local councils need to be aware of and made responsible for as part of, for example, the Roads to Recovery program. So there are different needs for different communities and different types of infrastructure, but from the perspective of the tourism sector there are benefits for the bus and coach sector because we are using the same routes as the trucks will be using. In urban corridors perhaps bus priority lanes, if they are included, could actually be bus and truck priority lanes. This would allow freight to move more freely through the cities, so we would not be saying that we are going to spend a big sum of money on more motorways without thinking about addressing the real issue, which is congestion and cars.

Senator O'BRIEN—I would have thought that the tourism sector's need went beyond the main route interconnectors. In fact, the ability to travel within cities without using a private vehicle can be much more important for a tourist who is not familiar with the roads, who drives on the other side of the road when in their own country and who may not speak the language. It has been a problem in my state with fatalities—people on the wrong side of the road, people not understanding the road rules, or being in a vehicle that they do not know and on roads they do not know. I guess the impetus for developing public transport goes beyond just the connectors between regional communities; they affect issues such as the ability for tourists to believe they can have a reasonable time in communities by getting around.

Mr Apps—That is certainly right. You make a good point. If the route and school services stuff is picked up in the context of bus priority, or how buses can operate in and around cities or in and around regional centres, then those tour and charter buses, equally, will be able to access those. At the moment, if you look at the guidelines that have been developed to assess infrastructure priorities, they explicitly exempt public transport and play to future potential criteria. What we will end up with is a system that is built without those considerations and therefore we will not address those problems you have just raised, Senator O'Brien.

Senator O'BRIEN—What does your organisation think about a national transport advisory council? Should there be one and what should its functions be?

Mr Apps—Our view is that there should be one. We think that, clearly, there is a need for some stakeholders. What it is made up of and how it works is all a mystery. It has seemingly been endorsed by the ATC in principle as a goer, but actually trying to get some detail about what it might be is an interesting factor. Our view is that one should exist. It clearly should have key stakeholders from industry jurisdictions to actually review and assess infrastructure bids and priorities and make recommendations to the minister about what those priorities would be, rather than, as it seems at the moment by reading the legislation, the minister having the final say—and he always will. But at least with an advisory council in between, it might limit the level of pork-barrelling that can actually take place and we might get a more strategic focus on what Australia's real infrastructure priorities should be.

Senator O'BRIEN—By implication, that answer tells us that you think the bill leaves too much discretion for the minister over approving projects?

Mr Apps—I think that it does without an advisory council to at least provide advice to the minister about their view on the priorities.

Senator O'BRIEN—Transparently.

Mr Apps—Yes, I think that should be a key component, whether it is a national infrastructure—whatever it is called.

Senator O'BRIEN—So it follows—given other experiences I have had recently about advisory bodies giving advice to the minister and the minister then saying it is advice to me and no-one can see it—that you do not believe that any such advice ought to be the subject of protection as confidential ministerial advice?

Mr Apps—If we are going to have an open and transparent system, and AusLink is supposed to be the new way we deal with infrastructure, then Australia and the government have to get serious about being transparent and making the decisions based on what the important priorities are, what first big steps are needed, what big projects need to get done and what basic things we should not leave behind. That kind of advice needs to be provided. If the minister ultimately makes a decision which is not in line with those recommendations then so be it; that is the reality of the world we live in. But we need some form of transparency there to ensure that we are actually being strategic about this stuff and that AusLink is a serious effort to fix up the way we deal with infrastructure funding.

Senator O'BRIEN—In other words, if the minister decides not to take advice then that is at the minister's peril; he or she has to justify it.

Mr Apps—Indeed.

Senator O'BRIEN—What do you think of the idea of shared responsibility between the Commonwealth and states for funding the national network, as distinct from what was the case—the Commonwealth constructing and fully funding the national highway network?

Mr Apps—Our view is that the Commonwealth should fund what it has always funded. The national highway system was funded by the federal government. The shared responsibility concept does, from our perspective, provide the opportunity for the federal government to perhaps step away from some of the responsibilities it previously held and throw them back to the states. Our view is that the national highway system, as it previously existed and as picked up in the national land transport network, should continue to be funded by the federal government, as it always has been.

Senator O'BRIEN—In terms of funding strategic initiatives, have you any general idea of the criteria that should be applied to the process of selecting from competing applications?

Mr Apps—I guess the national guidelines that have been developed are a good first go. They have been developed fairly comprehensively between the state jurisdictions and the Commonwealth. Where they are lacking is in the fact that the potential future criteria of public transport planning and air and sea requirements are not actually factored into them. They are a good first effort. Over the next three years that working group is going to continue to work and I think the guidelines will become more refined and closer to the point. But, from our perspective, they are seriously lacking at the moment in the context of the PT and land use planning issues.

There are other areas that were recognised at the ATC on 19 November that the ministers there all agreed needed picking up. I think the criteria as developed are actually a very good start to making the AusLink process work. Then again, we go back to the need for an NTAC. What is the point of having assessment criteria if there isn't anybody there to actually go and review them and then provide advice to the minister afterwards? So there are some holes within the current package. They are the areas we are most interested in picking up now, rather than saying they are future potential areas we could look into.

Senator O'BRIEN—So do you think we should amend the legislation?

Mr Apps—The legislation, at the end of the day, does not go to the guidelines, and the guidelines are the key. The legislation possibly could be amended to pick up ideas such as the fact that public transport planning and land use planning need to be included as criteria. I am not sure how you could amend the legislation. I guess if that is possible that is where we would go. There is this funny mix between existing programs, such as Roads to Recovery, and how they have previously been funded and then how you impose a new set of criteria on local government to include, for example, public transport planning. If the legislation could be amended to reflect the views we are talking about that would be the best step. But at the moment the assessment criteria are sitting to the side and are touched upon in the legislation, but some of the detail that we believe should be required in the legislation is not necessarily in there, and the guidelines as such then become a voluntary code to how you do it but do not have the legislative force that maybe they should.

Senator STEPHENS—I am thinking very seriously about your opening remarks and the comments that you made about the lack of awareness or consideration of the public transport issues of the growing coastal areas and ageing populations. I do not know how those issues can be reflected at all in the current legislation. Have you any thoughts about how that might happen other than the discussion you just had with Senator O'Brien about amending the legislation? The issue you raise is really about social versus economic impacts in many respects. There is no recognition of that in the legislation at all. Is there some mechanism that you can think of that can be incorporated into the AusLink processes that actually does provide a better balance or an opportunity to consider the social and environmental implications of the strategic projects?

Mr Apps—There are two ways I could answer that. I guess I raised it in the context of the fact that it is a big policy issue that seems to have been excluded—what we are trying to do in relation to the future mobility needs of an ageing population and a coastal demographic. It does not necessarily relate to buses as not everyone is going to catch a bus, but what are the opportunities to look at alternative travel choices to the car so we reduce the growth in congestion and address the mobility needs of an ageing population—we are getting healthier as well, so people will probably be driving longer, but providing alternative travel choices is part of that process.

