



SPARK AND CANNON

Telephone:

Adelaide	(08) 8212-3699
Melbourne	(03) 9670-6989
Perth	(08) 9325-4577
Sydney	(02) 9211-4077

**TRANSCRIPT
OF PROCEEDINGS**

PRODUCTIVITY COMMISSION

INQUIRY INTO PROGRESS IN RAIL REFORM

**MRS H. OWENS, Presiding Commissioner
PROF D. SCRAFTON, Associate Commissioner**

TRANSCRIPT OF PROCEEDINGS

AT MELBOURNE ON TUESDAY, 25 MAY 1999, AT 9.35 AM

Continued from 20/5/99 in Adelaide

MRS OWENS: Good morning, and welcome to the public hearing of the Productivity Commission's inquiry on progress in rail reform. This public hearing in Melbourne is the last of four sets of hearings. We've already held hearings in Sydney two weeks ago and Perth and Adelaide last week. The hearings are designed for people to raise issues in relation to our draft report, Progress in Rail Reform, which we issued in March. They provide people with the opportunity to provide input into the final report which is due to be released in early August. While people who provide information are protected in this inquiry as if they were giving evidence to a court, this is not a court of law. We try to make the hearings as relaxed as possible, despite the microphones on the tables. However, there are some formalities which we try to follow each time we conduct a public hearing.

Firstly, for the benefit of the transcript we will ask you in a minute to introduce yourself and to indicate in which capacity you appear and I'll come back to that in a minute. Secondly, any information provided at these hearings can be used in our reports. We therefore ask you to be as accurate as possible with your comments and in any answers to questions. But if there's any doubt about anything you say today you can come back to us later and clarify and we can verify it one way or the other. Finally, the transcripts from today's hearings will be provided to all participants at the hearings and anyone who wants a copy needs to contact one of our staff members.

Let me introduce my colleague who I think you know, Prof Derek Scrafton, who is the associate commissioner on this inquiry and I think we'll now get started and I'd like you to give your name and the capacity in which you're appearing today for the transcript.

MR McKILLOP: Thank you. My name is Bob McKillop. I appear in a private capacity but perhaps as a student of Australian history, railways and land transport policy.

MRS OWENS: Good, thank you for that. That seems to imply you've got a good sense of history on this particular topic and probably could answer a whole lot of other questions we might have as well, but we might do that out of session. Thank you for the submission which I think Derek and myself have both enjoyed reading because it was a different sort of submission for us and it actually in my mind pinned down a possible approach to low volume regional networks and high volume networks. So thank you for that, I certainly got a lot out of it. Would you like to now make a few opening comments?

MR McKILLOP: Yes. I'll just make a few brief comments on I guess the reason for taking this approach. One of the things that I'm particularly interested in at the moment is regional development in Australia and I guess when I looked through the draft report, though regional development is in the terms of reference, I felt perhaps that issue hadn't been addressed as well as it might. So I sat down and thought about some ideas that had been in my mind for some time about policy issues of the reform process and the case I've taken is New South Wales because that's where I'm based. Unfortunately I wasn't able to be at the Sydney hearing, I was overseas at the time, so

I've turned up in Melbourne.

MRS OWENS: Thank you.

MR McKILLOP: I guess the key issue that interests me and comes from studies of organisations around the world of sort of what I do, is the historical dimension and the structure of an organisation and how it operates and how that affects the culture of the organisation. In the case of railways, of course, there's very important history to be thought through here - why they were created and the purpose back in the 1870s and 1880s - and in the context of New South Wales and I think other states, were fairly similar. We had an interesting paradox that although the demand for rural centres to get a railway to my town was a dominant political factor, the reality that once the railway was built to my town, the way they were run was to draw everything back to the metropolitan centre.

In New South Wales that was essentially Sydney, though Newcastle for some time also had that sort of influence. Policies were created that were - perhaps the modern economist wouldn't like them very much because whole pricing structures and everything else were created to make sure that everything came back to the metropolitan centre. The organisation of the railways was therefore a very centralised system, drawing everything back to the centre, and the organisation of the railways was run from the centre. I think a lot of that history and culture still permeates, the way organisations called railways are operated today in the government sector. To me that's been one of the reasons that railways haven't perhaps kept pace with technological change, social change, economic change, particularly in the last 30 or 40 years.

So essentially even though in New South Wales we had some very interesting reforms to differentiate the Rail Access Corporation and FreightCorp, I think we still really have a FreightCorp that's much the same organisation structure as it was with its head office in Sydney and thinking of the system from the Sydney perspective. I've been doing a lot of work in regional New South Wales and that's where a lot of my interest is, so I get a feel about how people are reacting west of the divide which is an important issue in New South Wales. It's a political reaction out there, it's a sense of alienation, it's a sense of coping with change and that has interested me a lot, how those communities are reacting and responding and they feel it's all about everything being drawn back to the coast.

But in a transport sense I think it presents some interesting challenges, and that's what I was trying to get at in this submission. The modern logistics sort of organisation has obviously got to be very different to the traditional railway organisation. Perhaps if we simply went ahead and privatised FreightCorp as it was or is now, we may be missing out on some opportunities for reform that have wider implications. So essentially my submission is one based in New South Wales as a case study looking at how if we were to break up the structure of FreightCorp into regional organisations and privatise it with a base in regional centres, we would probably have a very different sort of animal than if we simply privatised the existing

FreightCorp as it now stands.

I've suggested eight regions - that comes from my sort of thinking and I'm sure other people would argue perhaps different structures, but something like that, maybe eight or six. A lot of those regions are west of the divide, and what might happen if an inland high-speed freight transport link were to emerge over the next few years and how these regional operations would feed into that. It is the agricultural heartland of Australia through this area and there are emerging regional centres that I think are growing very quickly - places like Tamworth, Dubbo, Wagga Wagga, Albury - and it just seems to me to be an opportunity to think about this reform process in a different way. So I put forward some suggestions about how New South Wales at least might think of rail reform to restructure the freight operations.

What I wanted to emphasise is, I'm talking about intrastate freight here. I'm assuming we've got the National Transport Network and I'm assuming that's going ahead in National Rail being privatised and so forth. So I'm thinking about how local regional operations feed into that national network and it just seems to me if we had an organisation that was based on, for example, Dubbo and owned with perhaps a high ownership of people from that region, it would operate in a different way to that region than something run from Sydney. So that's the essence of what my submission is about.

MRS OWENS: Thank you very much for that. Just listening to you then it made me wonder about FreightCorp. We might think that going down the privatisation route may be the way to go sometime in the future. We haven't suggested that in our report but it may be a local conclusion that some may draw. Your particular model I think implies a bit of a trade-off. You can go one way which is the privatisation route or retain it as it is now, and see FreightCorp developing into a national player which I think they see themselves as being, as indicated by their winning the Leigh Creek contract.

The other direction which you're suggesting is that it be split up into different regional operations. So there's one objective which says national player, increased competition in the national markets; the other is, your objective of trying to get a system for intrastate freight which makes some sense. There is a bit of a trade-off there and your judgment is the benefits are probably going to be greater under your model than under the other model. Is that right?

MR McKILLOP: I haven't addressed myself particularly to the interstate issue except in the context that if you're going to have a main line network then it would probably work better if something feeds into it. If FreightCorp sees itself as a national player and that's the main interest and we want to rush off in that direction, at the same time they're closing everything down through regional New South Wales, closing off their lines and saying, "We can't operate that, it's too hard," in the end there's nothing feeding into the national network.

MRS OWENS: Unless other players come into the system.

MR McKILLOP: Yes.

MRS OWENS: Do you want to make a comment, Derek?

PROF SCRAFTON: Helen, firstly, I'd like to endorse what you said. I thought that your submission picked up the concepts of the different types of railways, if you can call it that, in a way that many other people have chosen not to do. I've seen them as very rigid typology and figured that they couldn't work together. But there are two things - two initial comments I'd like to make. You very quickly moved to have the small regional operators privatised. Do you think it could operate with local governments or regional governments, regional economic organisations having some sort of ownership, or do you think it's essential to have them privatised? That's the first question. The second one is, do you see it functioning with an access regime, or do you see it functioning more like the American commercial model where it's essentially based upon inter-operator negotiation? Did you take it that far?

MR McKILLOP: I've made some comment on that. I don't see myself as a specialist in this field, but first of all I've used perhaps the concept of privatisation fairly broadly and that the ownership of this regional operator, I think it would be desirable if it had a fair amount of local ownership and that may well include local governments or bodies like that, taking out ownership or indeed employees taking out ownership as well. I had all those sort of possibilities in mind. Certainly what we call private railways in a place like Switzerland, which is an example I do know quite well, are mostly owned by local governments and cantons, and they're called private railways. So I've been using privatisation in that sense, that it operates - - -

PROF SCRAFTON: Differently, from the traditional state - - -

MR McKILLOP: From the traditional state government.

MRS OWENS: And a fair bit of - a degree of flexibility in how that ownership works.

MR McKILLOP: Yes, and I don't want to lock into a narrow definition of what it's going to be, and my expectations would be that some of these regional operations would be quite different to others.

PROF SCRAFTON: In fact, taking that one step further, what your comment made me think about is that in fact there would be nothing to stop state governments being involved but it might be through something like a regional development department or an economic development organisation, so the state comes at it from a rather different point of view and picks up the odd point in your submission about, you know, the terms of reference about regional development not being covered to the extent that you would like it to have been.

MR McKILLOP: But I've kept in mind of course that the state has kept an interest

with the Rail Access Corporation and maybe we could run into a conflict of interest with one arm of the state versus another.

PROF SCRAFTON: Which was the other reason for my second question about whether you actually need an access regime in - - -

MR McKILLOP: I've argued that we've got one and when I thought about it carefully I think there are advantages in that within a second dimension about issues of models for cost recovery for the transport infrastructure, that seem to me have an important implication for roads, need to get into the same ball game - and they've got some way to go, so that I'm arguing that the access regime in New South Wales is a good model, that we could move to the New Zealand thing from there and have road companies doing exactly the same thing.

MRS OWENS: While we're talking about access regimes, you do argue on page 6 of your submission that the vertically separated New South Wales structure should be retained and in our report, in our draft report, we suggested that for these regional railways it could be possible to go the vertically integrated route rather than separation, primarily - there's a number of reasons, you know, the efficiency reasons of being able to coordinate the above track and below track, making those railways more attractive to investors who may want to have the full package and so on. But you seem to have discounted that.

MR McKILLOP: I think I've got a little bit mixed up here. But no, we've gone to the separated regime but I am arguing that in terms of these light traffic regional railways we may need to have a re-look - which is back to the second part of your question I think, Derek - at how open that access is. It is a fairly brief comment but I said, "Well, perhaps it is something like we've done in Victoria and it's a 15-year renewable lease that has some restriction on the access in certain circumstances because of these issues," but that there may be advantages in some other operators coming in like, say, a passenger.

MRS OWENS: There wouldn't be much to stop those other operators on those lines. If they're fairly lightly trafficked they're not going to - I think the incumbent is not going to be putting up huge barriers to those other operators coming in, would they?

MR McKILLOP: The Rail Access Corporation is not.

MRS OWENS: No.

MR McKILLOP: But I am saying these are ideas, they need to be thought through and brought down to refinement.

MRS OWENS: Yes.

MR McKILLOP: But this issue about how open is the access in those sort of

circumstances will be refined over some time, I guess, to try and create a better investment climate. If, from my thing of saying we maintain the open access, the investment into its track and infrastructure is still a state responsibility - and in my annex I did throw away a few little lines that there were some need for a significant investment in certain areas to make things happen, and in my mind that would have been a rail access thing, the investment of the freight operator as in locomotives, rolling stock and terminals.

PROF SCRAFTON: Which is a strong argument for getting a separation, in your view. One of the things that I enjoyed reading in your submission was the way in which you tied this regional reform, or linked the regional reform, to the idea of the new inland railway, if I could call it that.

MR McKILLOP: Yes.

PROF SCRAFTON: I can never remember its latest technical - - -

MR McKILLOP: It keeps changing.

PROF SCRAFTON: But when that railway was first promoted there were strong regional development arguments put forward in support of it.

MR McKILLOP: Yes.

PROF SCRAFTON: But I think your submission, probably more clearly than anything else I've ever seen, sort of brings that together, the way in which you have these small regional railways, and in our inquiry to date we've talked a lot about how they might link into the traditional main lines - you know, the interstate railway if you like. But the idea of the inland railway brings a new sort of aspect to that, that it's not just the traditional main lines that we're talking about here but it could be the new main lines, potential new main lines, and the fact that a lot of the motivation comes from regional development.

MR McKILLOP: Yes.

PROF SCRAFTON: But the one question that I still have is, where will the funding for that main line come from? The reason for asking the question is you mentioned just now that with separation a lot of the responsibility for infrastructure, maintenance and replacement or even enhancement would still rest with the state only. But with the new railway, which is sort of one of the new privatised railways, it's difficult to see how that level of investment can come from the sort of benefits that we see, even as set out in your report. So where do you see it? Where do you see that coming from or going to?

MR McKILLOP: I guess I would see that that route through there would involve probably handing over sections of track to a new organisation, so perhaps sale from the state government to Rail Access Corporation. I'm not sure it's going to work any

other way. So there is a black line through there that perhaps the ownership may transfer. I'm sure there will be a lot of negotiation over that one.

PROF SCRAFTON: But it will require some measure of goodwill by the existing state owners.

MR McKILLOP: I think so.

PROF SCRAFTON: For the new ownership arrangements, whatever they might be.

MR McKILLOP: Yes, and therefore there would be an access thing between the regional operators and that new - there'd be a second access organisation; they'd have to negotiate perhaps. Hopefully it's better than Hamersley.

PROF SCRAFTON: Actually though in a way you've provided an answer there, that in a way the state governments involved - Victoria, New South Wales and Queensland - could still have a measure of equity in the new railway from the transfers that they've made, and could in fact maintain that through the existing access regime, through the existing track owner, so that that is a rather different way of seeing it. I mean, traditionally I've just seen it as a new sort of Alice Springs-Darwin type thing where everyone went out and sought the money and maybe there'd be a few grants here and there. But the quantum is such that one feels that it really is a very difficult task. Anyway I appreciate it and it's just an extra element of your submission that was a rather different outlook on what the future regional railways might be.

MR McKILLOP: Behind my thinking that proposal is very important and it has seemed from an early time to make sense to me. It was developed originally from a strategic transport planning - a thinking of Australia Land Transport in a strategic planning sense is how the idea emerged in the first place. What I've done is, I have put together a map and I'll table it and leave it with you and I've marked on that inland proposing that rail route and in New South Wales it is primarily a long-existing line.

MRS OWENS: Thank you for tabling the map. It's a terrific map and, as I said to you before the start of the hearings, it would be really nice to have a map like that in our report. We don't seem to be very successful at doing good maps in our report, but we'll try a bit harder for the final report. Have you raised these proposals with either the RAC or FreightCorp? Have you got any response?

MR McKILLOP: I have passed on a copy to the Minister for Transport.

MRS OWENS: Have you had any response from the minister?

MR McKILLOP: I've had a response. He's considering it and he will get back to me in due course. But I've actually also taken the liberty of giving it to regional members through that area as well.

PROF SCRAFTON: Bob, I have another suggestion about that. You should talk

about it a lot more. You should get out to, you know, the Institute of Transport, the Institution of Engineers or meetings of that sort, and give it a good airing.

MR McKILLOP: I do plan to do that. Since I put this in I've been away overseas, I only got back on Wednesday. No, I actually have sent it to the representatives of these regional centres and the minister of transport and the minister for regional development in New South Wales.

PROF SCRAFTON: The reason I mention that is that in your submission you talk a lot about, "That despite all the changes that have taken place there is still a lot of cultural inertia in" - you know, that things have not - maybe their names have changed, the titles have changed, but the people are the same and their outlook's the same. I think that's a bit pessimistic. I think in our work we would argue that we have seen a lot of new players and new thinkers in the business. But I believe that if you want to change the mindset of people like that you have to get out and be prepared to say these things and you'll take some flak in the process, in much the same way as the Productivity Commission does with its draft reports.

MRS OWENS: Yes, I can sort of envisage some of the responses. I don't know, but FreightCorp may say, "Well, if we have to do this it means we lose our economies of scale." RAC may say, "We've got a nice integrated network over which we have quite a lot of control at the moment and we're not too sure about these 15-year leases." I mean, there are other advantages of going down the route that you've suggested and one is that if you do have 15-year leases, part of the condition for that lease could be for the private operator to invest in some of the infrastructure, the track, not just the rolling stock - doesn't have to necessarily be left with government. Have you got a comment on that?

MR McKILLOP: Yes, I certainly know that that's the case in Victoria, that there's hope that there will be some investment in the track as well.

MRS OWENS: I think it's going to be in the franchise agreements.

MR McKILLOP: No, I think there's a lot of negotiations and I think that's the importance of differentiating high-density and low-density type regional operations. I do also say in my submission that I'm not sure that it will be a great idea to privatise the Hunter regional operation from being a relatively benign state-owned organisation to an aggressive private monopoly.

MRS OWENS: In our report when we're looking at high volume we couldn't quite make up our mind whether a network such as the Hunter should retain the, you know, vertically integrated network or be, as in the New South Wales situation vertically separated and I think you've sort of kept it a bit up in the air in your - - -

MR McKILLOP: Well, I'm arguing that yes, I think it needs to be held and at present if you're going to maintain the vertically separated approach, which I think personally I see advantages in, then I think we need to go down the track further and

get more operators and more competition there before we do anything too dramatic.

MRS OWENS: You think there is potential for more competition. At the moment it's contestable, to the extent that I think there's a claim that the freight rates on those lines have been coming down because of the potential for competition. But you're saying it could actually go to that next step.

MR McKILLOP: I think so. I understand that there are ways and means of making it difficult for new operators in any bureaucratic sort of approach to things.

MRS OWENS: I mean, probably if you think that there's going to be more competition that's probably an argument for retaining vertical separation. We suggested that the other way of going with vertical integration is if you thought that there was very limited scope for competition but maybe some competition for the market to actually run the trains on those lines and there were benefits that way.

MR McKILLOP: Yes. My main reason really I think for supporting the separation is the importance of having a model that you can also apply to road transport. You know, if you go away from that there's a tremendous opportunity to get it open to better defuel between the two that might be thrown out.

MRS OWENS: Although for the high volume lines, I think we said in our report that the scope for competition with road transport - say, if you're talking about coal - the intermodal competition is not really where the gain is there. But we thought that the scope was much greater on these other sort of lines, the other lower volume regional lines that you've marked on your map.

PROF SCRAFTON: Just one other comment. You mentioned in passing, rail passenger operations and you have a section on page 7 which again I want to pick up because you appreciated again what the commission was trying to get at. We have been criticised because we have not spent a lot of time in our report on passenger transport but our view is that essentially it is a purchaser-provider model and you've picked up that point. But I wanted to ask you, you mentioned that there was criticism in New South Wales of Countrylink. You mentioned that it's heavily subsidised. Coming from elsewhere in Australia, I would have thought that country New South Wales was pretty well served by its trains and the bus links.

MR McKILLOP: I think they're pretty hard to please out there. But I think the point that interested me - and this is what I pick up by going around regional New South Wales - is that again the feeling is it's run from Sydney for Sydney's sort of interests and the timing doesn't suit us. If we were running it from this end, turning the times around and going the other times to suit us, rather than suiting the city people, it might be that more people used Countrylink to go from Sydney to the country than the other way around, but the view of regional New South Wales is that it's not run in a way that suits us which is the argument - - -

PROF SCRAFTON: I think that ridership situation, while it might be true it's

distorted somewhat by the high utilisation by people who ride on concession fares. I mean, I understand the point but equally in defence of Countrylink I would have to say that they do - if you want to make a trip to the country from Sydney - I think, for instance, the only visit I ever made in my life to Dubbo I took the train and my recollection was you left in the morning and got there just after lunch or something. So it can be done but I guess - - -

MR McKILLOP: From Sydney it's good.

PROF SCRAFTON: I guess your introductory comment was the right one: it doesn't matter how good it is, people are going to want more.

MR McKILLOP: I use Countrylink a lot. I go to Cobar too. It's usually pretty good on the buses. The trouble is the trains are fairly unreliable in their timing to link up.

PROF SCRAFTON: Really? Is that a function of their age?

MR McKILLOP: Partly their age and probably track work of the RAC over the mountains. Just one point you made, Derek, I want to comment back on. With FreightCorp, I think it is probably true that they would like to see themselves as a player in the national scene. A lot of their attention is focused to that and getting out and competing for Leigh Creek coal and so forth to be a national player, because that's sort of the glamour area, I suppose. Servicing the line out to Cobar is a bit less glamorous and a bit less interest to the people.

PROF SCRAFTON: Probably a bit less remunerative.

MR McKILLOP: Cobar is not bad.

PROF SCRAFTON: Yes, with the mine.

MRS OWENS: Has the service deteriorated on some of those lines? Is that what you're saying? Are you saying that they're not doing as well as they may have done in the past?

MR McKILLOP: No, it's always been pretty awful. If you read back in the 1880s they weren't very happy then. No, in fact since RAC has come in, for instance, that line to Cobar of course was built in the 1890s to a very light standard - the cheapest thing they could possibly do - and it's had heavy mineral haulage over it for a long time at about 20 kilometres an hour because that's all it could do. They have just recently upgraded it all and it's right back to Narromine and only in recent months they have upgraded the whole track, so there has been a lot of work done.

MRS OWENS: So there has been some expenditure on the tracks across regional New South Wales?

MR McKILLOP: Yes, to my knowledge.

MRS OWENS: That would be the RAC.

MR McKILLOP: Yes. That model seems to me working quite well.

MRS OWENS: So you're reasonably happy with what the RAC is doing?

MR McKILLOP: Yes, and I say so. I've got a paragraph on it.

MRS OWENS: Yes. Have you got any other questions, Derek?

PROF SCRAFTON: No, thanks.

MRS OWENS: Have you got anything else before we finish?

MR McKILLOP: No.

MRS OWENS: Thank you very much, Bob, for coming. As I said we thought it was a very constructive and useful submission for us, so thank you. We'll now break for five minutes.

MRS OWENS: We will now resume. The next participant today is the Rail Bus and Tram Union. Could you please give your name and your affiliation with the union for the record.

MR JOWETT: Yes, thank you, presiding commissioner. My name is Roger Gavin Jowett. I'm the national secretary of the Rail, Tram and Bus Industry Union. We were formed in 1993 by the amalgamation of four organisations - the former Australian Railways Union, the former Australian Federated Union of Locomotive Enginemen, the former National Union of Railway Workers of Australia and the former Australian Tramway and Motor Omnibus Employees Association. The coverage of the union is for all employees in or in connection with the railway industry and tramway industries and also the public bus sector industry. In the rail industry we would be the largest organisation with some 55 per cent of the labour force being members of our particular organisation.

MRS OWENS: Thank you. Thank you very much for the submission. We received it, as I mentioned, before we started just yesterday, but Derek and I have valiantly got through the submission. It is long, and I really do appreciate the time and effort that went into putting it together because it's very detailed and you've covered just about all aspects of our report which I know it takes long enough just to read our report without having to sort of sit down and think about it and then write such a detailed submission, so thank you very much for that. Would you now like to make some opening comments.

MR JOWETT: Yes, I'd like to go to what we see is the key themes and underpinnings of the report. Our overall conclusion is contained on page 1 and goes to our key message which is probably the flip side of the coin to the direction being promoted by the Productivity Commission in its draft report on rail. The key message from the Rail Tram and Bus Union is that the draft report demonstrates that the Productivity Commission is past its use-by date. It would derail the rail industry. The draft report might be decisively rejected by federal and state governments and the community, just as the reports on clothing, textile and footwear, and the motor vehicle industry was rejected.

We then go through a number of observations about the key recommendations of the draft report which goes to a further step beyond the competition principles agreement, beyond the type of direction underpinning national competition policy towards, in our view, a straight out ideological position of the effective cessation of all public sector provided rail services in this country. We then go to the area - and it is a vexed one but there have been a number of reports over the last 15 years which in our view go to road rail investment and also to access pricing issues and user charges in both the rail and road industry. We think the runs on the board in that area are quite conclusive without going to yet another inquiry.

In that regard we report to Industry Commission reports, interstate commission reports, various parliamentary inquiries, including the latest, the Tracking Australia report, of a committee of the federal parliament which was produced in 1998, so

quite

fresh in the minds of the politicians who addressed that issue. Of course we go to what is a crucial issue in our view which is substantial investment in the rail network, an issue which has been on the table for many decades but in our view has been inadequately addressed and that inadequacy in our view is perpetrated in this particular report.

In terms of our general submissions, we make the point that there has been an absolute turnaround in the rail industry from every aspect during the decade of the nineties and that's how history in future years will in our view sum up the changes of the 1990s. In our view, the substantive nature of the change has not been reflected or has been misunderstood by the Productivity Commission in the draft report. Probably the most glaring example of substantive change is the National Rail Corporation formed as a consequence of various discussions in the late 1980s and early 1990s and as you're aware commenced operations in 1993.

Our report goes to the various issues which bear upon the outcomes for the National Rail Corporation and they go from the financial to the labour and management issues, to investment issues, to the whole amalgam of factors which determine whether or not an enterprise is successful. We place a number of caveats there in respect to the flip-flop of public policy where the railway industry is put under the microscope. This has occurred in our view on both sides of the political fence. When you have a look at the nature of changes, the on-rail competition, the separation of operations and infrastructure - all changes which were quite contrary to that envisaged in the early days of the National Rail Corporation.

So we've used that in our view as an example of the degree of change in the issues that are involved, and of course the Productivity Commission from our point of view did the industry an injustice - muddied the waters, failed to notice the transformational change which has occurred in the industry during the 1990s and aggregated AN and NRC which from our point of view is an illogical exercise, methodologically wrong and is an exercise in confusion from our point of view in terms of a comparison of the old railway industry and the new railway industry and what we see as a high degree of confusion in the analysis of the Productivity Commission.

We then go on to competition. Of course, competition is the basis, the underpinning, in our view of the direction being pursued by the Productivity Commission in its draft report. Our view is that if the recommendations - and at this stage they're sketchy - were to be implemented then there would be a further shrinkage of the rail transport sector within the overall transport scene in this country. When the union discusses the issues of competition, there are a number of factors which we isolate out for direct attention. These include vertical integration and market solutions and there's a whole body of evidence in the railway world. Unfortunately we haven't seen a lot of it in this report but it is probably unquestionably the greatest issue in the railway world across continents as to what the future of the railway industry should be and what the solution should be.

So we've paid some attention to vertical integration. To our knowledge there's been two major studies undertaken of separation issues in which the cost benefits and a wide-ranging analysis have been undertaken. They are not mentioned in this report. Both of them go to the advantages of vertical integration and we believe that's a major omission of this report. We also are of the view that the report in many ways is an ideological statement and support by the Productivity Commission for private sector railways. We take perhaps a more wide-ranging view and ask ourselves, what are the issues to be addressed in attempting to resolve the problems we see in our industry. So we take a wide-ranging view of having a look at a lot of these factors and we don't concentrate on the ownership of the industry.

On page 6 of our submission we point to a number of studies including that by the ILO, including that by the World Bank which hasn't exactly got a track record of being sympathetic to social issues or to structural change in terms of what's going on in east Asian countries or indeed a Labor union view of the role of the World Bank and IMF. However, we point out that these reports in many ways - as the quotation from our document indicates, that the ILO conference, for example:

Recognise that in logical terms, the issue of private versus public ownership was secondary to the efficient provision of railway services in accordance with established social objectives.

Then we go on to say:

The empirical evidence does not support the argument that the private enterprises are more efficient than public enterprises.

So that's an issue which we take on squarely, the public-private debate. In many ways we say it's a secondary issue. But in terms of the major recommendation contained in the draft report, that's the one that's focused on, that's the one that's almost given exclusive coverage in terms of the issues and the direction of the arguments unfolding in the report.

We go through a number of examples of both private and public throughout the world. On page 8 of the report we go to those vertical integration issues and in particular refer to a study by Symonds Travers Morgan about Track Australia, a proposal put forward by Labor in the mid-nineties. In some ways it heralded the type of direction being attempted to be achieved by the Australian Rail Track Corporation. It would be fairly typical in our view to say that the ARTC at this early stage or perhaps at any stage is going to have any substantial runs on the board because of some inherent difficulties in terms of track ownership jockeying between positions between the ARTC, flip-flops by the WA government and a number of other changes which have occurred which I think makes it mission impossible for the ARTC in its current form.

So we've gone through that Track Australia study, the feature of which has been a feature of a number of reports, so far comprehensively ignored, and that is

which I

quote on page 9:

Track Australia must have long-term assured funding to allow it to focus on key objectives of encouraging competition and managing the infrastructure effectively.

So this funding crops up again and again and again. Then we go on page 9 to Queensland Rail Study confirming vertical integration and a range of issues which are extracted and included in the executive summary which is set out on pages 10 and 11 of the RTB submission. On page 11 we go to what we see is government confusion on rail competition and then looking at the policy reversals, the ups and downs, the lack of coherence, the lack of public explanation, the lack of cost-benefit analysis of why state governments are changing their mind but at least they have got something in common. If we have a look at Victoria, we have a look at WA they have all come out with what we saw as an ideological position which wasn't tempered by actually how railways operate so in terms of the Victorian PTC freight operations we had the initial enthusiasm, the initial hot flush for separation. That was changed. We had the same type of policy reversal in Western Australia.

Our submission then goes to the area of productivity and best practice. The RTBU is strongly of the view that the approach being undertaken by the Productivity Commission is on the wrong track. We believe that when one goes over the experiences of the 1990s and the issue of productivity best practice, world best practice that the type of analysis being undertaken by the PC has reached the buffer stops and should be continued. We believe that the direction of an unrelenting comparison of US class 1 railways, of which there are fewer and fewer, of which there's monopolies mergers, the big two, and whose economies of scale and track characteristics and volume characteristics in our view make the continued comparisons between Australian railways, characterised by long hauls, thin volumes and lack of investment really means that in our view the major issues of investment, the major issue of access charges and road user pricing are ignored and sacrificed upon what we see as the temple of a very limited best practice example.

We go through material which the union has been involved in over a number of years relating to best practice, it's historical evolution in the United States which was grounded in the 1970s and 80s in terms of US decline in a number of international markets and particular focus on the Japanese economy. We go to what is included in best practice and what's excluded. I think in terms of the direction of the RTBU we would point out, as for example on page 14, the deficiencies of best practice. We outline five areas where there are deficiencies and they range from the emphasis on the internal operations and the exclusion of the externalities, the focus on employees to the detriment and to the exclusion of organised labour and also it does not focus on management practices.

We go on to make some comments in relation to benchmarks and performance indicators. We also quote a number of reports, including the Tracking Australia report which had the advantage of being able to range over the debate concerning

best

practice and international comparisons in railways which of course have got their origins in some of the studies undertaken comparing Australian railways to overseas. I think there has been a slow but positive realisation during the 1990s that there are inherent limitations to best practice, and just a continual narrow focus on comparison of Australian railways and North American railways is limited and it is in fact counterproductive in that it does not focus on many other facets of the issue of best practice.

So I think we just finish up in terms of best practice by quoting Tracking Australia and in particular the final comment on page 16 of our organisation's submission. This was the way it was summed up by the Tracking Australia report:

While not endorsing all the comments made by the PTU, the committee nonetheless maintains some weight should be given to these aspects in any consideration of international benchmarks. It is important that Australia develops its own benchmarks which take into account Australian conditions, much as QR has achieved.

The union in its submission in section 5 then goes on to the competition principles agreement. We believe this is necessary to have a focus on what is in some ways the document which summed up in terms of directions, underpinned by principles, the overall directions encapsulated in the Hilmer report. So in terms of the union's view of the competition principles agreement we point out its origins and also the three main ideas unpinning the competition principles agreement, the Trade Practices Act section, and we say that that has led to a transformation of the structure of rail organisations and the implementation of corporatisation as required under the CPA and the Trade Practices Act.

The example we referred to earlier was the National Rail Corporation. From observing National Rail Corporation's submission it went through the 1991 report of your predecessor and examined the comments made in relation to NRC and the actual outcomes. So in terms of actual outcomes of the NRC all the issues that were set out in the report of the industry commission in 91 in our view have been addressed by NRC in its operation subsequently in 93 to 99. So in our view there are a number of things that come out of that: that in terms of corporatisation that has led to a 100-year change in the way railways operate in this country. In our view that has not been sufficiently weighted in the draft report. Secondly, we believe that in terms of the comparison of the 91 reports and the 99 draft report that there is selectivity when it comes to the issues and the focus upon those issues, that when one looks at the recommendations contained in the 91 report there is in our view an unhealthy focus in the 99 report on one or two very narrow issues. When we use the NRC example, in our view that gives substance and weight to a view that there needs to be a wider examination of the industry and the issues. We believe that that doesn't come out in the recommendations so far contained in the draft report.

In terms of the competition principles agreement we do focus on competitive neutrality principles. We do indicate that the competition principles agreement

require governments where relevant to take into account a wide range of issues including employment, investment, consumer, environmental sustainability issues when deciding on introducing competition to public sector enterprises. We couple that up to a view that there is lack of accountability and democratic involvement as envisaged by the competition principles agreement. So we do that by examining the lack of investigation, the lack of detailed cost-benefit studies when governments in this country privatise their rail sector businesses. A number of examples are given of the cloak of secrecy which has been a feature of the privatisation issue in this country. We go to Western Australia, we go to Victoria, we also go to the federal level and the sham processes which were undertaken prior to the privatisation of AN.

We compare this cloak and dagger with what is envisaged by the competition principles agreement. That direction has not been sustained in actual practice so we call for, as an organisation in terms of the recommendations which are contained in our submission, that that direction be given substance in terms of what the CPA sets out in terms of also international practice. So we give a number of accountability issues and the involvement of the parliamentary processes in both West Germany and the UK, and Australia sadly lacks when that international comparison is made. Maybe what we do is put in an extra factor under world's best practice and include accountability issues because they have not been a feature of the process in this country.

We go to a conclusion in our view at the end of page 19. These examples demonstrate clearly the public interest has been spurned in some historic decisions about rail enterprises. We then go to competitive neutrality issues and we think this is an area of the debate which needs to be focused upon. We believe there are a number of principles and issues which need to be cleared up because in our view the application or lack of application of competitive neutrality principles has been borne by the workforce of rail business undertakings in terms of the pressures put on their wages and conditions, the failure to take into account a gamut of competitive neutrality issues and we have included as appendix 1 in our submissions an outline of what we see is the application of competitive neutrality issues to the railway industry.

In this particular instance, as contained in our appendix 1 we have applied competitive neutrality principles to public transport in New South Wales and of course this paper was occasioned by the then debate as to the announcement by the New South Wales government of reform of the rail system in New South Wales. Appendix 1.9 on page 1 sets out the issues of competitive advantage, competitive disadvantage and the need to take a netting-out approach to cover the full gamut of issues. What the union believes is there has been a very unhealthy focus on wages and conditions and that has translated to a severe attack where generally the lower paid in our industry have borne the brunt, in our view, of restructuring of the industry. We set out a number of factors which are part of being a public sector organisation, albeit a public sector organisation complying with the Trade Practices Act and the challenges set out about corporatisation. They're issues which we believe need to be given attention to in terms of competitive advantage-disadvantage tests but which rarely are.

The union not unexpectedly in section 7 of our submission goes to investment issues. There have been, from our reading of the various submissions put to the commission, quite an amount of detail so we don't need to repeat that. We just make the point about the National Transport Planning Taskforce, the role undertaken by the BTC in identifying mid-term and long-term investment projects and those being aimed at increasing the axle weight, the speed, the dimensions and ironing out a lot of the 19th century historical legacies of rail infrastructure in this country and that is represented, the direction in our view, by the recommendation of the Tracking Australia report for some \$2.75 billion of investment to be undertaken over a period of 10 years.

The union not unexpectedly again in part 8 of our submission goes to rail labour issues to which we devote some amount of detail. We make the point that there has been continuity at least in one area of the Productivity Commission and its predecessor's approach to the rail industry in that it has consistently advocated privatisation, contracting out and in the late 1990s franchising. We go to the 1991 report and what it said on these issues as what the 1999 report also said. We on page 25 of our submission go to outcomes for workers, which we think is an undernourished area of the draft report. We agree in the general area that interests of employees can be defined at a number of levels. We take that and then define the areas where we believe there needs to be a detailed examination and they include job security, insecurity, disguised unemployment issues, bargaining rights, national and international legislation/conventions; thirdly, rail safety; fourth, occupational health and safety; fifthly, wages and conditions; six, family life; seven, training and professional development. As we say in the italics on page 25, "The RTB is concerned at the narrow scope of the commission's draft report when it addresses labour issues."

We express surprise - probably one description - at the omission of any analysis of what has occurred post privatisation. So we make the point, there is a one-line reference to AWA as in Tasrail and in the box devoted to that organisation we note that on a range of occasions the new entrants to the industry, whether they're ASR, GSR or A10, are given prominence. But there is not one iota of analysis of the impact on wages and conditions and the impact on bargaining rights vis-a-vis international conventions and we reckon that's an area that needs to be given substantive attention, and we've included documentation which hopefully will assist the Productivity Commission in its deliberations.

The union then pays considerable attention to competitive tendering and they do vary from state to state. But the underpinning issue for the union is how this has been used as a smokescreen for attacks on workers' wages and conditions. We note what the report says in relation to competitive tendering, that there are given in a box a whole range of examples of competitive tendering which has occurred in the industry during the 1990s but there is not one skerrick of evidence going to what the actual outcomes for workers has been in the industry. So the RTBU attempts to address what we see as a yawning gap in this part of the draft report. We go to a

report

produced by the ACTU in a submission on behalf of the union movement given to the Industry Commission in 1996 and that's detailed in page 27 and 28.

In relation to employees' pay, that particular ACTU submission also goes through a number of case studies relevant to the public transport industry on information provided by the RTBU. Our general conclusion in relation to the competitive tendering is contained on page 28:

Contracting out in the rail industry shows that competitive tendering results in reductions in job numbers and/or employment conditions which are not real efficiencies but a transfer from employees.

So I think that's an important issue for the union movement in our organisation in relation to a conclude that it does not address genuine efficiency gains but is in fact a transfer from what is already a relatively low-paid group of employees who make them an even lower paid group of employees, and we question the whole process. We do set out those examples from the public transport industry contained within the wider context of the ACTU submission and what I would do is point out that on page 20 and 21 of the extract from appendix 2 we do make reference to employees' pay and also cost shifting. More particularly we in pages 75 to 81 of the ACTU submission point out and make a number of conclusions in relation to specific examples of contracting out, which from our perhaps bitter experiences has not been isolated examples.

So going to page 77 we make the conclusion in relation to the contracting out of electric car and freight wagon bogie maintenance in New South Wales to A. Goninan and Co, the following conclusions:

The deceptive public explanation by the government, the loss of the experienced workforce involved, the provision of taxpayers' funds at low interest rates to facilitate a guaranteed flow of work to a private company which was not required to advance any capital of its own, loss of strategic control by SRA through transfer of monopoly maintenance service provisions to the private sector, loss of taxation revenue to the Australian government.