The AusLink white paper does continually touch on the social and environmental aspects, but the issues, as I say, are not picked up in the criteria. I do not think you would necessarily pick up the ageing population issue within the legislation but, certainly within the criteria of assessing future infrastructure needs for, say, Coffs Harbour or wherever it might be, that would need to be looked at as a definitive issue—what is this community going to be in 20 years, what are its mobility needs and what kind of infrastructure is going to meet that? Then at least the delivery of whatever that passenger service might be in the future can be planned for, whether it is a maxicab, a bus, a personal door-to-door bus service or more taxis—who knows what it might be. Having a mobility plan for those kinds of communities needs to form part of the assessment process at least with an advisory council that can then review it and say, 'Show us where you looked at the issue of an ageing population and possible problems and solutions in the future.' But I will come back to you on some innovative ways to put it into the legislation, if you like.

Senator STEPHENS—That would be quite useful. You mentioned the coastal and ageing populations. The other real infrastructure pressures, of course, are in the new urban areas and that whole new development that is planned for Western Sydney. I am trying to think what the mobility issues are going to be there and how they are going to be factored into the strategic thinking that should be around this very major policy issue. The other question I have is about the relationship between passenger rail and freight rail services.

An issue has been raised with me about passenger rail services into Sydney being delayed because the freight rail services are given priority to get through the system, which creates major inconvenience for passengers into Sydney. I know of a particular example where there are passengers that pick up the rail service at Goulburn to go into Western Sydney for treatment at Westmead Hospital. In theory the system is fine; in practice what happens is that those passenger trains are delayed and miss every connection along the way, and then people end up missing their appointments. In a sense, it is competition between freight and passenger. Freight seems to have priority in the rail system now and certainly seems to have priority here in the AusLink white paper. Do you have any comment about how you can balance that competition between freight and passenger services using the same rail infrastructure?

Mr Apps—I think it is a major issue and I am sure the previous witness, Bryan Nye from the railways, raised it. This is at the core of AusLink: how can you look at moving freight without looking at it in parallel to moving people? Sydney is a classic example: the urban rail services are really a blockage to freight. The first infrastructure project off the rank could be a rail freight line that goes around Sydney, so we would have a true Melbourne to Brisbane line that worked effectively, and then you could open up the Sydney urban rail system to have a greater focus on passengers. That is the way we should be thinking. I do not know the solution. It has been a problem for a long time.

It has to be looked at in the context of both freight and passenger transport and what the best options are for delivering an infrastructure project or using the infrastructure we have in the best way possible until we can build that rail network connecting Melbourne to Brisbane. There should not be competition between rail and freight. They are quite different beasts, really: walking-talking freight and stuff that is just thrown in the back of a truck or on a train. Really, the core of the point I am making is that we need to think about how we best manage the mobility needs of the community, whether they are in the outer western suburbs housing commission end or in Neutral Bay in Sydney—

Senator STEPHENS—Or in regional areas.

Mr Apps—or in regional areas. We do not have a view on a national moving people strategy, what that means today and what it will mean in the future, and what level of access to mobility an Australian citizen should have and in what circumstances. That will vary depending on where they live and what they do. It is something that we have not grappled with. We believe that AusLink, which is definitely a strategic core part of the Commonwealth government's role in public transport and moving people, does not address that. Now is the time to do it before moving on and thinking that by fixing the freight system you are somehow going to reduce congestion. It should be about getting them working in parallel. I think that is where the AusLink legislation is basically flawed at the moment.

Senator BUCKLAND—I have some questions that I would like to ask but I have not thought them through sufficiently, so I will not make a fool of myself.

Mr Apps—It will be like some of my answers!

Senator BUCKLAND—There is one question that I did want to put to you, which arises out of what was said by the trucking industry this morning. They said that upgrading the highways, roadways and the bridge structures that we have already got would help them increase their carrying capacity so they could carry larger loads. I come from a state where, as much as local councils huff and puff, we are not going to have regional rail passenger networks, so we rely entirely on the bus fleet. Would the proposed legislation and the roads being upgraded sufficiently increase the capacity of the bus fleet we have now—that is, higher axle loads? I have seen only one service, which comes down here to Canberra from somewhere, that is using four-axle buses now. Is that because of loading restrictions?

Mr Apps—Yes.

Senator BUCKLAND—So if the infrastructure were better, would that necessarily mean that there would be an upgrading of the road passenger fleet—that is, providing better facilities? The bus facilities are not bad now, I guess, although I have not been on one for years. My wife and my son use them and they can watch the tellie on the bus and things like that, which is better than the last time I used one. There are double-decker buses now and there are deck-and-half buses, or whatever they call them, and there is greater use of buses for moving freight as well—in South Australia they tow a trailer. If the infrastructure were better, the bus design might better meet people's requirements. I think people do want better services on buses than they are getting now—the seats tilt back and that is about all you can really say about them.

Mr Apps—Industry has had a view. Currently, two-axle buses are limited to 16 tonnes, despite the fact that they are built to operate at 18 tonnes. Ninety-five to 97 per cent of our chassis are imported from Europe, and they operate at 18 tonnes and 2.55 metres wide. Here we operate at 16 tonnes and 2.5 metres wide because the infrastructure, it is argued, cannot handle it. The industry has had a view for quite some time that there should be a uniform 18 tonnes across the board. At the end of the day, the infrastructure is not really the issue for buses. It is not really an issue for the trucks to get the mass limits review from 42 to 45, either, because the road-friendly suspensions do not actually increase road damage. I think the infrastructure is adequate in most circumstances, and certainly there may be some problems with bridges, but buses should be at 18 tonnes, and that would provide scope for buses to provide greater services and capacity in relation to things that are on the buses. Beyond that, I agree with your view: it should be 18 tonnes and that would improve the fleet dramatically across the board.

CHAIR—What is a standard bogey?

Mr Apps—A two-axle bus is going to operate at 16 tonnes.

CHAIR—How about three-axle?

Mr Apps—A three-axle can be 22 tonnes.

CHAIR—What do you call a three-axle?

Mr Apps—A three-axle—two at the back and one at the front. A two-axle bus, which is a route service in Sydney—

CHAIR—So you are saying that a single-drive, single-rear bus ought to have how many tonnes?

Mr Apps—Eighteen tonnes. Basically, just to put it in context, we have been harmonising with the European vehicle standards—

CHAIR—That is not the case with trucks, though, is it?

Mr Apps—No, it is a different kettle of fish altogether.

Senator BUCKLAND—Has there been a review since the air suspension systems were introduced?