Those broad conclusions are again referred to in the explanation going to the experience of the contracting out of the Ready Power contract to supply locomotives to the SRA of New South Wales and is contained on page 80 of the ACTU submission. The union in its submissions then goes on to Wages and Remuneration, and in this area the approach or the summation taken by the union in relation to this part of the draft report is summed up in the first line:

The RTBU is of the view that this section is very confusing and of minimal assistance -

and that's contained in a number - - -

MRS OWENS: Excuse me, what page are you on?

MR JOWETT: On page 28, presiding commissioner, under the general heading of Wages and Remuneration. So we think it's, as we indicated, very confusing, this part of the commission's draft report. There are a number of what we think is assumptions which really should be challenged as not adding clarity to the analysis. So in that regard we point to redundancy costs as a quite spectacular example. But also when we have a look at the range of issues which impact on productivity we just make the point that they include technological change, new skills, multiskilling, devolution of responsibilities, development of career paths etcetera. We make the observation that no attempt is made to examine the features of productivity increases and their source in the analysis undertaken.

We then go to the issue of AN and NRC and in that regard we make the following comment:

The grouping together of AN and NRC -

and this is on page 29 -

is a travesty and underlines a failure to understand the nature of the changed labour arrangements and new EBA for NRC in 1993. These two organisations have totally different workforces. Of the NRC's 1300 direct employees the RTVU estimates 150 came from AN. When the AN workforce of 1800 workers was made redundant in November 97 \$120 million was allocated in redundancy payments. The majority were not re-employed in the rail industry. Many still have no job.

So we make the point about how the figures were arrived at and we think it gives an entirely wrong impression in this area of productivity. We also make the observation at the bottom of page 29 in the last paragraph that we believe:

By inference the draft report infers that rail workers have benefited handsomely from the increased productivity in the industry eg page 79.

Now, we think that that comes out of a range of confusions, that I think it would be fair to say a person from outside the industry looking at this section of the report would be led to believe that an AN-NRC worker's wage in the last seven-year period increased by 110 per cent. Now, our comment for that is, we wish. But then we go on to an analysis of what the real world in the industry has been and in terms of fantastic figures that are produced in the report, the spectacular productivity increases, the large rise in labour costs or average labour costs, is quite different to an analysis as to how the workforce has fared over the period of the 1990s. So we make some analysis of EBA increases. We make the point on page 30 under the heading EBA Increases:

The RTVU details the outcomes of selected EBAs. In some jurisdictions eg Western Australia, outcomes have not resulted in regular increases because the WA government has directed Westrail not to collectively bargain. In other instances eg GSR, ATN, no EBAs exist but workers are covered by AWAs. The GSR AWA provides for no wage increase over three years.

So in terms of an assumption that there have been regular EBA increases, an examination does not bear that out and particularly when one ignores the post-privatisation result, those areas which have been completely unequivocally ignored in this draft report, the scene is even more bleak in terms of wage increases and if they're provided for, they're irregular in a number of circumstances because of policy directions of state governments and also in the instances of a number of new entrants to the industry they've taken advantage of the AWA process which we, in our submission, argue strenuously and with some vehemence is against international labour conventions. Those companies associated with those particular AWAs, in our view, have breached IL conventions and we will detail that in our submission.

EBA increases, we run through what has happened in TransAdelaide and also the New South Wales State Rail Authority. We make the caveat in relation to the structural change in the organisations in New South Wales. We go through the EBA increases which over the period 92 to 98 for SRA were 20.4 per cent or 3.4 per cent per annum. We then go to TransAdelaide, which we believe the increases on our examination were very inferior, 9 per cent or 1.5 per cent over that particular time period, and of course that is almost diametrically opposed to the conclusions and the directions one would draw from the analysis contained in this report.

We then make the reference to CPIs being around 2.37 per cent per annum or 14.2 per cent over the period, and of course TransAdelaide falls even behind what is an historically low inflationary period. So on any reckoning, because of what we see as the retrograde policies of the TransAdelaide and their directing government, that they have been - the workers in TransAdelaide, sorry, despite a range of policy initiatives on the wages and conditions front, have done very poorly during the 1990s and quite obviously the contracting out, quite obviously the severe decrease in employee numbers, has not been reflected in productivity-based wage outcomes for those employees who remain.

We also make reference to average annual wage increases from enterprise agreements generally and we make the observation on the comparisons we've made. The rail industry lags behind what has been gained by organisations undertaking enterprise bargaining in the wider industrial environment. On page 31 at the bottom we make the following conclusion:

The RTBU is of the view that because of methodological flaws in accuracy of information and lack of detailed information the PC's analysis of labour, wages and employment is of minimal value.

We then turn to the area which is not given one line or one word of attention in

the draft report and that is the issue of bargaining rights post privatisation, or post November 97, and that goes to - an appendix details the view of our particular union and no doubt others, and it's contained in a report by the ACTU and it is headed Not What We Bargained For, an ACTU Report on Bargaining in Australia in 1997. Of course that particular report goes through a number of aspects of the Workplace Relations Act and also a number of case studies and those case studies include two particular examples going to the post-privatisation rail industry, one going to GSR which, as you know, headed the consortium to take up the interstate passenger trains, and the other going to AN which took over a vertically integrated albeit small railway in Tasmania.

The particular reference contained in the ACTU document for GSR circa on trains are headed AWAs and Coercion. The other involves Tasrail or ATN and is titled Freedom of Choice and in brackets we've added (Or Lack Of It). The rail industry case studies conclude in paragraph 1485 of the ACTU submission in the following form:

The experience of the PTU (and other unions) in relation to the privatisation of ANR is that the Workplace Relations Act has operated in direct contradiction to ILO conventions and permits and encourages employers to unilaterally lower terms and conditions of employment. There is no bargaining and hence no choice and no freedom.

So we set out the international position by a detailed reference on page 33 to ILO conventions. We then go to the experience of Tasmania and we outline the union's position as contained in correspondence from the assistant secretary of the International Transport Workers Federation to the CEO and chairman of ATN Tranzrail, Wisconsin Central. That's Mr Burkhardt. That has given a number of extracts, on page 34 and 35 of the union's submission, which goes to the detail of what occurred in Tasmania post-privatisation in relation to the imposition of AWAs.

The union then provides to the commission a number of documents which go to this issue of international conventions and bargaining rights, which in our view have been highlighted by what has occurred in the rail industry in the last two years. We have referred to appendix 3. Appendix 4 is the full correspondence from the ITF to the chairman and chief executive officer of Wisconsin Central. In appendix 5 we have provided the commission with considerable detail going to a comparison of the pre and post wages and conditions of employees covered by these two new enterprises. So one attachment goes to comparison of major conditions AN locomotive drivers agreement/awards and Tasrail AWAs. That sets out in the left-hand column what the AN awards/agreements provided for and then the imposed Tasrail AWAs.

We then go to another example contained in appendice 5, detailing a comparison of the conditions of on-train service workers' conditions of employment pre-privatisation and post-privatisation. The estimate by the union that there is a difference in terms of the take-home pay pre and post-privatisation as a result of the

coercion of the employees under the AWA process, in violation of ILO conventions

of at least \$20,000. We might add that that difference between Serco and ourselves is ongoing. There have been a number of hearings before the Workplace Relations Commission and also there is a Federal Court application taken by our organisation against the employment advocate and also the company and that is on foot at the moment.

We further in our submission highlight the Workplace Relations Act and its contradiction and contravention of ILO conventions. The evidence for that is contained in appendice 6, which is a press release by the International Confederation of Free Trade Unions, and the detail of the report of the ILO committee of experts is contained also in the documentation and is included as appendice 7. That goes to a finding of the ILO committee of experts of March 1997. Of course, also earlier this year there was a further finding by the ILO against a number of provisions of the Workplace Relations Act.

An important issue for the organisation is the issue of contracting out. Where we see an area where in an industrial sense we're probably third or fourth world - and that goes to the failure to protect workers' wages and conditions upon contracting out or privatisation. It addresses this issue of efficiency and what we see as plain old income transfers from one group of workers to another. We point out the practice in the UK, the practice in Europe with EEC legislation going to rights for workers in these circumstances, and also the UK legislation, the trade unions undertakings, protection of employment schemes which ensure that genuine efficiency issues are addressed, rather than the circumstances and the experience of our particular organisation and the members where there's almost an unseemly, unholy focus on wages and conditions and driving them down. That's supported in our view in the material contained in our submission.

We do quote an example of circumstances where the union has protected its wages and conditions upon privatisation and that's the V/Line Freight example here in Victoria. We're following quite strenuous industrial activity by our organisation. In compliance with the protected bargaining provisions of the Workplace Relations Act, the union was able to reach an agreement with the employer and government which is commonplace in most other countries in the world. That goes to the transmission of the business. Our analysis in our view says that there is uncertainty in relation to this privatisation in terms of some instability issues and the fact that the union has been negotiating and there has been quite a change in the participants involved in that particular consortia. We make the point that the transfer of business in these circumstances has stood the workers in the new structural arrangements in good stead.

We also make the point about training issues. We do give some emphasis to this. This is contained on page 36 of the union's submission and following pages, and goes through to page 39. We make a number of quotes from reports over 1990, starting with the Industry Commission recommendation in 91, which hasn't been referred to so far in the draft commission report. We also point to the Railway Industry Council. We point to the Tracking Australia. We also make the observation

there has been no progress made, even though there have been competency standards bodies set up, even though there is a training and distribution training board. There are endorsed rail packages which have gone through the quite lengthy, detailed and involved ANTA confirmation process and they have been endorsed.

However, we make the point that in terms of responses from government there has been a deafening silence throughout the whole of the 1990s. In our view, given that history and given the history of the development of rail training packages under the ANTA umbrella, there is a necessity in the world of public and private railways for those competency standards to be mandated. Now, we make that point on page 38. We then go on to social dimensions and a view taken by the draft report on page 219 that - the comment made in relation to labour adjustment packages is that - and I'm quoting from 219 of the report, commissioners:

However, implementing a similar scheme for rail may not be useful, given that large reductions in employment have been occurring since the 1960s and cannot be directly linked to changes in government policy. In addition, it is not certain that employment in the industry will continue to decline in the future.

That's the end of the quote. Our organisation makes the following points in relation to that comment contained in the report. Firstly:

Government road user charging policies directly affect rail employment. The current vacuum in rail policy means rail workers' jobs are being shed because of lack of modal equity in investment and road user charges.

Changes in government policy have led to shedding of thousands of rail workers' jobs, eg contracting out, establishment of NRC, privatisation of AN and PTC.

Job losses will continue, eg driver only operation, further privatisations. A phone call to any rail operator would enable a thumbnail sketch to be obtained of thousands of more rail workers' jobs to go.

The comparison of the attempts by the federal government to help displaced rail workers with the European Social Fund is not valid. In Australia cuts to job and job training programs in 1996-97 were worth 627 million and over 900 million in 97-98.

The RTVU, in relation to the area of social dimensions, makes two recommendations on page 39. We then make, in our submission, reference to urban public transport. We believe that the urban public transport area is given scant attention in the draft report. We appreciate that there's a wide area to canvass but when one goes through the report, the overwhelming focus from our point of view is on freight railways. We make the point that there is no concept of urban public transport as part of an integrated urban planning strategy, such as the New South Wales government's Action for Transport 2010, an integrated transport plan for

Sydney.

We then go on to make some comments about the purchaser-provider model and they're contained on page 40. We then make the points in relation to who benefits from competition policy reform. On the one hand we have substantial price reductions for a select number of major companies in Australia and perhaps also for an area of the agricultural community. We make the point that the major populations in Australia, whether the regional areas - which of course have fewer rail services - or the populations, the millions who use public transport in our major cities, have not benefited in terms of price reductions. In fact there have been real increases over the period of the nineties.

We then make reference to the British Rail privatisation outcome, which we believe is a pertinent and valid comparison, given the fact that many of the privatisations taking place in Australia are unabashedly based, in terms of a framework, on what has occurred in the UK. The UK outcome, whilst there's a lot of debate - there are a range of reports which suggest that at best it has been variable. Now, we could go on and cite investment issues, subsidy issues, on-train running issues, the fact there was a national rail summit presided over by the British Prime Minister some weeks ago, which is reflective of an unease about the outcomes of the British Rail privatisation process and the need to forge new directions.

We also go into the fact that there's no reference to the role of the federal government, once again a market-based solution being pursued by the federal government, whose spokespeople are on record as saying that all public transport should be privatised. In terms of how we are going to address major issues of ESD issues, of liveable cities, is not addressed in this report. We make reference to the role of the federal government compared to other federal governments. In this instance we point to the Transport Equity Act passed in 1998 by the US federal government, which devotes billions of dollars to urban public transport, and we compare that to the initiatives in Australia which focus exclusively on major highways in our capital cities, including the M5 and M2, the extension of the M4, the airport motorway and the 1.7 billion Transurban project in Melbourne.

Of course we haven't included them all, whether it's the 400 million tunnel in Western Australia, whether the extension of a few clicks of highway in Adelaide at the cost of hundreds of millions. We make the point that there's been a withdrawal for many years by the federal government in the area of urban public transport and that does not sit easily with overseas practices, particularly in those countries in which, as typified in this report, we make comparisons in other areas, and I refer to the US. So if we're going to refer to the US, our view is there should be some degree of even-handedness and we should recognise there have been substantive changes and participation and involvement by what is a federal political structure.

We then make the point about the fact that we view the discussion about UPT issues as scanty. In appendix D1 the point is made that further and major work is being done on international comparisons of Australian urban public transport and

overseas. It is our view that until organisations such as ourselves and more importantly the public see the outcome of the further deliberations and studies being undertaken by the PC then in our point of view it is fruitless at this stage to go on with an examination of UPT issues until all the facts and figures are on the table and until a proper and adequate analysis can be undertaken.

We then go to a report of Andrews Sykes which compares urban public transport in Australia to 22 other countries. They make the comment that the integrated publicly-owned transport systems work better than privatised and fragmented rail systems such as the premier in this state is now imposing on Melbourne. The study by Andrews Sykes shows that in 1995 Melbourne urban public transport achieved 63 per cent cost recovery and Sydney achieved 58 per cent cost recovery, very close to world's best practice. Toronto and Oslo were also best with 65 per cent cost recovery. Then we go on and make some other points.

A major component of the union's submission is the area of rail safety and we have detailed quite an amount of attention to this area because we believe it's lacking in the report and also a considered analysis in our view is lacking in the area of government rail regulators and also the various IGAs and pieces of legislation which have flown from considerable change in the railway industry in the 1990s. We make the point that it's our view that:

The PC's main concern about rail safety was that it was too complicated for a new operator to become accredited in several different states and it was urgent for the Commonwealth to give leadership in creating a one-stop accreditation shop. The PC recognised that workplace safety for rail workers had sharply deteriorated in the late 90s, most likely related to the growing fragmentation of the systems. In table 8.1 the PC reported in the rail industry in 1995-96 there were 42.59 non-fatal accidents per thousand workers compared to 41.84 for all of transport and storage and 25.47 for all industries. In 1998 10 rail workers were killed in the New South Wales rail system. This compares to zero for each year for the last 8 years -

a startling comparison, and really when one considers safety issues and the examination of them and the fact that it has been put under the microscope by the federal railroad administration in the US and also by the occupational health and safety executive in the UK, says to us that there is with fragmentation a necessary environment of there being opportunities for a decline in rail safety. We say the evidence of 10 railway workers killed in New South Wales alone in the last year contrasting to no deaths in the previous eight years should send all railway crossing alarm bells to absolute being set.

From our point of view when 10 workers lose their lives in these circumstances and it is not considered a major issue, and we focus on is it too complicated or not for a new operator, of which there are very few and which so far have had a minimal impact in terms of market share in the industry, that there is something wrong in the analysis. We believe that it's wrongly focused, we believe that the lessons of the 90s

aren't being drawn out. In our submission in particular, appendix 9, the union has detailed in that appendix the union's views of the New South Wales Safety Act. As you are aware the act, which was the first one and predated IGAs on the issue, was instituted in 93 and contains a review period. The union in its submission - and I have referred the commissioners to page 1 - sets out 13 areas which we believe should be given attention. They go to gaining accreditation under the Rail Safety Act to certificates of competency, to mandated hours of work. We make the point that we believe that there is a major safety issue in a number of areas of rail operations in this country where award and EBA provisions relating to shift limitations are being ignored by a number of operators, and we make a number of proposals in relation to that.

We take the point of view that there needs to be regulation in this area, and the 13 areas we have referred to in fact calls for greater regulation and mandation through legislation because of the experiences we have observed and our members have undergone during the second half of this decade. In one of the areas of the recommendations of the PC report there's reference to best practice regulation. Generally in broad terms we could probably refer to that as a light-handed approach of there being minimal regulation in terms of leaving it as much as possible to the applying maintenance company or to the new operator on the rail tracks. We believe that needs to be qualified by a range of areas of rail safety issues.

Thus far rail safety in our view has not been given the attention it deserves. It has been hand-balled around. We see as we go across the states a whole range of rail safety legislation being passed, starting off in New South Wales in 93 and going across Australia to reflect the IGAs between the federal and state governments. We observe the fatalities and injuries in the industry in the 1990s which, given the severe rationalisation of the industry with perhaps up to 50 per cent less workers yet there are major concerns about rail safety. There have been a number of major rail safety incidents - Hines Hill in Western Australia - there have been outcomes of WorkCover authorities where rail employees have been subject to record fines because of safety problems. There has been the Beresford inquiry in New South Wales which pointed to fatigue problems and hours of work and there has been in our view a totally inadequate response by inquirers, governments and employers and it is an issue which needs detailed attention and urgent attention in the view of the organisation.

We then conclude appendix 9 by reference to an article which appeared in our spring edition of the union's newspaper and is under the heading of Rail Safety in Crisis as Systems Fragment. We go through a number of examples of what's occurring in the industry. The Hines Hill collision, two members killed, the Beresford collision, October 97, four members injured, some of them severely. Then we go through some of the factors drawn out and also an analysis of what has occurred in New South Wales. Also we point to some occurrences of what is occurring in overseas countries.

The union concludes its submission, commissioners, in making a series of nine recommendations which go to a summary form of the union's views encapsulated in

the previous 10 parts of the union's submission. I won't go through the whole 19. They are wide ranging, they cover the gamut of issues which we believe are relevant to the industry. On behalf of the organisation we thank you very much for the opportunity to put a considered view to this commission.

MRS OWENS: Thank you very much, Roger. I think it probably was worth going through that submission in detail because you have covered a lot of material and I thank you for that. We actually had you down on the program for just an hour and we have gone over that hour. I hope our next participants will bear with us but I would very much like to ask you some questions and I'm sure that Derek would as well. But before I do I thought I just should make a couple - I think there's a couple of misconceptions in your submission I think that we need to clarify. One of those misconceptions was you seemed to think that we're advocating privatisation.

MR JOWETT: We do indeed.

MRS OWENS: I don't think that that was exactly what we were intending to do and if we have given that impression I think we will have to think about how we express ourselves better. On page 131 we did talk about the advantages of private ownership in terms of having a commercial approach and so we acknowledge as a finding - we don't have a recommendation on this but we do acknowledge as a finding that an advantage of private ownership is its commercial approach. You might argue that under public ownership there has been a reasonable commercial approach in places like Western Australia or Queensland.

MR JOWETT: Indeed we do.

MRS OWENS: Yes, we can come back to that. Then we said:

In deciding to privatise railways governments need to consider the competitive environment including the extent of intermodal competition and the effectiveness of regulation.

We then say, "There is a strong case to privatise rail services operating in competitive transport markets." I think those words "in competitive transport markets" are sort of very critical words. Then we do have a recommendation which says that "Governments should consider the scope for" - we don't say that governments should do this. We say just look at "the scope for and assess the potential benefits and costs of further private sector involvement through contracting out, BOOT, franchising, privatisation, as an integral part of their approach to rail reform." So we're saying look at is there potential to go further. There may not be.