Mr Apps—No, there has not been a need for a review, because everyone agrees that everybody should get the increase. It is just that Mr Scully has managed to hold up the process by arguing for more federal funds for bridges over a long period of time. I think there is some movement at the station in relation to the trucks in particular.

CHAIR—What are you allowed on the front axle?

Mr Apps—Six and a half on a bus, and six tonnes for a truck—which is one of their points of contention as well, because they would like that other half tonne. Because we are largely beasts of state government contracts, sometimes you get some leeway.

CHAIR—What are you allowed on the back axle?

Mr Apps—It is a total of 16, so it is usually nine. It depends what you have got in the front—what your mix and match is. There is 6½ and 9½—

Senator BUCKLAND—I try to think these things through, because I have a lot of time when I am driving by myself. I can understand you saying to lift it to 18 tonnes to run across the Nullarbor and up to Alice Springs. But then they are required to go on more regional roads, which are just not capable. We stop B-doubles and road trains going on some roads because they are just too big. The same must apply to buses.

Mr Apps—It is slightly different with buses. Buses are limited to 16 tonnes at the moment, but when they are full they are over 16 tonnes now. We are saying they should be 18 tonnes so that, during the 10 per cent of the time when they are full, they are actually running legally. On a route and school service in particular, at the end of the trip when the bus is full of school kids, it is obviously heavier. It might be up to 17 or 17½ tonnes for five per cent of the trip. Kids are getting bigger these days too.

Senator BUCKLAND—There is a program to try to get them smaller, I think, but that is another question.

CHAIR—I just want to make out this little case. Why should a bus carry more on its back axle than a truck?

Mr Apps—I have no idea.

CHAIR—So you are not doing too badly.

Mr Apps—No—but at 16 tonnes—

CHAIR—Yes, but that is more than you can put on a two-axle truck.

Mr Apps—It depends on the rating of the axles, actually—

CHAIR—Eight tonnes on the back axle, right? How much can you get on the back axle?

Mr Apps—It depends what you have on the front—6½ or 9½.

CHAIR—You are doing all right. I would not complain. Thank you very much for appearing before the committee today.

Mr Apps—Thanks. It is always a pleasure.

[12.05 p.m.]

BAILEY, Mr Jon Arthur, Member, Government Relations Committee, Railway Technical Society of Australasia

LAIRD, Dr Philip Glencoe, Chairman, Government Relations Committee, Railway Technical Society of Australasia

CHAIR—Welcome. Please make an opening statement and then we will have questions.

Dr Laird—This current inquiry is very welcome. It is timely. Just think of what has happened this year—oil prices have been above \$50 recently, an OECD report has told us that we have got transport bottlenecks and the Reserve Bank of Australia has warned that these will impact on our economic performance. Peak oil is no longer a wild theory. It is something that we may well have to deal with sooner than we thought. While oil is so important, given the way we move people and goods around, the other issues include external costs. To name but one, the Bureau of Transport and Regional Economics identified two years ago that downstream health costs from motor vehicle emissions in our capital cities were about \$3.3 billion a year. For Sydney they averaged about 2.4c per kilometre for cars, which would reflect a 21c per litre cost.

As for freight, AusLink is a good start. To put it into context, it is a very welcome fresh change from what we have had before. In the last 30 years the federal government has invested, in 2004 dollars, about \$58 billion in all roads, of which about \$24½ billion was on the national highway system, including about \$5 billion on the Hume Highway, reconstructing 85 per cent of it to modern engineering standards. During that 30-year time span \$2.2 billion net of loan repayments—in today's dollars—was put into rail capital works and about \$1.8 billion was put into urban public transport, starting with the Whitlam government and continuing with the Fraser, Hawke and Keating governments. That excludes Building Better Cities. So AusLink's freight side is very welcome, because it replaces the idea of road funds with transport funds, at least on the corridors.

On the corridors there are anomalies. For example, Brisbane-Townsville carries more rail freight than Brisbane-Sydney, which is getting a very welcome \$450 million over five years, but Brisbane-Townsville does not get one dollar. Another one of the anomalies concerns the Burnett River bridge near Bundaberg, which now has a flat speed of 15 kilometres per hour. There is Caboolture-Landsborough, which, along with Landsborough-Nambour, is the most congested piece of single track railway in the country. Surely that needs some attention. Burnie-Hobart is another one that could do with some help to be upgraded to fit for purpose, as opposed to the current maximum 60 kilometres per hour limit. We should not just be looking at the first five-year program, which we are already nine months into; we really ought to be putting more attention into what is going to happen in the next five years, and here the management guidelines will help.

Just as the Hume Highway has been 85 per cent rebuilt, some part of these major works might need rebuilding; we might need to rebuild, say, 20 per cent of the Sydney-Melbourne railway to get good, efficient intermodal operations. These deviations, like those of the Hume Highway and the Pacific Highway, take years. So we cannot start planning soon enough for track straightening and corridor preservation, particularly near the urban areas.

The RTSA would like the \$400 million allocated for regional strategic initiatives to come back and be used in looking at two pressing things. First, there are grain lines. The network of grain lines in Victoria should be looked at pre- and post-privatisation; the present state of those lines means that they now need rehabilitation. There is a list of 15 under question in New South Wales. In Western Australia, some time this year they will go. There is also the Eyre Peninsula in South Australia. They are all examples where that fund, as per the white paper, could have been very usefully employed. We have timber plantations coming on stream around the Mount Gambier area. Will we take those to Portland, Victoria, with a fleet of B-doubles, with all their impacts on regional communities and roads, or will we spend a few tens of millions of dollars to standardise that line so it can link into Portland?

We have very serious reservations about increasing the mass limits of trucks at the moment, particularly under the current regime of road pricing, which I think we could say amounts in some instances to highway subsidisation or the use thereof. The structure of the charges needs to be looked at in order to have some mass and some distance differentiation for heavier long-distance trucks, as proposed by the former interstate commission. There is the issue of the quantum of funds needed. They could be increased and, if they were, that would provide money for the national highway system.

Mr Bailey—I am going to pick up the issue of urban public transport. I know the committee will be well aware that we are one of the most highly urbanised countries in the world. In addition, our major container ports, as distinct from our bulk ports, are in our major cities and we have to move our freight through them.

In the white paper, the Commonwealth's argument for not becoming involved in urban public transport rests on two legs. The first one is a claim, which is correct, that constitutional responsibility for urban public transport rests primarily with the states. In this context, I do not think it stands. There have been two major public transport programs by the Commonwealth. The first one was under the Whitlam government, and its results were significant. The second one was under the Keating government. The Whitlam program was to stimulate public transport itself, which it did. If it did not, you would not have had the Queensland railways in Brisbane electrified. They developed an urban passenger train; it was such a good design by the Commonwealth that the specifications of trains in the Queensland system today are still the same. The program under the Keating government looked at another initiative: integration of urban transport with landform. One of its major projects was the Piermont area and the building of the light rail. Similarly, it also funded the railway line to the Gold Coast, again trying to integrate urban transport into land development, which is fundamental if you are going to provide an urban transport system.

There are two other reasons, I suspect, that the Commonwealth has shied away—and in the report there is a reference to cost. Urban public transport is costly, particularly in the current cities. The reason it is costly is that it is often done under traffic and requires the movement of major facilities—water mains and powerlines—and that is a costly aspect. In addition, it involves land acquisition—and, dare I say, it is also costly politically.

The problems that arise with urban public transport can have very dire political effects. I remind you of the Goss government's loss of four seats, which eventually led to its losing office, over the decisions relating to the Gold Coast Freeway. I want to raise that because the political process is an important element in all these transport issues. At a more local level, the issue which has arisen in relation to the new railway line from Epping to Chatswood is again a very significant one: should the railway go by bridge over the Lane Cove National Park or should there be a tunnel? It became a major issue that the community was concerned about.

The white paper raises the issue of congestion. You will see a table in the paper which points out the increasing congestion costs in urban areas. It is very similar to the findings of the integrated transport study that the department of transport did in 1998 that looked at the period from 1998 to 2015. That particular study found that in the AM peak there will be an increase in the congestion cost of 300 per cent and that greenhouse gases will increase by 36 per cent. If we look at upgrading our urban transport systems, it is one of the issues we have to address if we want to get the private motorist out of his vehicle. At the moment, as the white paper very correctly points out, the average motorist does not realise the real cost of what he is doing. From the government point of view, in the national interest you get a much better return from a truck going to a port than you get from a single person in a car—or two or three if they travel the same distance on the freeway. So congestion is going to be a major issue. It will be the sort of issue that will mean that instead of getting a truck into Port Botany twice a day you will only get it in once, and the costs will be real.

Of the other issues that are raised in here, I draw your attention particularly to the impact of congestion and greenhouse gases. There is an estimate in the paper on the impact on health of greenhouse gases. I suggest you read that paragraph closely because it has a fairly unfair comparison. It compares total accident costs and loss of life to loss that will be induced by greenhouse gases in the city. When you look at that paragraph, the issue to understand there is that most greenhouse gases are in the city; many of our accidents are in the country, the result being that it places less emphasis on the deaths caused by air pollution in the city.

The idea that the Commonwealth should not be involved in urban transport is somewhat fallacious as it already is. If we are to look at the whole issue of road demand management in the urban area, we have to look at Commonwealth policies. At the moment we pay people in motor vehicles and in car parking spaces through the fringe benefits tax, and that is alluded to here. Local government is vitally involved in two ways: it controls car parking and building regulations. If you build a major building, you have to provide so many car-parking spaces. Also—which the committee may not recognise—the biggest private investment in our transport system is in local roads with building developers. The design of those road systems so that you can fit a bus system through is a fundamental issue.

So, to finish up, what would a future transport program look like? As I have indicated, previous Commonwealth programs have been major initiatives. I would suggest to you that, particularly in the rail area, it is going to be catch-up because you have to provide a level of service such that people will use the facility.

The sort of thing you would be looking at is, say, providing a third track from Caulfield to Dandenong. The Queensland government is already doing that on the Gold Coast line. You will be looking at providing a third track on the Sunshine corridor, the key issue being that if you want people to use public transport, it must be safe, clean, secure and reliable. That is all I wish to say at this stage.

CHAIR—If you were the Commonwealth, why would you take on the financial responsibility of the states?

Mr Bailey—There are two reasons. The first is that it might be forced on you, particularly if road congestion proves to be too great.

CHAIR—So should we take on the police as well?

Mr Bailey—No.

CHAIR—Why not?

Mr Bailey—We have in some areas, in fact, haven't we—particularly the Australian Federal Police?

CHAIR—So we should take on the police?

Mr Bailey—No. I am not arguing that. What I am arguing about is the issue not only of making our cities—which is where most people live—liveable in but also, as the other senators have raised, dealing with the conflict between freight and passenger movements. The reason that you cannot provide a rail passenger service between Caboolture and Nambour is because there are not sufficient paths on the train—you have to provide a bus service for them. There are many issues like that where freight and passenger trains conflict.

Dr Laird—Why should the Commonwealth in any way, shape or form be involved in urban public transport? It is simply because our present arrangements, which in part reflect federal taxation policies plus investment policies and road pricing, come together to give us a situation where there are very severe costs imposed upon the nation as a whole. One of them is the cost of congestion. In the late nineties it was estimated at—correct me if I am wrong—\$13 billion a year. By 2015 it is expected to be \$30 billion a year. The second one is the health costs which I have alluded to. In the end, many of these come back to the federal government.

CHAIR—Fair enough. So what you are asking the Commonwealth to do is to pick up the state financial blunders, like the eastern suburbs corridor out through Randwick that got sold off by Neville Wran when he emptied the hollow logs. That was just a hollow log exercise. I do not disagree that rail is a great way to get people around, but that was a mistake they made and you think we should pay for it.

Dr Laird—I think basically it is in the common national interest to avoid the situation we have at the moment where our major city, which is supposed to be our key Asia-Pacific city, Sydney, is in the process, because of the present taxation and other arrangements, of building three tollways—and there are another three on the drawing board ready to roll—and yet it is only building half a railway. So in the last 10 years, the population has gone up 10 per cent, the number of households has gone up 15 per cent, the number of cars has gone up 20 per cent, and the number of car kilometres, because people are driving longer distances, has gone up 25 per cent. That feeds back to a very inefficient way of getting around Sydney.

CHAIR—But let's take the light rail in Ultimo. Who do you think the people are that use that the most? They are the bloody tourists and not the people who live in the units out there. The locals get on a bus or into their cars. The point I am making is that not many get on the light rail—forget the colour and movement in what I said.

Mr Bailey—Some people will use it and many people who live there may, in fact, walk to town. But in an urban major project you have to look at three things. Firstly, does it add value to the system? Secondly, can you integrate it with the existing system? And, thirdly, does it fit in with the land use? On the Piermont peninsula, we had an opportunity to do something. All those big power stations closed down, and yet the street system in that area was incapable of taking the urban development that was going to occur.

CHAIR—I have no argument with that. It would not be a very nice place in 20 years to bring up a family, either; it would be a ghetto.

Mr Bailey—That may be the sort of city we end up with. You may make that statement, but, if you have a look at the old inner-urban city centres of Melbourne and Sydney, the land prices have gone up and the rich have taken them over. You cannot afford to have the sorts of industrial areas in Waterloo or in Alexandria that you had in the past.

CHAIR—I understand all that.