With respect to urban transport services we opted in that case not for a privatisation model, a pure privatisation model. We considered that it was important that urban transport systems should remain in public ownership but there be purchaser-provider type arrangements so that if jurisdictions decided that they wanted to introduce some private involvement that would be through franchising

arrangements as in Victoria or through contracting out but that the system itself would very much remain in public hands. So I don't think we were necessarily going gung-ho for privatisation; I think we stopped short of that. If we have given that impression that that is what we're saying - I guess there is an attraction to looking at whatever forms of ownership that you can get that will lead to a more efficient, more competitive transport system.

I think one of the objectives that we're trying to achieve is to ensure the survival of the rail system in Australia, and to ensure the survival we think that one of the things that needs to happen is that we have to have ongoing improvements, including improvements in efficiency, and what then can we do to ensure that happens? Can we just stop at this point? I don't think that anybody is suggesting that we go back to what was there before. Being realistic, that's not going to happen. We could stop at this point. Each jurisdiction has got a different model. We could say, well, there's an interesting experiment going on in Australia. You've got Queensland with its publicly-owned, publicly-run Queensland Rail, you've got Western Australia that's about to privatise its freight business.

MR JOWETT: Perhaps.

MRS OWENS: Perhaps. We've got Victoria with its own model, we've got New South Wales with its model. They're all doing something slightly different. So that was one of the issues, privatisation. We didn't recommend privatisation, we just said the governments should consider the scope for that. Now, you might think that that's splitting straws but we certainly weren't saying the whole system should be privatised.

The other issue which I think you may have misunderstood was that we weren't advocating vertical separation in all cases. In fact we only thought that that was the obvious way to go for the interstate network, and for the rest we said that we saw that there was a very strong case for the urban system to remain vertically integrated, we saw that there was a pretty strong case to have vertical integration for the low-volume regional lines and we sat on the fence on the high-volume lines such as the coal networks and asked for further comment from participants

So we didn't actually say that systems should be vertically separated and in fact we got into quite a lot of trouble when we went to New South Wales for our hearings because the Rail Access Corporation came to see us there and thought that we hadn't been sufficiently supportive of the New South Wales model and will be actually coming back to see us again on Thursday of this week.

The third thing I wanted to clarify was the work we're doing on performance measurement and the benchmarking that we're doing. We actually have tried very hard to get information from quite a few countries, not just the United States. I think we did acknowledge in our report the difficulties of making comparisons with class 1 railways.

MR JOWETT: It didn't come out in the overview though.

MRS OWENS: Perhaps we'll have to make that clear in the overview.

MR JOWETT: Or the public releases either.

MRS OWENS: Right. We did, I hope, make it clear, at least in the chapter, that we were in the middle of doing quite a lot of work and we didn't want to actually hold up the report because we have a deadline of August and we wanted people to have enough time to look at all of the report as far as we'd gone. But we have held workshops and one of your colleagues has attended one of our workshops recently and we are trying to introduce information from a range of other countries - European countries, South Africa, United Kingdom, New Zealand. We unfortunately couldn't get any information from South American countries, and we were particularly interested in looking at Argentina because there's been quite a deal of structural reform in that country and unfortunately we just weren't successful.

We've also been less than successful in trying to get information on urban networks. So I'm not quite sure how far we're going to go for the final report but if we do anything outstanding we're certainly happy to show you before the final report comes out but don't hold your breath on that one. I just wanted to make those three things clear to you. I think we're basically coming at this, as I said, from the point of view of trying to get a system that will survive into the next century and hopefully prosper, and I think the question is, what's the best way of doing that. We are concerned about labour market issues and we are concerned about jobs and I take your point that we probably haven't got sufficient information in our report on some of the issues that you would like to see there and I think that what you've given us - you've given us a lot of material that we didn't have before.

But I think the other thing I'd like to say is that when we were looking at average annual labour costs, I don't think that we were trying to imply that the wages of the remaining workforce have been going up. I don't think that's what we were implying in that data. We did actually acknowledge on page 79 that reductions in staff will increase redundancy payments and may change staff composition. We were trying to understand what was going on there and I think we did acknowledge that redundancy payments and a number of other factors were involved in that data. So I hope that clarifies - I don't know whether you want to respond to anything I've said.

MR JOWETT: My response would probably cover half of our submission which is a problem in time constraints. We still don't resile from the fact that we think that the Productivity Commission has an ideological bias. We don't resile from the fact, in terms of the presentation and the detail in the draft report, that the inescapable conclusion from our organisation is that the Productivity Commission in the draft report on the rail industry is an advocate of further privatisation and gives pre-eminence to that as its strategy for resolving the many problems of the rail industry.

There are a whole range of issues which are brought up about commercial

approaches and we can go through Westrail and we can go through Queensland Rail and we can go through FreightCorp, we can go through NRC, where we say that public sector enterprises have been successful, even in the terms set out by the Industry Commission in 91. In terms of what we see as taking a "softly" approach to the comments from the presiding commissioner about the Productivity Commission recommending that there is scope for and analysis of - by governments - further privatisation and contracting out, and in our view that's not matched by the events, that we've given example, after example, after example where governments, despite the obligations they've signed up to national competition policy, and the supporting legislation of the competition principles agreement do not examine the cost and benefits.

That has been the outcome. That is what the runs on the board have said so far that there has been an ideological determination that that's the way to go forward. We say on the basis of that runs on the board, the evidence, the factual examples of what's occurred to date - whether it's in Western Australia, whether it's at a federal level through AN, whether it's through the government in this state, whether it's New South Wales keeping it in the public sector but having some structural reform - not one of them voluntarily has come out and said that we should even comply with the competition principles agreement or we should take it a step further and do both by complying with it and doing it publicly.

So in that vacuum where secrecy is the byword, any recommendation that says governments should have further scope, in our view is an incitement, is an encouragement for further privatisation and contracting out and franchising in whatever form it might take. In relation to ongoing improvements and survival, we have diametrically opposed views. In terms of what the reform process has delivered to the railway industry so far, we would be very hard put to say that it's one that's been punctuated by success. If we have a look at the reforms of the 1990s, we start from a point of where is the increased market share. That's an issue that Associate Commissioner Scrafton has been familiar with for a generation. Where is the market share between road and rail? That's been the underlying direction which commentators, industry participants and governments have focused on for a generation.

Yet in this report, in the whole debate about where our rail industry is going, we do not talk about ecologically sustainable issues. We do not talk about Kyoto climate conventions. We do not talk about livable cities. We do not talk about what circumstances would see a major change in tonnage from the road transport industry to the road freight industry. We do not see an analysis of the increasing foreign control of public transport in this country and whether in five years' time there will be a monopoly in control of rail freight in this country. I think there is a scenario which sets it in terms of who the players are internationally, particularly the cashed-up Americans, that we are facing a scenario where there is likely to be a private sector monopoly with perhaps a couple of niche players within the next five years. Not one line is devoted to the potential need for an examination of where the industry is going in relation to the Foreign Takeovers Code.

There is no examination in the industry of why we have not increased our market share. What the union says is that this fixation with on-rail competition, this fixation with separation issues, has meant that we've been shunted into a dead-end siding. It means in fact that the major issues impacting in our view on the health and the future prosperity of our industry are being overlooked for these theoretical - though they have important practical implication - issues of on-rail competition, separation issues, rather than user-charging issues, rather than investment issues. So in relation to the vertical and the separation issues, the union has provided a number of case studies. The union has said, here are case studies about separation issues.

You've indicated to us, presiding commissioner, you weren't advocating, other than for interstate freight, a separation model. We take issue with that on a number of grounds. We would say in discussing four models you are in fact going down the path of fragmentation of existing rail systems. So to go down that path would be in our view, for example, in the Queensland circumstances an example of anarchy. So let's take Queensland Rail, an integrated public sector operator, an operator who has examined vertical separation and integration issues and has an international consultant specialising in rail, saying, "There are obvious advantages for your organisation to adopt that model."

We go further and we say that the best practice companies that have been referred to in the report and are referred to by commentators and industry participants generally are the US Rail class 1 railways, New Zealand Rail, and they are vertically integrated. We go to the circumstances of the privatisation of the then three freight businesses of the former British Rail. What was the first action undertaken by the successful bidder for those three enterprises, and that was to join them together in the one company. What we're seeing in Australia in relation to interstate freight railway is policy directions which are confusing and contradictory. So pre-93 we have a vertical integrated model and then without any public inquiry, separation arises; without any public inquiry on-rail competition.

So we've got a couple of operators which have come into the industry and there has been severe competition. I think our economic theory would say, following that competition, following the long distances, following the fact that a number of these operators have a small capital base and have outmoded rolling stock and locomotives, they are likely to be temporary. Our economic theory says, in my view, in terms of the Australian market, the economies of scale that are involved - and our market is overshadowed by the US which is 33 times bigger - suggests there will be a consolidation and a shake-out.

That's what a number of us, in terms of following the privatisations, being independently involved with them and considering the pressure being put on - FreightCorp at the moment, the NRC privatisation which is stalled because of intergovernmental differences at the moment, the flip-flop policies of Westrail where they've said one thing one day and another thing the next day, a bit like a change of the weather - suggest that we have the worst of all possible worlds on the interstate

freight network.

We've got Westrail and their government in the early nineties saying to Labor when they defined a national rail highway network, "You can't have Western Australia in because we need to protect our interests." Then we have the formation of the ARTC, it doesn't have Western Australia in, and Western Australia have gone full circle and are advocating, in a difficult environment - given that they had the contradictory policy three years ago in relation to contracting out - they're plumbing for a vertically integrated railway. So we've got the difficulty of arm wrestles between RAC in New South Wales and ARTC in relation to access pricing issues, and we have a very limited investment program which pales into insignificance with what there is in terms of modal investment between road and rail.

So in terms of a national road network which is defined, a national road network which was established in 1974, a National Road Transport Commission which has a number of functions and regular investment top-ups to an already substantive base for road investment across a defined network with particular standards, and when one compares where the rail industry is with what has been going on in road transport industry for 25 years, our conclusion is that it's nothing short of a joke.

MRS OWENS: You mentioned fragmentation and anarchy - if there was fragmentation - if it was to occur in Queensland. In New South Wales I think there's been another sort of fragmentation in terms of they had set up the Rail Access Corporation and FreightCorp and RSA, do you think there's been anarchy in the New South Wales context?

MR JOWETT: There are different circumstances. In terms of when I was looking at the interstate network we have a combination of models from jurisdiction to jurisdiction. So we have some private sector rail operators, we have some private sector rail maintainers and we have a number of competing jurisdictions, and we have a number of fall-outs in relation to what is occurring in the industry. So we've lost market share and that's shown in some of the material contained in the report. We haven't had investment on the east-west. We have competition between jurisdictions and we have governments which change their policy all too frequently. So that was the context of interstate.

In terms of New South Wales, a different set of circumstances prevail. We make the point when the decision was made in March 1996 by the New South Wales government to structurally change - allegedly in line with competition policy - the set-up in New South Wales, no public inquiry of the type you seem to advocate, presiding commissioner, was undertaken. It was presented as a *fait accompli*. In terms of the downside, in New South Wales there have been a considerable number. It is still in the shaking out phase of the operations. So we point immediately to a tangible, observable fact that there have been 10, too many deaths on rail tracks in New South Wales in the last year.

We point to the fact that in terms of FreightCorp it is a successful enterprise, where there is considerable pressure, if one is to read the financial press with almost a weekly article, saying that that enterprise should be privatised. No examination of the circumstances of the history, of what the New South Wales government is saying in relation to that enterprise. So in terms of there being differences between the two systems we ask ourselves: has the New South Wales government got a long-term plan for its urban network? Now, of course the comparison with an anarchic opposite was one where there is no, of course, urban network in the interstate freight network.

So we have said that in terms of that part of the draft report going to urban, the New South Wales government's forward planning, its proposals built in around a 2010 transport strategy, means that there can't be a comparison between what has occurred in New South Wales and what has gone on in the interstate freight network. In relation to a number of other issues to go into vertical separation of RSA and the operators, the unions had a view based on international experience based on the debate in Europe about rail infrastructure policies and separation as encapsulated in various EEC directives, which you'd be familiar with, that the jury is still out. But the crucial issues go to investment, go to social issues, go to environmental, and also to market share. Then we get onto the more particular ones which we add on about rail safety, about training, about wages and conditions.

So probably in terms of comparison it is difficult to line them up, but in terms of our support for what has occurred in New South Wales we made a number of points and we think the jury is still out. We think that in terms of separation of some of those enterprises that history will be on our side. But there hasn't been a full review or discussion or debate about the reasons for and the consequences, and part of our recommendation is there should be mandated reviews in relation to the success or otherwise of privatisation contracting out.

PROF SCRAFTON: I couldn't agree more with that last comment. I mean, there's no doubt that if you combine 100 topics you've probably covered and at least the body of them are very, very important, and when you merge them together you have a very complex policy future, and when you add to that this cloak of secrecy - to use your words, which I agree with. I mean, even for the Productivity Commission to do its work is increasingly more difficult. Maybe that helps your comment about it may be passing its use-by date. But, you know, it is an additional complexity - and, Helen, we just don't have time to go through all these, do we? But I'd just like to pick up a couple of major issues if I could, Roger, and also ask you a couple of minor things in relation to things you've said.

One is, you criticise in this recommendation about another road inquiry, you know, and you say, "Not another inquiry. We know what the issues are," and I think in one of the documents you've given us - I'm not sure whether it's in the text of in one of the annexes - you say exactly what your union feels ought to be done in relation to road. The problem that I have got - and I won't speak for Helen or the commission formally at this stage, we are still going to work on what we do with

turning this draft into a formal document - is despite the fact that we know what ought to be done,

nobody listens. You know, if you look at a lot of the examples that you've given in your report the governments just go on pouring money into roads. There's a debate going on politically today about the size of diesel fuel excise.

All the priorities that you've mentioned like environment and social effects and so on, you know, you've just got to go on beating the drum and if you feel that that is too weak a recommendation it's very difficult for the Productivity Commission, which has been given a terms of reference that relate essentially to railways, to in effect turn around and say to the government or governments in its recommendations that, "The big issue here is that if you continue with the present policy of treating the roads differently the railways will die, whatever you do. You're just digging graves for the railways business." It's very difficult for me as a part-time commissioner to say to the commission that we have to come on more strongly on this road thing. Our recommendation is essentially, "You've got to fix this road pricing stuff and you've got to fix it fast."

People like you and I worked on these sorts of inquiries, sometimes together, and we know that that is true. But the client body out there that responds to, you know, the democratic process which is highly road driven and the lobbies are incredibly strong, my personal view is we in the commission can only beat that drum again to the extent that it is possible for us to do it. And I have to say that our recommendation in a draft for a road inquiry has been quite well received by people in that road area who believe that rail has a future and recognise that the present policies will not pursue it. I don't know whether you want to respond to that, but it's just about how an organisation that's as strong as yours is in relation to some governments sometimes - you know, even then it's amazing how unresponsive they will be to what we believe is a fairly fundamental issue in the national transport scene.

MR JOWETT: If I could make some brief comments. I think we started off in our analysis that perhaps approaching the PC's view in relation to investment issues, that perhaps you were trying to do good by negative example, and the frustration of I think the union and the industry has been that a significant factor in generating a prosperous rail industry is the direct issue of investment. So where the union's frustration is that there, from our point of view, is a clear, identifiable program of economically warranted investments which satisfy any cost benefit ratio and examination. So that is noticeably lacking from the PC's draft report. We think that it verges on not addressing the terms of reference, part of which included taking into account previous reports.

Now, the ink is hardly dry on the Tracking Australia report. That confirmed earlier reports in relation to investment. Yet when it comes to a major issue impacting on road and rail that we choose to go down - or the commission chooses to go down, have another inquiry for the road area in relation to pricing issues. Now, we understand the difficulty of getting some logical debate on this issue, given that as in other components of society it expresses relative political weights of industries and relationships of political parties to elements of those industries. Now, that's plain and

clear what the process reflects and the relative failure by state governments to make

an impression and indeed others on the issue of investment in the industry.

So when we look at the 91 report, a whole series of recommendations. Then we compare it to the 99 report and 91 we had this issue highlighted, nothing done. In 99 we've even gone further backwards because we don't have a reference in the inquiry to the fact of whether or not social and environment costs, as were mentioned in 91, shall be included in the report. So on that score we think we've gone backwards, but then it's overlined by the fact that there's no reference to investment at all. So that's probably what predicated our somewhat negative response to, "Oh, not another inquiry."

PROF SCRAFTON: Thanks for that, Roger, and I won't pursue this because I think we just don't have the time. But I'd like to mention a few of them, if I could.

MRS OWENS: I think we need to just come back to this investment issue. It's not true that we don't talk about investment in the report. But I think the question that's raised in our minds is who should do the investment and when should it occur, and what we're trying to do is set up the right sort of environment for that investment, whether it be the public or private sector, whether it be the Commonwealth or the state governments. I mean, it's not clear to us that it necessarily has to be Commonwealth government that puts in a huge amount of money and I mean, I think you cannot go forward on the expectation, "We won't do anything else, we'll just wait for the government to put a 2.3 bid in," or whatever the amount is, or \$2.75 billion.

Something else has to keep going on at the same time. The government has responded to these calls for investment by putting in another, you know, \$250 million. But we need to see, are there other ways of encouraging investment in this industry, and the best way of encouraging investment is to try and get the environment so that you've got consistent safety regimes, so that you've got proper access regimes, so that you can encourage the private sector to invest in areas where they think they're going to make a dollar. There is a real question as to why should governments own a freight company. Why should they own a freight railway?

MR McKILLOP: Well, there's about two hours' worth of issues you brought up there. I'll take them on, I've got no problems with that.

MRS OWENS: I was going to suggest - you know, there are a lot of issues and I think Derek would like to run through a few more before we finish. But what I'd like to do, if you don't mind, Roger - I mean, I've got some issues of detail and I'd very much like to come back to you and maybe we come and visit you a bit later and go through - I'd like to go through the report in some detail. It means it won't get on the public record but I think it would be really good to have another discussion which is outside this room when we've got a bit more time; it would be great. I don't know whether you've - - -

MR McKILLOP: No, we have no problems with that procedure.

MRS OWENS: Thank you.

PROF SCRAFTON: I think, Roger, most of my things could just be added to that rather than go through them now. But I'd just like to acknowledge that in your submission, and given the fact that we have had to sort of almost comprehend it all on the run, there's a lot of good stuff and I'm sure that you will see some of that reflected in the final report. I'm particularly conscious of the balance that you talked about of the environment and social stuff and we tried to do that within the constraints of not producing a massive doorstop, and we always fail in that mission anyway. But there is a sort of balance there that's difficult to achieve, but we take your points on board.

I would like to mention that some of the things you mentioned, it's amazing how - diametrically opposed views. You know, you comment that we haven't really given enough credit to the reforms since 1991. But we've been criticised by others because we gave too much credit to them and that will make people complacent, you know, that the reform process will not necessarily continue; it's very difficult. Another one was in the best practice regulation area, where you regard us as having a sort of light-handed approach. We've been criticised, particularly vociferously by some people, that in fact, you know, it's all too strong and, "We want to back off out of this business," and so on, so that I just wanted you to acknowledge in much the same way that obviously you and your membership have some very strong views on some of these things but the commission has got to just look at the range of things and make some judgments, and I hope that as a result of this discussion with you this morning we might be able to get some of them in a bit more reasonable form.

A good example of the minor comments on that I think it's worth mentioning is we have been criticised by a lot of people for this accent on the class 1 US railways but I think we have said in the report that's where the data was. As a result of some of the criticism, people have made the point to us that maybe they're in a position to look at the organisations they benchmark against, which might include some US class 2s. But there is no one place you can go to, to get data.

MR JOWETT: One of our points exactly.

PROF SCRAFTON: Well, that's right. I guess it's another version of the secrecy provisions in other places. But I won't go through them all. They were just a couple of examples. Could I ask one question, because it does relate to somebody that's coming before us later in these hearings. On this matter of training, have you taken that up with the accreditation agencies themselves? I would have thought the answer is yes - you know, trying to get training built into the accreditation process?

MR JOWETT: Well, as you can see from appendice 9, which was the RTVU's analysis of the Rail Safety Act, we have approached them so it is on the table as an issue to be considered. But in our submissions we point out, probably as a parallel there with road user pricing, that the issue has been a live one, with no shortage of statements in support, but what there has been is a shortage of results.

PROF SCRAFTON: Yes, thanks.

MRS OWENS: Yes, we haven't gone into training in this report. I think it's probably just going slightly outside our terms of reference. There's a number of things - I think you're correct - there are some things that we dealt with in 1991 which we haven't dealt with here because our terms of reference were slightly different and we have tried to focus on the terms of reference. It's not to say that that training issue isn't an important one. There are a whole range of issues you have raised in here which I think are important. But we have, as Derek said, tried to avoid a big doorstopper. We're never quite as successful as we would like at doing that.

I think the other problem we have had, coming back to this performance measurement - and you criticised us at one stage for not looking at what's happened post-privatisation on some issues. It's really just been a matter of getting the information. With our benchmarking we got up to 96-97. We're hoping to have some data in the final report for 97-98. But it's just a matter of what we can get. We hope, if nothing else, that some of the work we have at least will provide a useful benchmark or a basis for the next time somebody looks at this industry. At least they will be able to say, "Well, this is where it was as of that period." Some of this work will need to be done again I think in the future. But are there any other final comments you would like to make?

MR JOWETT: Not brief ones.

MRS OWENS: Not brief ones, okay. We probably should have put you in the program for about three hours I think, because we could have spent that long, but we do have other participants that have been waiting very patiently there. So I think what we might do at this stage is thank you, Roger, for coming and for all the trouble you took to put in this submission. We will now break until 10 past 12.

MRS OWENS: We will now resume and our next participant this afternoon is the Bicycle Federation of Australia. Could you please give your name and your position with the federal for the transcript.

MR PARKER: My name is Alan Parker. I'm a submission writer for the Bicycle Federation of Australia. I wrote the first submission and this is a follow-through.

MRS OWENS: Good. Thank you for the submission and thanks for coming today and thanks for your patience in waiting for us to finish with our last participant. We have read your submission. I didn't check with you earlier, Alan, to see whether you had any opening remarks you wanted to make.

MR PARKER: Yes, just one actually. After I had finished the submission, in fact last night, through the post I got a copy of the English language version of the Dutch bicycle master plan. I know that the Productivity Commission is interested in the question of increasing market share for public transport. What the Dutch bicycle master plan does, because it is concerned with the integration of bicycles into the overall transport system, particularly bicycles and train travel, is it establishes quite clearly that Dutch Railways, which have been privatised - you know, the operation of the services but not the ownership of the track - they have increased their market share. 70 per cent of that increased market share has come from providing better bicycles access at railway stations.

Another piece of information that I also got - but I don't think it's in the Dutch bicycle master plan - is that the contribution, the economic contribution, of bicycle tourists who come to the Netherlands and use the integrated system of intercity and urban bikeway networks, which are all linked up with the rail system, is around \$300 million a year, which approximates to what the Dutch have been spending on their bicycle network since about 1975. But it's very interesting that that long-term tourist potential is really paying off now. I have made mention of that in the submission.

The reason that I've made mention of that is that the Tourist Forecasting Council of Australia predicts that by the year 2008 we'll have 8.4 million tourists visiting Australia, that's 4 million more tourists a year than what we've got now. Out of that 8.4 million tourists there will be an increased proportion of what they call backpacker tourists, that's bicycle tourists, hikers, walkers, people who are not tremendously attracted to five-star hotels - which are much the same everywhere in the world - and what they're looking at is the unique things that we've got in Australia that younger people in particular come here for.

The interesting thing about the backpackers is their contribution to Australian tourist earnings. Even though there are fewer than routine five-star hotel type tourists, they stay a lot longer. They might spend less every day but they stay up to three weeks longer on average than other tourists. It is predicted by the year 2008 this will be the major tourist market. What I've actually said here is from the Australian point of view, the Australian wilderness will be the priceless jewel in the

ecotourist crown in which many rural regions will be dependent for their economic survival.

Now, we were quite pleased with your report, especially box 10.4 on page 230. However, the one thing that is missing - and we didn't pay too much attention to it in our original submission - is the need for bicycle hire facilities, the need for a long-term plan to build these up, because in both the Netherlands, Austria, Switzerland, Denmark, Sweden and Japan, all major tourist destinations have got very open and efficient bicycle hire facilities. We think in the long term there's a tremendous scope for that. We notice that this is taking place in other countries as well. So what we have recommend in our submission, which wasn't dealt with in box 10.4, is that bicycle hire facilities might be taken seriously.

However, in our previous dealings with rail organisations, in making submissions and attending rail conferences and trying to put a public input, we find that the rail people tend to take the long-term future potential for international bicycle tourism and even the idea that Australia could be an attractive international bicycle tourist destination - they just treat it as a joke. We found this with the new train that's running across to Perth, across the Nullarbor - we couldn't get them to take it seriously - yet we do have quite a large number of tourists that come now. We note in Europe that in their long-term planning of the tourist potential they do take the need for bicycle hire facilities into account and there are long-term plans for developing these.

When we were discussing, in the Bicycle Federation, box 10.4, the comment was it is crisp and to the point. It briefly says, for the people who know what's involved, exactly what is required. The only problem was we then turned around and said on the basis of our dealing with rail authorities and their demonstrated incapacity in the past to deal with the specifics and the detail, we really need it spelled out a little bit more, because we found out in the past that even though nationally, through if you like, say, the patronage of Austroads - we have a National Bikeway Design Manual. There's a whole chapter in it that deals with bicycle storage facilities at things like railway stations and it goes into it in considerable depth, the requirements. We found that engineers that we've consulted in the rail authorities totally ignore it - you know, what has any document produced by Austroads got to do with railways? This is a very serious problem that we've found in dealing with them. We've found that railway engineers by and large are the only engineers in the whole of Australia that we've ever had to deal with in which you say there is an Australian standard on secure bicycle parking, the kind of long-term parking that you have at railway stations. It was a standard that was developed for - it's in three parts. You've got one for carparking, you've got one for buses and taxis and then you've got the other one for bicycles. They just openly turn round and say, "We're not going to build facilities that conform with this."

So what we're suggesting in this second submission - and we've provided all the words there - that you need to spell out that bicycle parking facilities should conform to the Austroads Guide for Traffic Engineering Practice, part 14, chapter 5, End of

Journey Facilities, and that one should consider, in view of the totally negative approach with most Australian rail authorities that make token provisions, with the possible exception of Queensland Railways, which in five short years has provided nearly 1500 secure bicycle lockers, that one considers that a standard be set, a mandatory standard be set for bicycle parking facilities at railway stations. For instance, the other thing we outline in our submission, we describe on page 4 how Queensland Rail leads the way, what they have done about the lockers, the administration system that they have used and how they have managed to operate fairly efficiently. Then we've talked about tokenism in New South Wales. Basically, when you bear in mind that in Sydney, for instance, where about 48 per cent of all adults actually own a bicycle and you've got, on census day in 1996, 210,000 people actually use the railways to get to work, yet after nearly 20 years of requests, we've got 500 bicycle lockers.

MRS OWENS: Congratulations.

MR PARKER: One medium-sized Dutch railway station would have 500 bicycle lockers for a city, say, of 50,000 population. The thing is a absolutely absurd when you consider the potential. However, to get back to what I wasn't able to put in the submission, this document I've got - it's in English - the Dutch bicycle master plan. One of the special studies that the Dutch actually have conducted was to look at the competition; how does the railway compete with the car for urban passenger transport trips? When they had done their in-depth kind of behavioural studies, the type of which people like Werner Brog have been into in the Transport Research Centre here in Melbourne - it's really solid research - what they came up with is the critical factor in reducing the trip time is how quickly you can get to and from the station and that the bicycle is infinitely more effective than any other mode, including buses. We can't even get a reliable study of this particular issue up and running in Australia, yet here we've got the Dutch, who actually have done this, and as I say, they have improved their market share for rail journeys in the Netherlands.

The other thing that we were disappointed about actually is in the section on international systems and international comparisons, one hadn't actually looked at Dutch national railways and their performance. The Bicycle Federation, we negotiate with and we're part of an international organisation and there is an organisation in Europe called the European Cycling Federation which has got a policy. What's actually happening with the rail authorities in Europe is that the rail authorities in Denmark, Sweden, Norway, the Netherlands and parts of Germany are very supportive of the idea that the carriage of bicycles on trains and bicycle hire facilities should be integrated right the way across Europe. You've got problems of course with Portugal, Spain and, until recently, Great Britain, parts of Great Britain refusing to do that. It's interesting to see what's actually happening now because it would appear that the European Cycling Federation is going to succeed and will be able to deal with the problem of taking your bike with you on most of Europe's high-speed trains. You can do it now in a lot of countries if you're on a low-speed international express, say, from Amsterdam to Brussels or somewhere like that. We feel that one needs to just spell out a little bit more on the needs of cyclists because we don't really

feel that the rail authorities here are getting the message at all because they're so locked in to trying to survive in the short term, and most of the staff are so petrol headed in their approach, unlike on the Dutch rail system where most of the employees actually ride bikes. Here, you see it with the PTC, there's three floors of carparking and it's an unbelievable job to try and communicate what the problem is.

The other thing that we dealt with in our first submission and the other thing that we've looked at here is the national greenhouse strategy. The previous presenter was talking about the fact that even though we've got a national ESD policy - and I quote from it here on page 2, it's in red, the first section - we've got no real commitment to it. It reminds one a bit of the first noises that were made about encouraging fighting in the Netherlands about 1978, but they have gone down the track since then and they have realised that one needs more than resolutions. One actually needs funding and one needs experimental - you know, you need the infrastructure. So basically I think that's where we're at.

MRS OWENS: Good, thank you for giving us that and that presentation. Thank you. You've given us a new version of your submission. I presume that that is very much the same as the earlier version you sent to us a little while ago?

MR PARKER: No, it's totally different. I'll just use the same graph on the front cover because when you talk about market share, that's about the only hard data you've got about the lack of market share.

MRS OWENS: No, I mean, you gave us an informal copy I think a few days ago.

MR PARKER: Yes, sorry. Could you dump that one and replace it with the other one? There's a few typos in it.

MRS OWENS: Yes, it's just that I've written my comments on the other one and I just wanted to make sure the page numbers and so on were the same.

MR PARKER: Yes.

MRS OWENS: You mentioned you've just received a Dutch bicycle master plan. Is that freely available or is that - - -

MR PARKER: Yes, it is. It's in English and it's free.

MRS OWENS: We might get the reference from you later so that we can find it.

MR PARKER: There's another document that they have done in English as well which fills out some of the detail in here about what they have done with the bicycle rail. This is Bicycle Parking in the Netherlands. There is a separate one which is not translated yet, in Dutch, about some of their experimental things. You can see the photograph there.

MRS OWENS: I'm interested at the moment because I'm actually going to the Netherlands next week.

MR PARKER: Good. Where?

MRS OWENS: I'll be in Rotterdam and Amsterdam, visiting the railways there, and I thought I'd have a look while I'm there at all these things you've been telling us about.

MR PARKER: The thing about Rotterdam station - go down in the basement, I've got photographs of that - that's where you'll see all the good bikes, and the thing that you will notice in both Amsterdam and Rotterdam is the way that there's no space wasted around the central station for parking. All the buses come right in. The tram routes come within about 80 metres of the platform and then on the top of that, you've got 2 or 3 thousand bicycles underneath and another 2 or 3 thousand on the top. "Integration" is the word that they use and they actually have made it happen. You will notice that their national environment ministry in The Hague is actually situated - virtually built over the top of the central railway station.

MRS OWENS: Yes. I'd just appreciate getting that reference or maybe being able to photocopy some of that before you leave.

MR PARKER: If you're going next week, why don't you borrow that?

MRS OWENS: We might just photocopy it and then send it back to you.

MR PARKER: Okay.

MRS OWENS: I don't want to hold on to something that's - - -

MR PARKER: No.

MRS OWENS: But thank you.

MR PARKER: I've got two copies.

MRS OWENS: We will give it back because obviously it takes a while to get these things, but that would be very helpful. I was just going to ask you a couple of questions and I think Derek has probably got a few questions as well. You talk about bike hire facilities at stations. Do you think that should be something the government provides or is something that you think the private sector would be interested in?

MR PARKER: It's something the private sector would be interested in. Certainly in the Netherlands, private individuals have got a contract with the national organisation. But the interesting thing there is the bicycle hire and the secure bicycle storage are operated by the same person, and there's also usually a bike shop actually

built into the arrangement. You can actually buy a bicycle as well. It reminds me a bit of what used to exist in Melbourne pre-war, where stations like Malvern, which were absolutely typical, you would always have, directly opposite the entrance to the railway station, a bike shop and a shoe repairer and they have kind of disappeared. Most of the old bike shops in Melbourne were nearly always located at the station because in the old days in Melbourne, for instance, in Footscray in 1931, there were 540 bicycles parked there which is approximately equal to the number of cars that they have got now. Places like Heidelberg and up that line there, it was quite common to have 3 or 4 hundred bicycles at each station. I've got some old photographs of them. The Dutch have managed to keep this thing alive. From my own personal experience, you can't make shanks's pony combined with a train compete with a car, in most circumstances, not if you're mindful of the time. You put the bike and the train together and you've got a very competitive combination.

The other thing I would ask you to do when you're in the Netherlands, see the percentage of women who cycle - it's more than men - mainly because of the facilities that they have provided. You have got a separate bicycle path one way, on either side of the road. It's not mixed with skateboard riders or pedestrians. I would say that is probably the biggest single difference because in the Netherlands approximately 55 per cent of your transport cycling is done by women and 45 per cent by men. Here, it's completely the reverse.

It's about 70 per cent by men and 25 per cent in Melbourne. It's about 85 per cent to 90 per cent in Sydney because you know how hilly it is and the traffic conditions - you don't have alternative back routes in Sydney. The other things that makes it very, very easy for access to stations in The Netherlands - and you do mention in your report, you talk about routes to the station - is in every residential precinct following the Wunerf developments in the 70s, they found that Wunerfs were too expensive to put on residential streets, you've got a blanket 30 kilometre an hour residential speed limit. So you can come down and where there isn't a bike path, on all of the residential areas you can actually work your way through a couple of kilometres and because of the 30 kilometre an hour speed limit it's relatively safe and people perceive it to be safe and that's the key issue, I think.

MRS OWENS: You mentioned that there were in the past bike shops near stations and there were probably dry-cleaning shops as well. Why aren't they there now? I mean, if this is a good idea why hasn't somebody cottoned on to this?

MR PARKER: In the book that I've just lent you you will find that the Dutch went through the same process. There was a period in Dutch history from about 1960 to 1974 where most of the transport planners took the view that the transport planners took here, which is that bicycling is an obsolete form of transport and it would just totally disappear. In there you will read how that was turned around following the oil crisis in 1974. Basically, if you look at things like the 1951 - it was published in 1954, the Melbourne transport plan for Melbourne, it's written large in that, you know, "Bicycles are obsolete." They didn't even process the 20,000 card files they'd got actually, which showed quite clearly that in the outer suburbs of Melbourne there

were as many bicycle trips to work as what there were car trips - and that's in 1951.

If you look at probably the most diabolical transport plan, the one that was done I think in 1958, or it was just a few years later, in Adelaide, they didn't even bother to count walkers and cyclists; they totally ignored it. What this represents is the attitude of mind that bicycles were irrelevant and that walking is irrelevant. I think really in a lot of quarters you've still got this basic attitude and the more senior you go the worse it gets - I'm sure Derek can confirm this - because a lot of them come from the period. They were brought up on this notion that bicycles are an absolute irrelevancy.

In the Dutch situation in particular, with the Arab oil crisis in 73-74, the first thing that happened is that the port of Rotterdam which was then probably the greatest port in the world, was closed down for two reasons: (1) there was no bunker fuel for the ships; (2) there was no diesel oil for the trucks to get the cargo in and out and then, lastly, there was no petrol for something like 30 per cent of the industry. So they couldn't get to work and because of the absence of diesel they couldn't - all of the factory processes that required boilers and stuff like that they couldn't operate. What actually happened during that oil crisis is that about 3 and a half million bicycles and mopeds came out of sheds, or mostly up in attics and places like that and a bit of work was done on them and people started to get to work. From that point on the Dutch adopted a rational attitude towards bicycling because between 60 and 74 the attitude of mind was growing that cars are everything; it was in common.

You may remember the student strikes in the late 60s in The Netherlands when the first batch of freeway freaks - in other words Dutch students had done PhDs in transport planning in the USA, they came back and what was the first thing they wanted to do? Dig all the canals up in Amsterdam and put freeways down. What actually happened is you have a massive student movement linked with the old, civilised conservatives who were - there was no way they were going to let the car destroy Amsterdam. So in Amsterdam itself you always had a pro-bicycle attitude. You'll find it's documented in that study because it's done in an historical context but I think that will answer your question.

MRS OWENS: It looks very interesting.

MR PARKER: It's fascinating actually.

PROF SCRAFTON: I just had one question, Alan. It's not clear to me in appealing for secure storage facilities what proportion of the costs cyclists would be prepared to pay, bearing in mind that very few users pay a very high proportion of the trip that they're going to make on the public transport. How do cyclists sort of reconcile that? Would they be prepared to pay the full cost of them? I think in some places you point out that they're actually provided free simply with a sort of deposit approach.

MR PARKER: A \$50 deposit.

PROF SCRAFTON: Right. Then in other places though you point out, I think it's

in New South Wales, that \$165 a year is payable which compares to, what, let's see, maybe, depending where they come from, 6, 7, 8 hundred dollars a year for their public transport fare. Is there a sort of understanding among the Bicycle Federation membership that they are prepared to pay a certain proportion, a reasonable proportion, or how much - - -

MR PARKER: Yes. Look, the main problem is total inflexibility. They have an administrative system in Victoria and New South Wales - I talk about 38 per cent occupancy. I mean, that's ridiculous. You can't spend \$500 on a bicycle locker and then have only 38 per cent of them occupied. The way it was put to me by John Gardner, the intermodal manager in Queensland, it was very, very simple. He said, "Once we'd put our first couple of hundred lockers in using the better cities funding program we surveyed our new bicycle users and what did we find, 25 to 30 per cent of them used to park a car." Now, we've done our homework about the opportunity cost of car parks at railway stations and we reckon an average car park is worth \$8000 a pop. So why shouldn't we, if one in four people who park cars are prepared to shift over to a bicycle locker, bearing in mind that you don't have to put a bicycle locker in most cases in a carparking space.

Because it's small you can usually by good design find either a little room in a railway station where you could put a locker compound which is the equivalent of a locker, and good security, or you can sneak the lockers in, a little group of eight or nine of them, in a corner somewhere and it doesn't cost very much. What we feel is what we need is the recommendation that there be a mandatory requirement. However, the other thing you've got to bear in mind from the Dutch experience is the biggest single demand management tool that you've got for control over the overuse of cars is the constraint of carparking. I remember at the Industry Commission inquiry into rail - I think it was you actually, you asked me the question of - - -

PROF SCRAFTON: Inter urban transport.