Senator O'BRIEN—I am reminded by your submissions of a visit to Sao Paulo in Brazil, one of the cities in South America that was seduced by the car and did not include a public transport system. At times, I am told, the whole of the city becomes absolutely gridlocked. With little public transport, there is nothing you can do. Is it not the case that, by investing in public transport and limiting or reducing the amount of road usage, you are actually saving the Commonwealth over time in investment for freight purposes in the road system?

Mr Bailey—Yes, and you are also saving the Commonwealth in relation to a number of externalities, including road trauma and the potential effect of greenhouse gas emissions on the people.

CHAIR—But there is nothing in this legislation that prevents the states, in the bilateral agreement, integrating their plans with the national plan. This is just the usual old argument: they are quite happy to plan it but they do not want to pay for it. There is nothing to prevent them saying in the bilateral agreement: 'Yes, that line's going to come in there. We'll put one in here and one in there.' There is nothing to prevent more rail or better rail, is there?

Mr Bailey—There is nothing to prevent it. In fact, in some areas it will have to occur—for example, in the Sydney-Newcastle corridor. Currently, every afternoon at four o'clock, traffic on the road is running above capacity, and there are curfews on freight trains going through it because of the needs of the corridor. That is one corridor, arguably the most important transport corridor in Australia, which has to be upgraded, and I do not think the Commonwealth can afford to build another freeway like the one that is there. So that is one area which is part of that urban continuum.

But one of the issues—and I did not explain it well—is that sometimes, to achieve things in the urban passenger area, you have to take initiatives to do it. I indicated those. I think the issue that will be faced in the future is that urban public transport has got so far behind that there will have to be investment to get it up to a usable state. That is very similar to the interstate system where, when the One Nation package was introduced, the lines were practically unusable. Now, if a person gets in the train one station after Dandenong and stands all the way to Melbourne, he is not going to be very attracted to urban public transport. And you cannot run express trains on that line, because you only have two tracks. And yet, to take that analogy further, where is Melbourne growing? It is growing out in that south-eastern sector. Similarly—as the question was raised—there is the growth out to the western part of Sydney: the developments around Castle Hill. There is a proposal in the long term to build a railway line there. But often the opportunity is lost. The land or the corridor is no longer available.

CHAIR—Are you saying that, if a new suburb is built at Castle Hill, the Commonwealth should pay for the railroad?

Dr Laird—No, we are not advocating that. We are saying in the written submissions to the Treasury, this committee and elsewhere that Sydney has a major problem and will probably need Commonwealth assistance to fix it. It will need assistance in the provision of funds for infrastructure catch-up, including to Castle Hill—it could have been done years ago—and it is also going to require attention to road pricing. This goes right to things like fuel excise indexation. If we are not going to have congestion pricing, then it is arguably the freeze on the indexation costing the Commonwealth—

CHAIR—I hear what you are saying; that is a sound argument. However, Goulburn has a water problem. Should the Commonwealth pay for that? The hospitals are in disarray. Should the Commonwealth pay for that?

Dr Laird—Interestingly, it has been suggested in high places that the federal government could perhaps take over—

CHAIR—So what will we do over the states?

Dr Laird—Again we come back to transport—the lifeblood of transport being oil. What we have at the moment is unsustainable. The federal government, to its credit, has said: 'Okay, freight is going to double within 20 years. We have to do something about it. A road based solution only will not solve the problem.' The legislation before the committee is a very good attempt to grapple with the freight issue, but you cannot deal with the freight entirely in isolation. You have to stop the situation somehow, particularly in Sydney and Melbourne, where the streets near the ports and, for that matter, intermodal freight terminals and airports are very gummed up, so that the cost of congestion, the additional health costs and the road trauma do not blow out. To answer the question, it is a great first step for the freight, but we cannot do it by pushing out the passengers.

CHAIR—We hear what you are saying.

Mr Bailey—I will just raise an issue which is obviously dear to your heart.

CHAIR—The weather is dearest to my heart. Do not be misled.

Mr Bailey—If, for example, we have a highly congested urban rail system and a wheat train comes in from the Riverina and has to sit in a siding before it can get to the port and the ship that it is going to take it away has to pay extra demurrage and extra funds for staying in the roads, that is a cost to the efficiency of—

CHAIR—I understand all those arguments, but that is not what I am arguing about.

Senator BUCKLAND—As you are the Railway Technical Society, and having listened this morning, I am intrigued about all of the talk about Sydney. I understand the congestion. I grew up there. I understand the New South Wales rail network and the difficulty of freight, but what work has been done to look at other solutions? Everyone is talking about having to move it, move the terminals, build new intermodal units out in the west, put in bypass lines and all that sort of thing. I understand that. They are the long-term visions. Has your society or anyone done anything to look at ways of improving the integration of freight and passenger movements through the city now? There must be a way of getting freight to the Port Botany facility that is better and can work in conjunction with the current passenger requirements.

Mr Bailey—There are two issues there. The first one is that one of the first major projects is to provide the railway line from Chullora to Macarthur as a dedicated freight line so that you can get over that. Sydney was blessed in the 1920s with the building of an internal freight-only system. It needs to be upgraded, and one of the projects in this paper is the duplication of the line to Botany. In Melbourne you have a different situation. Because the standard gauge arrived late, you in fact have a natural separation from the broad gauge system. So the issue in Melbourne is not so great in the conflict of the two. Where the problem arises is in access to the port itself. Melbourne was blessed. It has Dynon Road behind it—a large flat area. The problem is to get access to Swanston Dock and to get across Footscray Road, and there are provisions for that in here. The Brisbane case is a real problem, particularly with freight coming through from the north where you have one narrow gauge track. It is arguably the highest, most densely trafficked narrow gauge track in the world from Caboolture through to Gympie, and it is very poorly aligned. That is the major problem there. The Queensland government is looking at doubling the track and improving its alignment, but it is a difficult thing to do. You may be acquiring properties, particularly of pineapple growers who may be put out of business. That is one of the fundamental issues, if you look at the EIS situation. It happened with the Berrima bypass. The reason the bypass goes so far to the west into tiger country is that we did the EIS and a number of small landholders in the area would have gone out of business.

CHAIR—You should have been there advising them, because everyone has a price.

Mr Bailey—That is correct.

Senator BUCKLAND—It is really not addressing the immediate needs that we have to get freight moved across rail that is used by passengers. I understand that the number of trains that are running and taking passengers has grown since the days when I lived there, but there must be a way of doing it and no-one seems to be addressing it. It might be that we need to go back to the future to really address this need. Everyone is looking at moving more freight over the same line. It might that we need to move smaller components of that freight at one time. I do not know. But everyone is just complaining.

Mr Bailey—The program has plans for major improvements to get freight out of Botany, with the duplication of the line into Botany. Each of the states has set a percentage for the number of the containers that they want to see eventually lifted out of those ports by rail. In Melbourne, I think it is about 30 per cent. In Port Botany, it is about 40 per cent. That would move the freight out to break-bulk container depots in the west of Sydney where the industry is. At the moment Pacific National is actively looking for a site in the old Holsworthy army range. The Port of Sydney is looking at developing a container terminal on a great slab of land at Chullora. Where in Sydney do you find relatively flat land which is about two kilometres long for a shunting yard? That is what is at Chullora.

Earlier speakers alluded to this: if you are going to develop the system, say, within the city of Sydney, you have to have local government on side. Before National Rail was sold it tried to develop a major rail terminal at Chullora, but the cost penalty from local government was \$11 million, plus the control on entry and access to it. National Rail gave it away and opted for a much cheaper option in the old terminal, which means that you have to break trains in half when you get there. Those are the sorts of issues.

Senator BUCKLAND—Just explain to me: if you break a train in half—

Mr Bailey—It costs you—

Senator BUCKLAND—I understand that; I am sorry to interrupt your answer. This morning we heard from a witness about 40-year-old trains running along the grain tracks—the branch lines. I understand that. They are lighter, smaller and infrequently used. They are used a lot during the harvest. What is the matter with that? Can't we build a smaller train now? Do we really have to have these big locomotives to split a train? That is why I say we may have to go back to the future.

Mr Bailey—The real economies are running big trains of about 3,000 tonnes.

Senator BUCKLAND—But it is not economy, is it? You cannot get them to the port.

Mr Bailey—Some will go to the port. When the train gets to the port, you do not take the container and put it on the boat; you normally stack it, because it is too big to move around and you cannot align it with the boat. Yes, you can; and smaller trains do run containers out. If you take Melbourne-Sydney, the ideal situation is for a train to roll into Dynon Road. The container is off, the new container is on, and the train is out again in four hours. And that is a big train.

But in the outer Sydney suburbs, the trains that ferry the containers out are much smaller, because, quite frankly, you cannot fit big containers in. In the old Chullora depot, when they found it was so expensive to develop the Enfield marshalling yard, they used the same system. It is a real cost if you have a train that size, to break it in half and have a special shunting engine that will push it into the siding rather than having a big open area, as you can see at Dynon.

CHAIR—Does that give some hope for Newcastle, or is most of the task local in Sydney? How much of the task is local boxes?

Mr Bailey—I cannot give you that answer. It is a lot.

CHAIR—I am a bit surprised you do not know that, because you are arguing—

Mr Bailey—I know I am arguing that case—

CHAIR—You are making out a case for Newcastle, Wollongong and other places—

Mr Bailey—I am making a case for the bulk areas surrounding Sydney.

CHAIR—If the local task is the bulk of the task—

Mr Bailey—Most of them are.

CHAIR—You might provide that to us.

Mr Bailey—I will look at it and see if I can find it for you.

CHAIR—Thank you very much.

Mr Bailey—Could I make one other point, gentlemen. I may have spoken too much, but this program which is in front of you is a very valuable one, it is a first step, and the legislation is good. But let me put this point to you: it is of no use whatsoever unless something is done on the ground. And that is going to be the real challenge. ARTC has the problem, it is absorbing the New South Wales lease, it is a very good organisation. Not only has it won prizes for its track upgrading but it has had a realistic approach to the upgrading procedure. But there are major problems that will happen.

Let me again hark back to the One Nation program. Because the money did not seem to be being spent, the department was reporting to the Prime Minister each week. The reason those things arise is: if you want to do any major project, you are looking at two years between go and actually doing it, because of the statutory times in land acquisition and in the EIS. With any major project you will find problems in it. Take the Newcastle freeway as an example. Despite extensive drilling, when the Kangy Angy pass was done, nobody knew about the hard rock that was at the bottom. Initially costs were based on a bulldozer ripping it out and then it had to be blasted. Also, if you are working at the cutting edge of some transport technology, you will have problems. For example, slipform paving on the national highway. We had major failures north of Kangy Angy. The cost in those days, to get it right, was \$11 million.

The final issue which we have to think about with all the exercises under this is that we are dealing in a different era. We are dealing with private companies, and before you start a major project you are looking at very extreme transaction costs. For a project starting in Melbourne, \$3 million is spent in legal fees before a sod is turned. When it used to be done in-house, that was not a problem. But also in the negotiation of them, people are taking positions—they want to get the best deal for themselves.

Finally, in this whole exercise, if we are going to be successful in rail, we must maintain competition in it. You will be told—and I will cut off very soon—that, in bulk, the competition comes from the tendering process. In the multimodal, rail is a price taker—road determines the price. But, again, we are in a private situation. Pacific National is saying that maybe on the side it wants to haul grain, coal and multimodal freight. What happens to the oil contracts to Dubbo, Junee or even Canberra? It can walk away from them if it is not making enough money. Regional freight depots were established at Blainey, and FCL had a train a night going out there, then Pacific National decided not to do it. Fortunately, they found another haulier, which was the Lachlan Valley railway company. The point I am making is that there must be sufficient players in the game to pick up the small trains or there must be competition between at least two big players, such as QR National and Pacific National. If you do not have that, you will find that things that may have gone on rail are dropped because they are not offering sufficient benefit.

CHAIR—Is that code for the fact that there are now some business linkages that are fully integrated from wherever right through to the port and at the wharf?

Mr Bailey—Of course there are. That is not code; that is a fact. That is exactly what Linfox is about with its logistics services and warehousing, as is the Toll company, which is a half owner of Pacific National.

CHAIR—You were not one of the architects of Working Nation, were you? Did you have any connection with it?

Mr Bailey—I do not think so. I might have.

CHAIR—I just thought from the way you were spruiking it that it must have been partly your brainchild.

Mr Bailey—No. Rail reform has really moved ahead in the last 10 years. In fact, we are dealing with a different animal.

CHAIR—We sure are. Thank you very much for that.

[12.48 p.m.]

BROHIER, Mr Peter Neville, Private capacity

CHAIR—Welcome. Would you like to make an opening statement?

Mr Brohier—I do not represent an organisation, but without my representations there probably would not be a Bass Strait equalisation scheme, a Keating offer for a fast ferry and low passenger fares to Tasmania, any cars going free or at a very reduced rate to Tasmania, or any ferries or tourist boom. John Howard put a very significant amount of dollars into the Bass Strait Passenger Vehicle Equalisation Scheme, and it has had its effect, as has the decision by the current Premier of Tasmania to introduce the ferries. However, I am here for an entirely different purpose. AusLink is a national network, and it needs to be national. In my view, it is not national unless it connects Victoria and Tasmania with a Bass Strait connection. There are AusLink connections on both sides of Bass Strait. They integrate into a national network. That network has not been connected. It is a little like laying a hose around the garden and not connecting the two sections.