MR PARKER: Yes, that's right. What you said was - no, I remember it now. It's a further question you put to Victorian railways people and the question went something like this: I'm on a keep fit day, I come down on my bike and even if I can get a locker I've got to pay 85 cents a day. Now, if I come down in my car it's for nothing, a huge piece of land for nothing - why? And the guy had got absolutely no answer whatsoever. I can guarantee to you that apart from Queensland Railways there is no rail authority in this country that has got a rational answer to that question. The other thing that I believe that surveys will show when they get done - there's only one been done so far - if you examine all of the cars parked in, say, Victorian railway car parks you'll find that 65 per cent of them are driven by able-bodied males who come less than around two kilometres or live within two kilometres of a railway station.

You see, what happens in Footscray is whereas in 1930 you used to get 500 bike riders who used to cycle two or three kilometres down to the railway station what you have got now is people driving in from Werribee and parking their car at

Footscray railway station - or Laverton or whatever it is. The whole thing of vehicle parking, the costs and the benefits of it has never ever been looked at rationally. The nearest we've ever got to a rational approach is when, what is it, the New South Wales Rail Authority did a pretty good comparison between bus access and car access and found that car access is totally unprofitable.

It's so bad in fact in Victoria that - you know, we've spent over 15 years asking for secure bicycle facilities, we've now got, the figure is in there, about 4 to 5 hundred lockers - you will find that railway staff at individual stations have got something like a thousand secure carparking areas set aside with razor wire on the top to protect their own cars. In the period from 1981 to 1994 the average rate of bicycle theft at Victorian stations for bikes parked at the station was over 60 per cent a year. The theft rate for carparking was 2 and a half per cent per year. In New South Wales, as I explain there, the rail authorities didn't even collect the data.

Now, from the anecdotal evidence from Bicycle New South Wales and the surveys they'd done of their members we knew perfectly well that the bicycle theft problem at railway stations was exactly the same in New South Wales as what it was in Victoria. But according to the police department it didn't exist because they didn't measure it and because the New South Wales police at the time, unlike the Victorian police, wouldn't even record the fact of where the theft was taken from, there was no specific category, so that you couldn't even identify it was stolen from a railway station. I mean, what can you do when you've got that kind of inane - what has actually happened is we have looked at 15 years in which what was known as the bicycle boom that came to Australia in about 1975 where all the beneficial effects of that bicycle boom with a massive increase in adult car ownership has not been translated into increased market share for the rail system

In other words, we've been looking at is a systematic process of discrimination against people who would like to use a bicycle to access a railway station, to ensure that they get into motor cars. I mean, if you want to put it bluntly that is exactly what is actually happening. It has been totally negative.

PROF SCRAFTON: And certainly an economic, as you point out. Thanks for that.

MRS OWENS: Yes, thank you for that. I was just going to say there's a bit of a chicken and an egg problem I think, coming back to the bike hire issue in that you may expect some private sector people to say, "We'll set up a bike shop and we'll have hire facilities near a station but there's no point because there's not much people travel on that train, so it's not worth our while. We may as well go into a shopping mall somewhere rather than go in there," and so you're not going to get the interest there if the patronage on the railway isn't there, so there is a bit of a chicken and egg, so you may need some sort of kick-start. Is that what you're trying to tell us?

MR PARKER: Yes, basically. You mention it when you quote New South Wales Railway in that box and what they say is, "We've got to get a critical mass." Really the opportunity to get a critical mass was misused years ago to a large extent and if

one has to do it again - however, I would say that if you read the history of the development of the bicycle thing in The Netherlands you will find that they're looking at it over a 30-40 year period and all the ones, all of the municipalities that got into it early have got much higher levels of usage. It's a 20-year process actually.

MRS OWENS: But it was a process driven by government.

MR PARKER: Yes, in the early days. They put a massive amount of money in, in the early stages.

PROF SCRAFTON: But even this is a superb document. I mean, it's a superb demonstration of the government's commitment to bikes, which is cooperation in the transport policy.

MR PARKER: Yes.

MRS OWENS: I don't have any other questions at this stage. Have you got anything else you wanted to say? I just interrupted you then.

MR PARKER: No, not really, except we would like, if you could include something in the international section and mention what you're doing in this regard, and it would really back up what you've got in that particular box, which we hope you'll expand a little bit.

MRS OWENS: I did mean to say to you that we didn't look at The Netherlands in our performance comparisons because we didn't have all the European data in, and I'm not sure whether we've got data on The Netherlands now, have we? My colleague has just said that we did ask for information and they wouldn't participate. So I think that we'll have to say that we've been unlucky there, so you may not see any actual data in the report relating to The Netherlands.

MR PARKER: I was thinking of - something along the lines of this particular aspect of it is so important environmentally it might be just, you know, worth a mention and a description. You've certainly got all the data in there and there's no question about it.

MRS OWENS: I will explore the issue further when I'm away, and we will read this with great interest. So thank you for the loan and thank you for coming today. We are now going to break for lunch and we will resume at 2 o'clock this afternoon.

(Luncheon adjournment)

MRS OWENS: We will now resume and the next participant this afternoon is Glenelg Shire Council. Would you please give your names and your position with the council for the transcript.

MR O'RORKE: Thank you, Helen. It's a bit of a misnomer in a way. I'm representing as chairman of the South-West Councils of which Glenelg is one of our member councils. The current development officer is in China so I am deputising for him basically and with me is - - -

MRS OWENS: No, you have to give your own name. Give your own name, so say your name.

MR O'RORKE: Councillor Peter O'Rorke from the rural city of Ararat. We're one of the member councils of the South-West Councils.

MRS OWENS: Good, thank you.

MR WALKER: Right, over to me. I'm Stuart Walker and I'm the manager of economic development with the City of Geelong. The reason Geelong was involved is as we go through the presentation the issue of ports, the ports of both Portland and Geelong, are the key issues and Geelong has been working with both the south-west municipalities and Glenelg on this project.

MRS OWENS: Good, thank you. We need to get both of your names for the purposes of the court reporters so they can identify the voices.

MR O'RORKE: Yes, no worries.

MRS OWENS: That's all that's about. I know it sounds a bit official but that's all.

MR O'RORKE: It has got to be done.

MRS OWENS: So that we then know who's talking. Thank you both for coming, because you've come a fair way, and thank you for the submission which we've both read with interest. I think yours is the only submission that does get into some detail about this issue of standardisation of rail lines. So, you know, I think we're both very pleased to talk to you. Would you like to now make any opening comments.

MR O'RORKE: Yes. Perhaps by way of explanation, Helen, the South-West Councils got onto the subject of standardisation four years ago and went into it in fair detail, and from that a submission was got up and an approach to the Victorian government was made to the minister of transport of the day, whose name escapes me. Anyhow at the deputation the state government weren't very interested in it. So they came back and reported to the next meeting of the South-West Councils and it went into limbo for a little while. Then the Glenelg shire said, "Now, look, we've just had the start of the standard gauge track from Ararat down to Portland and we do see a few problems with it," and a small committee was formed called an

infrastructure

structure committee, of which I was appointed chairman and I still hold that position as chairman.

Over the next two years we worked with a lot of people, trying to establish what was the best way of going about it. We did work with V/Line Freight in Victoria and they indicated to us that there have been a few ideas every now and then come up about standardising rail in Victoria. We then started putting things together in the way of a submission and at the same time we made an approach to the federal government through our local member, David Hawker at Wannon, and he in turn arranged a meeting for us in Canberra with the minister of transport, Mark Vale, and at the same time with the minister of trade, Tim Fischer. We journeyed up there on 1 July 1998 and presented the submission basically that you people have before you today.

However, if I may, there's another paper I've provided you with today, a report of the happenings leading up to that day. Now, there was a federal parliamentary standing committee from Communications and Transport and Micro-Economic Reform - journey down the rail line from Ararat to Geelong. Prior to their involvement in that, it was found that a section of line between Ararat and Pirra-Pirra on the Geelong line was substandard, and there had been a pile of concrete sleepers that were to go in that section of line sitting in our municipalities for some three years. So our municipality chased it pretty hard to get some action and we're seeing the completion of it by the end of June, on that section of track, and it was the worst bit of track between Brisbane and Perth with severe speed restrictions etcetera.

So that section has been taken care of and then leading on, it tells a bit about the Australian Rail Track Corporation when they took it over in its entirety and then our day at Canberra and in the next page it says quite clearly there the relevant points of our deputation. Now, do you want me to go through those in detail or - - -

MRS OWENS: If you'd like, or you could just do it briefly. That would be useful.

MR O'RORKE: Yes, all right. Basically the main points out of it was that the figure that we put to the minister, 87.17 million to convert the lines in Victoria for freight, not for passenger, and I'll go through those in detail once we get into the map there. They said about the submission being very timely and they also said that this is the minister of transport's portfolio, that they had 75 million in the budget that might be able to be used on it and they were very impressed that this whole project would bring Southern New South Wales and South Australia into Victoria and vice versa. Now, Minister Fischer, minister of trade, was very impressed with the whole submission as well.

However, he picked up very quickly before we got to the point that the competition between the ports was vitally important for the survival of industry generally and also for the ports, and with Geelong and Portland ports and Melbourne that the highlight with Mr Fischer of course was getting stuff in from his own area of Southern New South Wales, from Moulamein, Deniliquin, Tocumwal and Oaklands.

He was very impressed with the professionalism of the submission and he gave an indication that he would strongly support our submission which was very timely for his government, but he saw the whole project of national importance.

Just leading on to the final page, there's a report or a deputation to Minister Cooper in the state of Victoria on 17 December 98. The relevant points there I guess is that he wasn't as positive as the federal ministers were, which was disappointing. However, he was happy to see the money, if it came from the federal people to the state government and he was also very happy that it would happen if money became available. He also indicated that the government was not opposed to our proposal. So we put the point to him, you know, with all those positive things he's saying why isn't the Victorian government pursuing it stronger with the federal government. To that we didn't get an answer unfortunately. The only offer he did make, that if we get another opportunity to go to the people in Canberra, minister of transport, minister of trade, that he would send his senior adviser with us. So I guess that's about the main points out of that paper.

Now, leading on to our submission that you have before you today here, I guess you've had a little bit of time to have a look at it, Helen, have you?

MRS OWENS: Yes, we've both read it, yes.

MR O'RORKE: This was put together working with the manager of V/Line Freight and also John Holland Construction and Engineering Australia. They were very supportive, the John Holland construction company. They didn't take long to be convinced that we had to have some fairly accurate figures on what this was all about. So with that, V/Line and John Holland Australia, they worked together to come up with all the facts and figures which are on the last two pages there. The interesting thing was that there had been a couple of other reports done where what we were aiming to bring about was going to cost between 136 and 180 million, and the costings of John Holland came to 87.17 for the same amount of work.

As you realise, the standard gauge that does go into Geelong, or through Geelong I should say, does not connect to the port of Geelong and this is just a crazy situation we have that the standard gauge line running through Geelong right up into the Wimmera Mallee and through to Adelaide whereby you've got the broad gauge coming on down and anything on the standard gauge of course can't go through the port of Geelong and vice versa from the port of Geelong up to other points. So that was a pretty important point and I must add at this point of time that Stuart Walker became involved with us all the way through the development of the submission stage. At this stage, Stuart, do you want to throw in anything?

MR WALKER: Thank you. The only comment I would like to make - I mean this issue was about ports as well as about rail - because of the map we've got on the wall here, we've got this line running all the way down through with Melbourne with dual gauge on their ports. As Peter said, down here at Geelong we've got the combination of dual gauge and standard gauge but no connection. The main line across to

Adelaide runs up through here and then continues on up through South Australia. We've got this legacy in Victoria - the green lines are the old disastrous things, all these feeder lines coming down here on the broad gauge, large quantities of grain in particular and now emerging timber, and even more emerging, the mineral sands industry up in this area - of wanting to get this product to port.

Now, they've got a problem. If they want to get to Portland they've got to do some sort of exchange in this part of the world and come down on that standard gauge line. If they come down to Geelong they can come down on the broad gauge and that's fine, but we can't get the standard gauge stuff here. There's been a new port developed or a new loading facility being developed up here in Melbourne, the GrainCo facility, which again is putting additional pressure on. I'll make one comment that you would have picked up in the submission, we're actually excluding Gippsland from all of our submission. The reason for that is the difficulty of getting those lines through the metropolitan area, plus the fact that the nature of the freight product coming out of that part of the world probably wouldn't justify the cost.

This is the other alternative: you've got port facilities up here. The grain industry in this part of the world are saying it's cheaper to bring their product - if they could have connections - north-south rather than have to go across here. The serious train people talk about going up hills and grades and all these sorts of things - things I don't pretend to understand, but you people are probably right across. They're saying that makes it more economical. In summary what I'm saying, it's about ports, it's about trying to get the right sort of competitive nature between Portland, between Geelong, between Melbourne and up here into Port Kembla. But it's also talking about efficiency in the whole southern New South Wales and across into South Australia, because those products can go this way or they can go across to South Australia if necessary.

We've got the opportunity now with some fairly robust figures of just under 90 million to say we can convert this and it can be done inside 12 months. We've proposed - if they did it - they might start from either east or west, depending on which way it goes. What they'll do is they'll probably start at the top of the line and work down and then they would just bring the product across to the next parallel line while the work is going on. You would know the conversion is relatively easy because the fact - all you're doing is lifting one rail, moving it across all the radiuses, all the bridges, everything is right. In fact it gets easier to do it. So technically it's fairly simple.

John Holland who have expertise - and have done this elsewhere in Victoria - they say three K a day is not an unrealistic expectation. The big argument is, who's going to pay for it. The state governments are saying "privatisation, not our responsibility". We're saying to the federal government that it's more than just the Victorian lines, it's to do with economic efficiency of those industries - the grain, the woodchip, timber and ultimately mineral sands - and it's also to do with efficiency of the ports. So Peter is quite right, I mean, we've been batting back and forth between Canberra and Spring Street. We get some good support and then it sort of slips away

and then it comes back and we just have to keep hammering it because while we sit like that there's no efficiency in the rail network, there's no efficiency in the port network.

MRS OWENS: Thank you very much for that and thank you for this other document. I think you're probably finding yourself stuck in the middle of sort of a period of great change here in Victoria because of the privatisation of V/Line Freight and Freight Victoria coming in. I was wondering whether you have actually approached Freight Victoria yet.

MR O'RORKE: We are waiting for a meeting with Freight Victoria. That's been put on hold until they get settled in. It might be a couple of months away yet and there has been some early contact to try and get a meeting set up but they said they don't want any distractions until they get all their business sorted out which is only fair enough. Of course we've got Passenger Rail being privatised at the same time and some of these people are interested in Passenger Rail as well as the freight.

MR WALKER: Geelong is probably slightly different because Freight Victoria had indicated or it was alleged at the time of the takeover that they would connect the grain facility in Geelong as part of their takeover. We've already instigated discussions with them because we're obviously anxious to try and move that forward.. But Peter is right, I mean, the new organisation is really just coming up to speed and they've got about 6 million things they have to do. But we keep hammering them and saying, in Geelong's case, that the standard gauge port connection is a priority for us and then we'll work on this whole issue of lines. It's probably more a longer-term strategy that they'll have to work with.

PROF SCRAFTON: Could I just clarify that. The linking of the standard gauge to the port of Geelong is likely to go ahead then?

MR WALKER: There's three major wharf facilities in Geelong and one of them is the Vicgrain one. The Vicgrain one is the one we particularly want to occur. Peter is right, I mean, the issue is the standard gauge line runs within 750 metres of the port of Geelong but there's no connection. They haven't done it in the past for a lot of reasons, mainly signalling and line relocation because the standard gauge line is on the western side, they've then got to work back across the broad gauge to get to the port.

MR O'RORKE: I think if you have a look at those figures up the back there's something like \$10 million required for the standardisation in the Geelong yard there.

MR WALKER: About 3 million or less would get the grain facility across. So that's the first one we'd want to work with because that is a known, viable - the tonnages are there and it's already established. So we're saying - and Vicgrain now in Victoria who operate that facility are also supporting that standard gauge conversion. They hadn't been quite as enthusiastic in the past.

PROF SCRAFTON: The federal government has intimated already that it has

\$250 million for capital infusion. Is it expected that some of the funding for that - - -

MR O'RORKE: No, that is for the national line that runs from Brisbane through to Adelaide.

PROF SCRAFTON: So this link to the port of Geelong is not considered - - -

MR O'RORKE: No. The other thing with that 250 million, speaking to people in the industry, they think that will only go a part of the way on a yearly basis - it should be something like 800 million. There's that much to be done on that whole network from Brisbane through to Perth. I might just say also at this point of time, if you look at - there's Adelaide there and that standard line has been put across to Pinnaroo. If you follow that green line from Pinnaroo across to Ouyen, if that line from Mildura was standardised right through to Ballarat and then through to Geelong, that would mean that with the number of freight trains that are starting to build up on the Adelaide-Melbourne line, that could be an alternative.

There are problems with track time. We've been speaking with the Overland people that have refurbished their train of recent days and they apparently have got a new timeslot of coming into Melbourne to reduce that journey by several hours. This is the problem: you've only got the one alternative and that means that as time goes on and freight business builds up between the cities, if you've got another alternative that makes it easier for everyone. Also from the mineral sands point of view, I guess they have another opportunity to run their product to Adelaide or to Portland or to Geelong.

The other interesting thing, I must say, in the support that we gain from the municipalities, the north-west councils, across as far as Swan Hill and all the southern New South Wales councils have all written letters of support to us on this whole project. That's how important they see it. But I guess we're suffering from 100 years of stupidity in a way. Like, when you look at the whole of Australia, three foot six was the main gauge in South Australia. I think they've still got a lot of three fit six in Queensland. There's all these whiz bang things they talk about every now and then - a super train going up to Darwin all on existing tracks, and new tracks, and so it goes on and on, mega, mega millions, billions perhaps. For the want of a few million here and there they could achieve that quite simply in our case of fixing up all those lines of the standard gauge.

As Stuart said, the Gippsland line is not included in our submission, nor is the Warrnambool line, nor is the metropolitan lines, nor is any of the closed railway lines now. The one that interests us a heck of a lot from the rural city of Ararat, is Ararat to Ballarat. With the privatisation of Passenger Rail we're hoping that we get a passenger train back that way. That's just a little aside.

MRS OWENS: I suppose there's three things you could expect out of this. One is perhaps to get more of the grain and other things on to rail and off road.

MR O’RORKE: Correct.

MRS OWENS: Another is a redistribution of where the grain and other products are going, whether it’s to Portland or Geelong. So in both of those cases you’re arguing that you could end up with a more efficient overall transport system?

MR O’RORKE: No doubt about that.

MR WALKER: The ports are privatised and it’s natural competition. Once the lines are available - I mean, some of the product that might go into Geelong at the present time ultimately might go to Portland but in the end it’s the user and the producer that benefit from that natural competition and I think the ports will make themselves more efficient as well as they go through. But we say there’s a trade-off. There’s a trade-off between the natural competition and the fact that they will be able to attract business from a broader range, a wider area. If, for example, the grain growers currently come to Geelong and they might ultimately go to Portland, but Geelong might make it up by picking up grain from further up in New South Wales or elsewhere.

So I mean we’re trying to get away from this closed environment. We’ll let competition decide where it goes. In the end that makes our industries more efficient. That makes our exporters more efficient. That’s why we’ve got a chance of doing something here for under \$90 million. When the original Maunsell report identified itself, they said there were about 30 million worth of benefits per year if they did the system. They ended up with a higher number. They said, as Peter indicated, 180 to convert. But if you can get \$90 million worth of conversion, you’re generating \$30 million worth of benefit per year, that makes a lot of sense on those numbers.

PROF SCRAFTON: Could I just ask you, picking up Helen’s point, is a fair proportion of the grain which presently comes into the silos at Geelong and Portland trucked in or is most of it on the rail?

MR WALKER: Peter might talk for Portland but in Geelong’s case, about half of it comes across. Helen made a very valid point. The issue of road: if you’re talking several million tonnes of product coming down through a range of municipalities and in our case being the terminus, that puts a lot of pressure on local government to look after those sorts of things. We’re finding it very heavily now down around our Geelong port area, just even the scheduling of trucks and trying to keep trucks out after hours, all those sorts of issues we’re now having to work on are very real problems for us, let alone actually maintaining the roads for them to come across.

MR O’RORKE: When we were digging around getting things together, we had a fair bit of difficulty, I must add, getting figures out of the port of Portland because it was in a changeover period from public to private. However, we did get 96 figures and there was 1.8 million tonnes came in and out by road in the port of Portland over a range of products and half of that was grain coming in. Now, that comes right up in

the Wimmera and the southern Mallee down through all the municipalities. Another

part of our work in our infrastructure committee was that we did present a road submission to Transport Victoria here Minister Craig back in September last year. It took us 12 months to come to that conclusion and each of our municipalities submitted five roads and we tried to get the roads that were a common thread through the northern-most municipality right to the coast and to the ports and with that we quickly found that the roads west of Hamilton that feed down through the southern Wimmera and the Mallee and the damage that has been done to these roads carting this grain up and down and carting fertiliser back up. Now, that really, really convinced us that this business of trying to get more standardisation up into that country so we can get more stuff on rail, grain and fertiliser going up and down through the port at Portland would be a huge advantage.

I know in our municipality of Ararat we only see the deterioration of roads of stuff coming up and down and it's a statewide problem and I really think that the state of Victoria has been neglectful, and reading through your draft report it was obvious there that they seem to have spent the least of all the states of recent years on the rail infrastructure. I think this bears out what we we're on about in reality and I just gave the example early in the discussion of the very poor standard on this national line that has now been rectified. Now, that's only one example, there are many other lines that need - - -

PROF SCRAFTON: Both Helen and I have ridden at separate times on the track just as you were mentioning that they did. I mean, I think that's right. You have to persevere with these sorts of projects. You have to ensure your numbers are right and I commend you. I mean, I think your approach, you're working with a contracting firm who would act as consultants and give a price and they have, as you said, a lot of experience contracting to, I think, all Australian National and now to some of the privatised railways, and then you have to explore every avenue. There is no doubt that your opening comment that this is just another example of 100 years of railways in a mess in Australia - - -

MR O'RORKE: Absolutely.

PROF SCRAFTON: - - - and your problem is just an example of the sort of thing that we have to look at in the inquiry.

MR O'RORKE: We only hope that our input to this particular exercise you people were conducting goes through to the federal government and they in turn talk with the state government and we can get some action.

MRS OWENS: If the state government bites then go and say, "Well, we've got the private sector in here now, come in." If this is a worthwhile activity the private sector should invest themselves. I mean, there could continue to be - you know, going round in circles.

MR O'RORKE: Passing the buck in other words.

MRS OWENS: Buck passing.

MR WALKER: The answer to that really is they still retain ownership of the line.

MR O’RORKE: Yes, they are only leasing.

MR WALKER: An example already exists; for example, the Warrnambool line, the green line down there. In the last two years, the state government has provided \$10 million to enable that line to be welded, so there’s a precedent there to say even though a privatised operator runs on the line, they still have a commitment to look after the line itself. So it’s not like they’ve sold the line; the line still is in their hands.

PROF SCRAFTON: I think the other side of that is your idea, you know, that even though in mileage terms the standard gauge linking to the port is just the first step. I mean, it is a critical first step.

MR WALKER: Absolutely.

PROF SCRAFTON: As you mentioned, there are techniques to systematically work your way across the network. You don’t have to look at some one-off major project. In fact, you needed the Taillem Bend iron link. That was used to divert freight while a standard gauge was converted down through Waratah, what is now the main line, so there are options there. I think from our point of view, the value of your submission is in demonstrating some of the improvements that need to be made to what we have described in our concept of different types of railways, the sort of thing that needs to be done on these low-volume regional railways and also the significance in terms of the rail versus road issue, which reminds me of one other little question I wanted to ask you. Are B-doubles used for hauling grain in Victoria?

MR WALKER: Yes, they are.

PROF SCRAFTON: So the economics of - - -

MR WALKER: More and more.

PROF SCRAFTON: Yes, increasingly difficult for - - -

MR WALKER: The other thing with the B-doubles going through our municipalities, okay, they might be given a route X, but with the way the harvest is coming off these days - I’ll just give an example. I live 50 kilometres south of Ararat and we’re in a grain-growing area there which is unique, below the Great Divide. In the last five years, we’ve seen an increase of contract harvesting machines, and people - and they start in Queensland, came through New South Wales and Victoria and we’re on the tail end. Now, the amount of grain that these people with these machines can take off in a day is astronomical. Unless you’ve got two or three semitrailers carting it away, you can’t keep up. Some of these B-double fellows, they’re starting to sneak off their main tracks, going on the minor local government

roads to pick up

these loads of grain to save double handling, if you get what I mean. It's going to get worse before it gets better.

MRS OWENS: I'm still sort of pondering this problem of whose responsibility it should be and who should pay. I think it's a tricky one. I think that's probably why - you know, you've been to Canberra and had a reasonably positive response; been in Victoria and they have said, "Let's wait and see." You've got in the paper you tabled about Minister Cooper indicating because of privatisation of freight and passenger services currently going on in Victoria that he'd want to see what the new operators think of the conversion of rail to standard gauge, so you've got that.

MR WALKER: Yes.

MRS OWENS: Then you've got in recent years the privatisation of the ports. I was just wondering, in terms of Geelong, has it got any interests in seeing the standardisation take place?

MR WALKER: Ultimately it's the issue you were talking about before, particularly of road transport, that is one of the key issues for us. There's about 4 or 5 million tonnes of product now going out through the port and if half of that is coming in on the road, if we can get a more efficient rail system, it's going to take a lot of pressure off us. In the end, we want a strong, efficient port. I mean, we can be very parochial and say, "We would love to see the port of Geelong knock off the Portland port every time," but we actually have to look above that. That's what I was talking about earlier. This is a national issue. The council in Geelong are supporting this issue because it makes good economic sense. It makes good economic sense for us at a local level but it more importantly makes good economic sense at both the state and the federal level.

MRS OWENS: On the attachment to the submission that you referred to before, the \$10 million, you said that a big component of that is signalling. It's something like \$8 million. Why is it so expensive?

MR WALKER: As indicated earlier, the difficulty you have is where the port is in relation to the standard gauge. The current standard gauge as it comes into Geelong actually comes into the northern end of Geelong and then it does a big loop and goes across country, so it's not quite a simple run, a spur line off. Then the second problem is the problem I raised about the fact that the standard gauge, being on the western side in the port, and the broad gauge - you've got to cross all the broad gauge track and the signalling on that is the nightmare. The latest operators, the Freight Victoria people, seem to think that they can do the signalling a bit cheaper; this was based on the V/Line standard. We are now talking to them to see whether we can get it to a lower number. But we don't care, we just want to see it happen.

MRS OWENS: It just sounded an awful lot of money for a few signals. I'm sure it's much more complicated than that.

MR O’RORKE: Have you have a look at the Geelong yard itself?

MRS OWENS: No.

MR O’RORKE: It is very, very large and very complicated. So to get a line from North Geelong, across through to the various wharves, it is a big job signalling-wise. Moving the line is nothing. Like, when you look at 10 million - there’s 8 million there - there’s only 2 million mucking around for lines.

MRS OWENS: Yes.

MR O’RORKE: The other thing I might mention too - the Glenelg shire are pushing pretty hard to get more going through their port - is the point that it is a deep sea port. All due respect to Geelong and Melbourne, but the big ships, you can only fill them up to a certain level because they have got to get out through the heads, but at Portland there, the main shipping channel is only a few miles off coast and they can more or less drive a fully-laden ship in or out, straight in, because it’s a deep water port. That is a huge advantage, getting all sorts of produce in there. If these mineral sands crank up around Ouyen and into southern New South Wales, I forget what the figures are but they run into the millions of dollars that will be exported going through that port. So if they have got to muck around and bring it down on broad gauge and they can get it to Dunolly where it can be changed over to standard gauge, whether they change bogies there or whether they tranship it from wagons that are on a standard gauge to the broad gauge or vice versa, whichever is the most efficient - but it’s all stupidity really. You should be able to bring the load straight through to wherever it’s going to go.

MRS OWENS: I think we’ve exhausted our questions for you. I think it is an interesting issue. You do look back on our forefathers and wonder why certain things happened in the past. But nevertheless, we will take this on board and have a think about it, so thank you both for coming. Is there anything else you’d like to say before I close off?

MR O’RORKE: The only other thing I’d like to say - and it’s no criticism of you people here present - but I think that whole report that we got which was about that thick, of your draft report, was very remiss at not having more on standard gauge rail in Australia. I scoured the document and there was only one or two very small references to it and this is why Phillip Martin was very forward in his thinking of getting this appointment with this. I’d just like to also, while I’m speaking, take the opportunity of thanking you all for giving us the opportunity to be here today.

MRS OWENS: Thanks very much. We will take on board, as I said, the standard gauge issue and we will refer to it in greater detail in the final report. We will now break for five minutes.

MRS OWENS: The next participant this afternoon is Great Southern Railway. Could you give your name and your position with the company for the transcript.

MR BRADFORD: Stephen Bradford. I'm chief executive officer of Great Southern Railway.

MRS OWENS: Good. Thank you for coming and it's nice to meet you at long last. Thank you for the submission, which we have both read. I invite you now to make some opening comments.

MR BRADFORD: Thanks, commissioner. Just a few opening comments. Thanks for the opportunity of coming along today. Great Southern Railway purchased the assets of Australian National - their passenger rail assets - in November 1997. So we have been developing the business from that point in time. There are two basic products in Great Southern Railway. There's the long distance tourism trains, that's the Indian Pacific and the Ghan. With those trains we're developing longer journeys, particularly extending the Ghan to Melbourne and Sydney. That has been achieved.

With the Indian Pacific we're starting a series of off-train tours, where at major stops the passengers get off and do a tour. 30 per cent of our passengers on those trains are international and that's growing at the rate of about 30 per cent. So it's the growth end of the business. The growth we're experiencing, which is 40 per cent plus in the Ghan and 10 to 15 per cent in the Indian Pacific, are almost exclusively in the first-class end. That's the side of the business that's growing. It's also the side of the business that's promoted.

The Overland, Melbourne to Adelaide, is a different train. It's a commuter transport function. It handles about 80,000 passengers a year. For passengers it's meant to be a cost-effective alternative to road or air. We have recently refurbished the train. We spent a million dollars on the train. We're rationalising the intermediate stops. The new station at Geelong, North Shore, opened on Sunday. We have also put budget class travel into that train. We operate without government subsidy but we are reimbursed for pensioner discounts that we offer and there are some welfare concessions that we provide. It's about 10 per cent of passenger revenue.

The business is not yet profitable but we would expect to be so in the next 12 months. Our survival depends on access to track paths at economical prices. To give you some idea, the Ghan and the Indian Pacific - 16 per cent of passenger fares is paid out in track access. But on the Overland it's 35 per cent. So a large percentage of passenger fares go towards track access. Our track access bill is 8 to 9 million dollars a year.

The Overland's future is not secure. We're working with ARTC to reduce that journey down to 10 and a half hours, to be more competitive with road operators, interstate buses. Expressed another way, track access to us in cost per litres of fuel - which is I guess an issue of debate in the current goods and services tax issue - is

\$1.10. So we pay \$1.10 per litre of fuel to use the track. If interstate buses paid

anywhere near that, there would be a major outcry. So economically we're significantly disadvantaged.

The issues with your report are - basically, through ARTC, the Victorian and South Australia track and the Northern Territory, we pay the same tariff as super freighters. We don't compete with super freighters. We believe interstate and long distance passenger rails should have lower rates. We have the ability to use faster paths. Speed for us is an issue of the track and other operators, not an issue of the train and what's being pulled behind it. Our lighter axle loads also contribute, we expect, less damage to the track.

Our competition is not freight operators so in a concept of bidding for paths we're disadvantaged, because we're bidding against people in a different market. Our competition is interstate buses, air travel and alternative holiday destinations. A significant barrier to entry in the business is the high fixed costs, particularly track access. Unless you've got a guaranteed passenger level, you can't afford to introduce a new train. There is no relationship between passengers and track access. In New South Wales we pay a long and short train track access, which we think is a fairer way of doing it. On the ARTC routes we pay a fixed cost, being based on gross tonnes - except that passengers don't weigh a lot, and the fact that as we add more passengers you add carriages but it's not linear. In fact 60 per cent of our track access is fixed and 40 per cent on GTK. But it bears no relationship to revenue, as you can see by the comparison between the Ghan and the Overland.

MRS OWENS: Good, thank you for that. I think there's quite a few issues that we could discuss with you but I think obviously one of the important issues that you've raised in your submission and you've just raised now is this issue of access and your views on the access regimes. You talked about the ARTC. I'm wondering if you've got any particular views about the different access regimes that you're encountering, because you've been encountering regimes in New South Wales through the Rail Access Corporation, the ARTC - - -

MR BRADFORD: And Westrail.

MRS OWENS: And in Victoria as well.

MR BRADFORD: ARTC covers Victoria.

MRS OWENS: Yes, that's right.

MR BRADFORD: And Westrail for west of Kalgoorlie.

MRS OWENS: So Westrail. So you've basically got three different access regimes there. There's the issue of complexity I suppose and there's the other issue of which regime you think works best for you, in terms of access pricing and so on.

MR BRADFORD: Well, we fundamentally believe there should be one access to

Australia's standard gauge network. I don't comment on the broad gauge. We don't use it so I have no knowledge of it. But to have three - well, four if you include Queensland Rail, which we don't at this point in time use - to us, there should be one organisation that looks after track access and ideally also looks after accreditation and track safety, one national body. In terms of which ones we prefer, they're all fairly tough to deal with - because we are almost a unique operation. The New South Wales one tends to best suit us, but we would prefer ultimately something that reflected in relationship to our revenue.

MRS OWENS: In terms of the New South Wales regime - you say it best suits you. Is it that you prefer the approach that they have to setting prices, the negotiated approach? You prefer that to posted prices?

MR BRADFORD: Yes, they have an approach which favours those who add business to the track - puts more new trains on the track - where the others, you could grow or diminish the business, it doesn't make any difference. Also, it's a fixed rate per train. We pay two rates, a short train and a long train, where the other regimes is based on the number of carriages added.

In our business you can spend a lot of time towing fresh air, and you're trying to balance passenger flows. Luckily the Indian Pacific is pretty equally balanced east to west. But we're finding with the new Ghan, out of Sydney and Melbourne - traditionally between Adelaide and Alice Springs it was evenly balanced, roughly evenly balanced. With Sydney and Melbourne coming in, it's becoming imbalanced, where northbound into Alice is far more popular with wholesalers and the independent traveller than southbound. Obviously we're trying to change the market but - - -

MRS OWENS: So people are getting on in Melbourne or Sydney and then going north and then flying back? Is that how they're doing it?

MR BRADFORD: That's right, because they take - we believe, what they tell us through surveys - a mental approach that says when you get on the train is when your holiday starts. I mean, it's not when you get off, it's when you get on. You've been working. You then get on the train, you're there two nights or three nights - it depends where you're going - have the holiday, which is fairly relaxing in the Northern Territory, and then fly straight back. To do it the other way is less popular. But also, you've got to match what the wholesalers will offer. I mean, you could say, "I want people to travel this way" - if the wholesalers say they want a brochure to run one way.

MRS OWENS: So do you price your train so that it's cheaper if you came the other way? This is probably outside the terms of reference of this inquiry. I'm just interested.

MR BRADFORD: The Melbourne Ghan was the first train that I'm aware of where we priced one leg of the same distance as cheaper than the other. Southbound is

slightly cheaper. But it doesn't reflect passenger loadings.

MRS OWENS: So are consumers responding to that financial incentive?

MR BRADFORD: No. Similar to the consumers prefer first-class to holiday class. Where there's a price differential, the first-class sells at a far greater rate.

PROF SCRAFTON: I appreciate this submission, Stephen, because we didn't spend much time in our report on passenger trains, as you're obviously aware, the accent being on freight. So your comments on the access regimes is particularly useful. The other thing that I found helpful was your strong comment about the need for rationalising the number of regimes for access and for accreditation. Is that getting easier, given the - whatever - it has been a couple of years that the railway has been in existence? Do you think that dealing with multiple organisations will always be difficult or do you think that maybe the problem will go away?

MR BRADFORD: I don't personally have a great deal of experience so I have to be careful in my answer, but we're encouraged by the federal government's announcement that they're heading towards one body for accreditation and safety. We think that's a step in the right direction. That was announced I think about 30 April. The sooner the better - because if we're safe to travel in New South Wales, why wouldn't we be accredited to travel in the other states. What is so inherently different? It goes further than that. It's also the accreditation and the training you've got to do for your staff to be credited for safe working. All our staff, bar a very small number, are based in Adelaide. So we have to train to all regimes. You only need slight differences in the what the track operators - how they operate - to then have to do another three or four days' training per year or for two years. It's a cost you don't need, for what ultimate purpose. It's getting easier. The signs are there for us that it's being simplified. There's a lot of reasons why it won't happen, particularly on track access, quickly. We're a small operator.

PROF SCRAFTON: I asked you the question because we are confronted with sort of two lines here. One line says we should have a national body and the other line says, "Oh, it's not really a problem," you know, and we will need to work that through before our final report.

MR BRADFORD: An example would be we have gained accreditation in New South Wales, which is then issued to all the other states, who then seek their own questions and answers to rail accreditation. What's so fundamentally different - I just take the simplistic view on us operating in one state compared to the others. I mean, if there are things for safety of passengers, which has to be foremost in our minds, they all should be the same. I'm not asking for the lowest common denominator.

MRS OWENS: So you're actually at the moment - you get your accreditation, you say, in New South Wales.

MR BRADFORD: From New South Wales, yes.

MRS OWENS: Then if you want to go into the other states then New South Wales - you will put in a proposal to New South Wales, with additional information for those other states, and New South Wales does this on your behalf?

MR BRADFORD: They assist by advising the other states, but we have to make formal application to each state to operate.

MRS OWENS: Directly?

MR BRADFORD: Directly, on the basis of one state accreditation. They check that, then they come back, and all have come back with other questions that they want answered that - - -

MRS OWENS: Are then onerous questions? Are they difficult questions - or do you think they're necessary questions?

MR BRADFORD: No, I don't think they're necessary. If there was one national body, those responsible for accreditation, whose knowledge would be far greater than mine - a lot greater than mine - would have sorted out the issues and said, "What are the important things we need to know and be accredited for, for the safety of passengers" - that's the whole objective.

MRS OWENS: Are these questions related specifically - like, does South Australia come back and say, "We've got special circumstances here and so there's these other questions we need you to answer in relation to those special circumstances," or isn't it as simple as that?

MR BRADFORD: It's not as simple as that, to my knowledge. They appear to be based on the acts applying in that state - what are the requirements of the Safety Act and then how does our accreditation fit to that.

MRS OWENS: So what that is implying is that the Safety Acts in each state are different.

MR BRADFORD: That's my understanding.

MRS OWENS: Do you have any idea of - you know, does this take a lot of extra time for you? There's the initial accreditation and then there's this ongoing monitoring that goes on.

MR BRADFORD: I would suggest that it takes - our manager who put the accreditation together worked flat out for 12 months to achieve it. On an ongoing basis I would suggest it has taken three weeks of his time per year, which we feel - we're a very small operator, compared to some of the large freight organisations - could be longer.