I would not be here if I were not concerned about the equalisation schemes that the Commonwealth has already put into place between the mainland and Tasmania. These are the Commonwealth funded equalisation schemes: the Tasmanian Freight Equalisation Scheme and the Bass Strait Passenger Vehicle Equalisation Scheme. These do not provide equivalent links to the AusLink network for either freight or people. AusLink is a national corridor for trade, commerce and travel, and that network needs to extend to all states in Australia. Under the Bass Strait Vehicle Equalisation Scheme, competition has not come into Bass Strait, as envisaged when the scheme was announced, and the scheme does not put downward pressure on passenger fares or the passenger component of fares. Over the years that I have watched Bass Strait, I have not seen any volume capacity offered at low fares. In fact a few days ago I tried to acquire a fare at highway level to go to Tasmania from Melbourne and return. The first fare was available that night, but I could not return until 23 March. So you can see that, from a capacity point of view, it is not delivering the volume necessary to prop up a whole state.

The Bass Strait scheme also allows for targeted tourism instead of a highway concept. It is a very flexible scheme, and it is in the control of the Tasmanian government as to how the scheme is implemented. That is a very generous proposition, but it needs to deliver equalisation based upon highway equivalence. It does not provide any downward pressure on prices. The Commonwealth just pays for the car or for the driver and the car, and there is no downward pressure put on prices because that is perhaps a good enough incentive to go to Tasmania. It does not lead to a volume service. The Tasmanian Freight Equalisation Scheme is not comprehensive. It does not cover southbound consumables, and it does not cover goods going from Tasmania to the mainland and on to international markets. In other words, northbound international exports are not covered by it and, because of those gaps, the impact is considerable. AusLink would provide a full national network not based upon those gaps.

What is the impact? The impact on people is that we are building an \$8 billion to \$11 billion national network scheme. If we are dealing with that, Tasmanians will not be able to access that \$11 billion scheme without paying a toll. You just have to go to the Nixon report to see that, despite the subsidy, people are paying in the vicinity of \$1,000 to cross Bass Strait, if they can get the low fares. I would estimate that the toll particularly impacts on larger family groups, three or more people in a car and perhaps foot passengers; they are really paying a significant toll. Those in a car are probably paying a toll of \$600 just to get onto the AusLink network. If you were to try that in New South Wales, if you had a tollgate at the border, do you think the Hume Highway would be used as much? I doubt it. From a Victorian perspective, I guess we are encouraged to go up the Hume Highway to New South Wales. But Tasmania is at our doorstep, and why should we not be encouraged by an equal ceiling to go down and enjoy the pleasures of Tasmania, which is probably the distance that Albury is away from Melbourne.

I will turn now to the business part of this. There is a limit on exports from Tasmania to international markets, because a lot of exports need to come through the port of Melbourne. They are not equalised across Bass Strait. If those businesses were established in Albury, they could send their goods down the Hume Highway to the port of Melbourne and effectively get the advantages of AusLink. There is also no certainty of access at certain highway fares that are available in AusLink to get into Tasmania. In other words, the surface connection is not operating in the same way as other service connections. It leaves Tasmania isolated, and they really cannot use it effectively for private business purposes to get into Tasmania and back again easily without taking air. That reduces population growth. It skews access into Tasmania. There is a high cost of living down there because the population does not grow and it cannot service the critical mass.

From a Victorian or mainland perspective, a person producing the same goods as a Tasmanian producer cannot get their goods into the Tasmanian market as effectively as the Tasmanian producer can get their goods to the Victorian market. Tasmania does not offer a level playing field as far as competition is concerned. Freight equalisation is applied northbound, and no southbound equalisation is paid. So the Tasmanian market suffers. Victoria, in my view, is entitled to three major corridors: one to Sydney, one to Adelaide and one to Tasmania. It is not getting that third corridor.

I am not here just to talk about corridors. AusLink is an important issue. You are here because the legislation needs to be looked at. The AusLink legislation covers some vehicular ferries. The definition of a road under the AusLink bill includes vehicular ferries. It is somewhat similar to the Australian Land Transport Development Act, which covered vehicular ferries on a road between capital cities. The Commonwealth has up until now held the view that those vehicular ferries are only vehicular ferries on a road—not the Bass Strait vehicular ferries. Why is it good enough to have a vehicular ferry going between two capital cities—and I cannot think of one in particular, but let us say there is a vehicular ferry over bay or a river—covered by the Australian Land Transport Development Act and to ignore the vehicular ferries on a critical interstate link in the major network of AusLink?

Some of you might say: what does it cost? You are dealing with an \$8 billion or \$11 billion plan here. The total extra cost to the Commonwealth of delivering an AusLink connection to Tasmania based upon fare equalisation is about \$100 million a year. That will cover freight and passengers, and there might be some savings to passengers. In my view, this issue has gone on long enough. We have had enormous support across the nation for a connection to Tasmania. VECCI have recently come out in support of this link being brought under AusLink, or at least the equalisation scheme being made more effective. So what is stopping this? I guess we as Australians have a right to full equalisation on an objective basis, not an arbitrary one. There are very many positives in the AusLink scheme, but let us give Australians access to all of Australia and not just part of it. It is their land.

Senator BUCKLAND—You said—and it is in your notes that have just been handed to us as well—that Melbourne is ‘entitled’ to three links: one going north, one to Adelaide and one to Burnie in Tasmania. How do they get that entitlement? Is there something I have missed that says each state is entitled to a number of links? I struggle with that term.

Mr Brohier—If you are dealing with a national network, it would seem important under the Australian Land Transport Development Act that there is an entitlement to have every capital city connected. The capital cities that are closest to Melbourne are Sydney, Adelaide and Hobart. That is a current entitlement in the way I read the act. If AusLink is going to come in, then in my view the same ought to apply to the position of Melbourne as applies to any other capital city.

CHAIR—Are you after a subsidy or more infrastructure? This is about infrastructure investment. Are you sure you are knocking on the right door?

Mr Brohier—I believe I am.

CHAIR—I am sure you do.

Mr Brohier—I believe with respect to ferry infrastructure, if we are going to put it into infrastructure, we have already put it in the AusLink legislation in the definition of a road including vehicular ferries.

CHAIR—Do you want more or bigger ferries? What do you actually want?

Mr Brohier—I want to see highway equivalence.

CHAIR—Do you want subsidies? You have not said in plain, easy-to-read English what you want.

Mr Brohier—I want full equalisation so the cost of travel for all people and all freight between Melbourne and Burnie is the same as travelling on a road.

CHAIR—So you want a subsidy of some sort?

Mr Brohier—If you want to call it a subsidy you can, but I call it equalisation. The Commonwealth have called it equalisation up until now.

CHAIR—Can you describe to the committee the existing subsidy arrangements?

Mr Brohier—Yes. There is the Bass Strait Passenger Vehicle Equalisation Scheme, in which every Australian pays \$300 return or \$150 each way to take a car to Tasmania. That is one subsidy. The other is the

Tasmanian Freight Equalisation Scheme subsidy. That covers most goods crossing Bass Strait, save for consumables going south and international exports going northbound from Tasmania.

CHAIR—Under the existing plans for AusLink, how will that change?

Mr Brohier—If AusLink covered the corridor specifically, it would need to do that in the legislation. Then one would expect that it would offer exactly the same type of service that would be offered on any other interstate link.

CHAIR—How much do you reckon it would cost? Is this a sort of open chequebook, blue-sky exercise? Have you got any idea of what it would cost?

Mr Brohier—I am not in favour of open chequebook, blue-sky exercises. I think it would cost around \$100 million, based upon freight volumes. We already have a three-government report—this is from only two or three years ago—that indicated that the passenger scheme could deliver \$50 foot passenger fares and \$200 fares for a carload of people for something like \$28 million. The current Bass Strait Passenger Vehicle Equalisation Scheme costs in the vicinity of \$40 million or \$45 million a year, and I think the Tasmanian Freight Equalisation Scheme costs about \$70 million or \$80 million a year.

CHAIR—So you are really talking about a subsidy.

Mr Brohier—No, I am talking about full equalisation between states.

CHAIR—Yes, I know, but you are not talking about building a bloody railway across!

Mr Brohier—I am talking about money—Commonwealth money.

CHAIR—You are talking about a subsidy. You are not talking about building something.

Mr Brohier—No.

CHAIR—So AusLink is about building something, and you want to change it so it includes what you want to do.

Mr Brohier—I am talking about building an integrated transport network that should not ignore ferries and should not ignore the people of Tasmania or the right of the people of Australia to go down to Tasmania—

CHAIR—But what you are talking about is a subsidy.

Mr Brohier—Call it whatever you like. I am talking about money.

CHAIR—You are not physically building something.

Mr Brohier—No, I am talking about money and a national highway network, a national transport link—which is what AusLink is about.

CHAIR—My understanding is that AusLink is about investment in infrastructure. Is that your understanding of it?

Mr Brohier—This is the most critical infrastructure between the states of Victoria and Tasmania. This is what it is about.

CHAIR—But you have not come here with a plan to build a tunnel, a bridge or a railway line.

Mr Brohier—No, to use the ferries as part of the highway system in the same way as AusLink purports to use the ferries crossing rivers and bays.

CHAIR—So, in the way that AusLink is going to integrate rail and roads, do you think that the subsidy scheme to Tasmania should be integrated into it?

Mr Brohier—Yes, Tasmania should be integrated. The ferries should be integrated into the road and rail system, and AusLink should also refer to those ferries going interstate—not only to little ferries going across bays and rivers.

CHAIR—If I put in a plea for you, will you put in a plea for me to get a tar road to Booligal?

Mr Brohier—Where is it?

CHAIR—It is way out in the west, in no-man's-land, where I have a place.

Senator O'BRIEN—Between Hay and hell, I think is the saying.

CHAIR—Hay, hell and Booligal!

Mr Brohier—Why should I compare that with an interstate link?

CHAIR—Because I am pulling your leg.

Mr Brohier—Thank you, Senator. But, do you know, I think I remember a minister saying, ‘Why shouldn’t I give a subsidy to people in Karumba?’ and I think we have won that argument. Two prime ministers have bought the way I am putting it, but I have that from one of the senators!

Senator O’BRIEN—Can I make it absolutely clear: what you are suggesting, as I understand your submission, is that the Freight Equalisation Scheme and the passenger vehicle equalisation schemes should come under this legislation, not separate legislation?

Mr Brohier—Either they should come under this legislation or this legislation should subsume them but deliver the same opportunity for travel for people and freight, except for non-bulk cargo, as an AusLink national interstate connection.

Senator O’BRIEN—So as well as incorporating those schemes we should revise them?

Mr Brohier—You should extend them to give the same links as an AusLink link, because if you do not you will be discriminating against the people of Tasmania and the people of Australia, who need access, AusLink access, to all states of this country equally. It is their birthright.

Senator O’BRIEN—You are arguing that we should not regard this simply as infrastructure legislation; it should be seen more holistically as legislation which governs the basic concept of the Commonwealth responsibilities for the transport plan for the country.

Mr Brohier—Yes, you should, and you should regard these ferries in the same way as you regard the little ferry that crosses a river or a bay, because you have already put it in the AusLink bill.

Senator O’BRIEN—I am not sure that the complete nature of the changes you want is in your submission, but what do you say the additional cost to the Commonwealth would be?

Mr Brohier—I am saying this would cost the Commonwealth about \$100 million per annum—this is just an estimate—for northbound freight going to international markets and southbound consumables to lower the cost of living in Tasmania. The Bass Strait Passenger Vehicle Equalisation Scheme, resting at about \$45 million, may even be enough to deliver full comprehensive equalisation, because the documents I provided contain an estimate by three governments that full equalisation at the levels that were in the last formula under the Bass Strait equalisation scheme should cost about \$28 million, taking into account the increases in numbers that would cross Bass Strait.

Senator O’BRIEN—Predicated on a day crossing, is it?

Mr Brohier—Predicated on two crossings a day on the basis of their figures. If I am wrong, double the figure.

Senator O’BRIEN—Excluding hotel accommodation costs?

Mr Brohier—Yes, these are purely transport costs, and that is all we ask. This is purely an issue of giving equal links to Tasmania. It is not about this open-ended idea of a subsidy where everything that is offered to Tasmania is equalisation because it is separated by water. It is not that argument; the argument is that you give them equal links and you let Tasmania stand on its own two feet.

CHAIR—I take it you are not in favour of equalising the cost of housing?

Mr Brohier—No. Why should we? You would not, would you?

CHAIR—Because if we were comparing it to Sydney you would destroy Tassie!

Mr Brohier—No, perhaps you might want to move some of the Sydney problem down to Tassie. I am sure they need more boat people! The idea is that it is an equal link argument.

CHAIR—So, do you want to roll the current subsidy scheme into AusLink?

Mr Brohier—Yes—that would be a very suitable way—and then pick up the gaps in the existing schemes and put them into AusLink. You are trying to develop a national network here; why call AusLink national if it is not? Could I just say one thing: this has been supported—the concept for passengers at least, and it may go further than this—by national resolutions of the National Party, the Liberal Party and local government nationally, and two prime ministers came down to Tasmania—

CHAIR—You will be pleased to know that we are apolitical.

Mr Brohier—I am delighted, because even Paul Keating came down and offered lower fares. I am delighted, but I want an apolitical, bipartisan position on Bass Strait. I think the people of Australia deserve it.

CHAIR—God bless you.

Mr Brohier—Thank you very much.

Committee adjourned at 1.09 p.m.