MRS OWENS: I mean, the other way of doing it, if you didn't have a national accreditation body, would be to say, "Okay, we're going to have" - you'll go to New South Wales like you do now, and get accredited, and that accreditation applies in every state so that the mutual recognition actually, as occurs in other regulatory regimes for other things, actually once you've got your accreditation in one state, that's it.

MR BRADFORD: I think that's the intention but in practice it's not as simple as that.

MRS OWENS: Well, it's an intention, but if there are additional requirements and if you still have to put in an application in another state or just for mutual recognition, there's another process there, there's another step for you and another set of fees, as I understand it.

MR BRADFORD: That's right.

MRS OWENS: Those fees are the same or are they different or - - -

MR BRADFORD: I'd have to take that on notice. I'm not sure.

MRS OWENS: We will be talking to the accreditation people I think tomorrow or the next day so we can probably find that out. But I was just wondering, in terms of your own experience, whether you had noted - - -

MR BRADFORD: It's similar to liquor licensing. We have to be licensed in every individual state we operate in, so each has a separate licence, separate regulations. It's very onerous.

MRS OWENS: Yes, it's a function of our federal system I think. I think what we're trying to see is if there's a way of simplifying things and breaking down those barriers which - you know, state borders become barriers in more than one way. There may be good reasons why each state might want to have its own safety legislation. There may be something that escapes us. But if you're actually just duplicating something in different states for no good reason, well, I think it's a waste of your time and the regulator's time. I mean, a regulatory system costs money to run.

MR BRADFORD: Exactly.

PROF SCRAFTON: Stephen, this is a rather obscure question but we have had a lot of submissions or a number of submissions from the Bicycle Federation of Australia and its associated bodies about the desirability of carrying bikes on trains. I think much of their emphasis is actually on metropolitan trains. But I just wondered whether GSR has any attitude towards carrying bikes. Do you allow them on your trains? How do you accommodate bikes?

MR BRADFORD: You're talking pushbikes or motorbikes?

PROF SCRAFTON: Just pedal bikes, pedal cycles - well, take it on notice.

MR BRADFORD: No, I've seen a number of pushbikes on our trains in the luggage van.

PROF SCRAFTON: Right.

MR BRADFORD: I think it's reasonably common.

PROF SCRAFTON: Right.

MR BRADFORD: I mean, I don't recall us taking, you know, groups of 20 or 30 cycles. But yes, I couldn't imagine that there would be a problem. There's certainly plenty of space. We put motorcycles, the petrol-driven ones, in the luggage van. They're tied down. Cycles would be the same.

PROF SCRAFTON: Thanks. It's just that we get a disproportionate level of representation from these people and it's necessary for us just to understand exactly what operators do.

MR BRADFORD: We monitor customer comments and complaints and congratulations very closely. I can't recall that coming up and anybody saying they can't take a pushbike on the train, because we have a reasonably large backpacker market so they're the type of people that take them.

PROF SCRAFTON: In fact that's an interesting comment because the representative of the Bicycle Federation made the point that if a lot of the growth in tourist business is in that backpacker end, in that cheap end, although their expenditure per individual might be comparatively low, their volume can well make up for it. But I know that isn't the end of the market that your long distance trains are actually geared to but I was just interested in - - -

MR BRADFORD: It's a particular target of the Overland, the growth in Adelaide-Melbourne and back trains, in passenger trains, has been the backpacker market. They have in the last three to five years grown on interstate coaches. That's with the new backpacker class, \$30, to win them back.

MRS OWENS: In terms of allocating parts, you mentioned at the outset and you mention on page 4 of your submission that you do have some problems with the idea of having to compete with the freight operators. We were trying to think of a way of ensuring that the access charges reflected the value that the operators put on particular train paths, so that if there were more popular paths for the freight operators that could be - you know, on a Thursday or Friday night, to reach Perth on a Monday or whenever - then perhaps they should be paying a bit more. But you're saying that it would be very difficult - I may be misreading what you're saying, but to actually have a fair degree of competition between freight and passenger - is that

what

you're saying?

MR BRADFORD: I think they should be considered as two separate parcels. I mean, freight - their competition is other freight operators and road. Ours - I mean, there's few in the interstate tourism passenger business. In terms of paths, it's also when do people want to travel. I mean, if the best available path is leaving Melbourne at 3 am in the morning it's basically pointless to me, because who wants to go down to a rail station and jump on a train at 3 am. Even if it is only eight hours to Adelaide, it's impractical. So I'm governed not by just-in-time freight but more what does the market ask me to do.

MRS OWENS: The market might want you to leave Melbourne at 9 am in the morning, which may be the same time as National Rail wants to leave, and then there's the question of who determines who's going to get that slot. At the moment it's really just done administratively. You've come in with the Ghan relatively late in the piece so you're probably getting whatever is left, I'm not sure. Was there a process to determine what paths you should get or did you get what you wanted?

MR BRADFORD: The Ghan - largely we got what we wanted, because we weren't clashing with a number of operators. The issue of course is that the path is congested. The Melbourne-Adelaide corridor is the busiest. On the others we don't have a problem. The barrier to entry into Sydney and Perth is arrival and departure times where, because we come into Central Station and East Perth terminal, they don't want us putting trains of 27 carriages through the suburban network. So you can't arrive between 7.00 and 9.00 Monday to Friday, and 3.00 to 5.00. So that effectively cuts you out of that corridor. So that seemed to work historically reasonably well.

Getting a change in track paths is inordinately difficult and slow but it seems to happen eventually. I just take a simplistic view to it. It eventually does happen. It's the Melbourne-Adelaide corridor which is the most interest to us because that is time critical, because the competition is time critical. Simplistically, do we end up with a nation where hauling dog food gets preference over people? I don't think so. I don't think that's socially what we're trying to do.

MRS OWENS: So you weren't actually clashing, as you said, with any freight operator in terms of getting the time paths - - -

MR BRADFORD: Not on the Melbourne Ghan, no, not to the extent that the service couldn't happen or it couldn't happen when we wanted it, because it had to be carefully worked - the Ghan travels, as I understand it, more kilometres than any train in the world. It's doing 600,000 kilometres a year and effectively doesn't stop. It has got two and three-hour windows. So that says the paths we received, we were happy with. The whole economics of passenger rail is those carriages have to keep moving. If they're sitting long periods of time without passengers in them, not being used, the economics are not in the business.

MRS OWENS: I suppose in the case of Melbourne to Adelaide you're talking about

just dealing with the ARTC.

MR BRADFORD: That's right.

MRS OWENS: Sydney-Adelaide you've got another player in the game, in terms of trying to work out train paths. Was that complex, trying to sort that out?

MR BRADFORD: I understand from the people who did it that it was complex, but having said that, it did happen.

MRS OWENS: Eventually.

MR BRADFORD: Yes, eventually. Some of our routes aren't - like getting track paths Adelaide to Alice Springs is not overly difficult. There are only two users. It's Melbourne-Adelaide corridor where there's a number of private freight operators as well as National Rail.

MRS OWENS: But I think what we may see in the future is even more niche players coming into the market. It may become more congested still. Our concern was how do you get a fair allocation mechanism going, on what basis do you do it. As economists we say, you know, people are probably prepared to pay different amounts for their preferred pathway. We were saying, well, maybe you need to have some way of people being able to express those desires. That's why we floated this idea, fairly tentatively, about auctioning time train paths and possibly having spot markets, which is another idea that has also been floated by the ARTC.

MR BRADFORD: An alternative of course is to pay by the speed you're going. I mean, if track access is difficult because there's a number of operators, if you want to meander along at 80 kilometres an hour, I say get out of the road and let those who want to do 100 and 115 go past. A scarce resource is - are we governed by the slowest common denominator, you know. A bit of self-interest - I mean, our trains are rated at 110, 115. On Melbourne-Adelaide we'd love to do it. That's the reason we're eliminating a number of intermediate stops.

PROF SCRAFTON: Helen, the only other comment that I had was to thank GSR for this last paragraph in your submission where you correct some of the information in one of the appendixes, E10, on freight operators. It's very useful. Aside from the fact that we actually had the number wrong, six instead of five, your submission points out that there are other operators, like Direct Rail Services, and there is nothing to prevent other people entering the market anyway, that open access is permitted in freight here but there are no franchises. Thanks for that.

MRS OWENS: I think we've covered the issues that - I'm just checking to see if there was anything else that I wanted to ask you about. The only other issue was whether you have been involved or had a look at this report that was done in New South Wales by the Independent Pricing and Regulatory Tribunal, IPART, on aspects of the New South Wales rail access regime. They looked at issues there about the

valuation and pricing issues. I don't know whether it was a report that you've given much attention to.

MR BRADFORD: We've seen it and commented on it but I don't have the response to hand.

MRS OWENS: Right.

MR BRADFORD: I read it about three weeks ago so it's - - -

MRS OWENS: Well, we won't test you on that one, because I read it last week and I've forgotten some of it too. Okay, have you got any other comments?

MR BRADFORD: No, that's fine.

MRS OWENS: Okay, thank you, Stephen, for coming, and thank you for answering our questions so willingly. We'll now break for five minutes.

MRS OWENS: The next participant this afternoon is the Industry Reference Group. Could you please give your name and your position with that group for the transcript.

MR HEARSCH: Yes, commissioners, my name is John Hearsch. In this capacity I'm speaking as chairman of the Rail Industry Reference Group. I'm also a private transport consultant and perhaps if there's time at the end, I wouldn't mind making a few general comments in that context.

MRS OWENS: Right. I don't know how much time you've got. I know you were going to go to Adelaide later. Have you got time - - -

MR HEARSCH: A 6.20 plane.

MRS OWENS: Because I think we came back to you and asked if we could at least have you to about 4.30.

MR HEARSCH: Sure.

MRS OWENS: That's great. Once we saw how much material there was, we thought we couldn't get through it in that short a time period that we'd allocated. Would you like to make some opening remarks and then we'll open up for discussion?

MR HEARSCH: Yes, thank you. The purpose of our submission was to, I guess, both inform and update the commission, as well as commenting on the number of specific matters that were raised in the commission's draft report and in doing so we've sought to clarify some issues, particularly in regard to the relationship between safety regulation and what we describe as operational uniformity. Also we've sought to update the commission because we are dealing with a fairly dynamic scene and there have been some developments, even since the commission issued its draft report, and finally, we've just sought to touch on issues that will become quite important in the near future to deal with potential implementation of the work that we're currently undertaking.

MRS OWENS: Thank you very much for that. I'll just reiterate what I said just prior to us starting off that I spent a good part of the weekend reading through your submission and trying to get to the bottom of what this regulatory system looked like in relation to railways and I found it fairly complicated, I have to say; complicated in terms of the structures, the committee structures and so on that are in place. I'm not quite clear what committees are still in place and what aren't and I'll ask you about that later, but also in terms of the breadth of the regulatory system and how it all slots together. To me it seemed a bit messy, I have to say. Probably if you're working closely with this system on a daily basis you may find it less so.

But as an outsider looking in, I find it quite difficult to understand, and I thought if I find it difficult to understand, having looked at regulatory issues in a

number of other inquiries and not having this difficulty, I thought maybe some of the

operators and the track owners working within the system may also have some difficulties and maybe that's where we may have had some misunderstandings amongst some of our participants. What I'd like to do, I don't want to actually get into too much detail today on the technicalities of the regulatory system because we would very much like to ask you that out of session. I think it's a bit difficult in this forum to get down to that level of detail.

Some of the information that you have provided is a little bit different from what we had given to us prior to the draft report, and you did mention in your opening comments that it's "dynamic" and "things are changing", so that may explain some of the differences. But one of the things that our report did do, was it did identify that there were inconsistent safety regulations, or at least the participants saw that there were some inconsistencies; inconsistencies with operating standards. In some cases people saw it as being a growing problem, rather than a problem that was going away. Maunsell, at the time that report was written, identified a number of concerns in this area. I'm wondering what your views are about whether you think there are still any major problems at this stage.

MR HEARSCH: Okay. I think in summary there are still substantial problems and issues that need to be addressed but the work that our group - the Industry Reference Group - is involved in, has been specifically tasked with addressing some of those problems. Our fundamental role is to bring about a situation where there is essential harmonisation of operating rules and procedures and technical standards across the so-called interstate network primarily, but with a flow-on potential into other parts of the network to a fair extent at the discretion of track owners and operators. As you mentioned, the Maunsell report identified a substantial number of these inconsistencies, and the majority of them - particularly those that relate to, if you like, efficiency impediments that operators in particular, and maybe track owners, were likely to strike operating across multiple jurisdictions - are those issues, those impediments that we're principally dealing with.

MRS OWENS: You said that you're facilitating interim implementation arrangements.

MR HEARSCH: Yes. Now, to be completely accurate, the Industry Reference Group was not charged with any responsibility for implementation. Our role was to develop and to get industry agreement and support for these revised operating procedures and technical standards. But given that we're well advanced through that process, it was natural that we would take a keen interest in what would happen to that work once we had got to that stage. Therefore, I've been working closely with particularly the Commonwealth Department of Transport and also the New South Wales director-general of transport who, you would be aware, chairs Rail Group of the standing committee of transport which in turn responds to the Australian Transport Council. I've been working closely with him as well on developing and putting forward proposals as to how this work that we're doing will be progressed once we get to the end of our present commission.

That, as you I think will have noted, has led quite recently to a series of decisions which were taken at the Australian Transport Council on 30 April which provides a mechanism or will provide a mechanism by which this work can be taken forward into an implementation phase starting early next year.

PROF SCRAFTON: John, when you talk about implementing the issue, does that mean essentially on the interstate network, bearing in mind the point you made before?

MR HEARSCH: Yes, that is the fundamental focus but the work we are doing, if you like, has a broadly based constituency of the rail industry generally and therefore we feel that a lot of our work will also prove to be of benefit to other parts of the rail network, other track owners and operators, particularly as we see through the emerging changes in the marketplace for rail and obviously changes in ownership structures and so forth, that the precise definition of the interstate network might eventually lose some of its meaning. The issues of inter-operability between what today we describe as the interstate network and what is otherwise described as the connected intrastate network is likely to become more prevalent, particularly as rail hopefully improves its competitive position in the marketplace.

So with that in view, we see that there will also be a process of encouragement, if you like, for other track owners and operators who are primarily concerned with the non-interstate parts of the network also to take up and utilise some of this work.

PROF SCRAFTON: Thanks.

MRS OWENS: In terms of your timetable for actually getting your work done, I think you said in your submission that your work would be ready for implementation next year and you're reasonably confident that you will reach that sort of target.

MR HEARSCH: Yes. The process we're going through is that we have a series of working groups or committees, if you like, who are doing the drafting work on this material and they're broadly based and widely representative of various participants and stakeholders in the industry. We expect that the major portion of that drafting work will be completed by the end of July this year, following which we'll be engaging a firm of lawyers to review the material in terms of any legal issues that we see may arise from them, particularly in terms of potential liabilities for operators who may wish to, or who in some cases do adopt these procedures and standards. We've allowed a month for that process to be completed, following which all of the material inclusive of the legal advice we get will be made available to all stakeholders in the industry as part of a fairly extensive consultation process.

The qualification I would make to the timing would be that we've allowed nominally three months for that consultation process to occur, but obviously as within any consultation process you can't be quite sure what's going to come out of it. If we find that we have to undertake substantial iterations off the work as a result of that consultation then that time could be extended. However, we're quite hopeful at

this

stage, given a lot of the informal comment and input we've had that the changes that are likely to emerge as a result of that consultation are more likely to be peripheral rather than substantial. If that indeed proves to be the case then we would believe that by the end of the calendar year the material will have had effective endorsement of the rail industry and is ready to be taken to the next stage.

MRS OWENS: The next stage will be - in your submission you mention there's a non-statutory unit to be set up within the department to facilitate and coordinate implementation.

MR HEARSCH: Yes.

MRS OWENS: So how long do you think that part of the process is going to take? Have you got any ideas?

MR HEARSCH: What's planned is that there will be a proposal taken back to the transport ministers at the Australian Transport Council meeting in November this year which will contain an intergovernmental agreement which we hope will be agreed to by the various parties. Whilst that intergovernmental agreement hasn't yet been drawn up, the three points which I mentioned in the submission relating to a commitment to a nationally consistent implementation mechanism; the establishment of that non-statutory body which would be attached for administrative purposes to the Commonwealth Department of Transport but would in fact be a national body that in fact would be owned by the Commonwealth and the states jointly; and the Commonwealth taking, if you like, effective custodianship of the material in terms of ownership of intellectual property and accepting any legal liabilities that might attach to it.

Those things will form part of that intergovernmental agreement proposal which will go forward to ministers at the end of November this year. But the detail of that is still to be worked through.

MRS OWENS: Then this unit within the department then will have to get down to the nitty-gritty of making it happen.

MR HEARSCH: Yes, and again the detail as to how that non-statutory unit will be established has not been firmed up. But a provisional idea is that it would be a small freestanding unit within the department. It would have a very small number of full-time staff - perhaps three, something like that - who would essentially - at least two of them - be experts in the field, perhaps another one purely as an administrator. The current thinking is that it would report to a board which may comprise possibly an independent chairman, a rail industry representative and a government representative. It would have several roles. Probably its most important one would be to facilitate the implementation process of these operating rules, procedures and standards.

But also there will be an ongoing administrative role because we've been at

pains to point out that this material that we are preparing should never be regarded as static or set in concrete. It's something that will need to continue to evolve and be updated continuously as the market changes, as technology changes, as the industry structure changes, and that will involve an ongoing role of consultation with the industry as well as a basic administrative task in making sure that industry participants are kept up to date with changes that are made and so forth, as well as taking on board the intellectual property ownership and the legal liability back through the Commonwealth. So that's what we see structurally, if you like, as being set up to take this process forward.

MRS OWENS: You said in your submission on page 1 that you felt that we should be taking a more positive view in relation to - I think you were implying about the timing and I think we'd been somewhat critical because we'd looked back and saw that, you know, the first thing that happened was back in 1993 and wondered why it was taking so long to get to this point. So we weren't really looking at it just in the context of when the IRG was established. We were actually sort of looking back to that decision that was taken at the ATC in relation to trying to get some sort of uniformity or consistency of rail safety regulation across states and so I think that what we were saying was in that broader context. That's why I was just interested to sort of see how long - you know, we seem to be getting almost to the end of a fairly tortuous process.

MR HEARSCH: Yes. I think it's fair to say that until the middle of last year there hadn't been a joint government industry effort to tackle this problem. There had been a number of efforts made spasmodically by the industry itself and that tended to founder because of the diverse interests in the industry, because I guess it's fair to say there was a degree of historical baggage which was being carried by some of the participants. A lot of the material which had been developed in that earlier process through the Australasian Railway Association and its predecessor body was felt to be overly prescriptive and not particularly relevant to where the industry was going, as distinct from where it had been, and I guess we've tried assiduously to avoid going down that same path.

MRS OWENS: The other comment you do make that I just felt we should clarify, on page 2 you say that:

The IRG work is a positive initiative and although it may not be considered by the commissioner to be a major reform issue it will provide for safe and more efficient interstate rail operations.

I think I probably could speak for Derek as well. I mean, I think we both see that as a very significant reform initiative because we see it as a mechanism by which you can facilitate access and all sorts of other entry into the market. So I mean, I think our interest is in it being a major reform issue and that it happened quickly.

MR HEARSCH: We'd certainly support that.

PROF SCRAFTON: Could we move on a page to the Best Practice Regulation. John, there's almost a sort of defensive attack here to the suggestion that one might approach this with a view to achieving best practice outcomes and yet in some ways that's just what you've been talking about. I wondered why, if it's such a good process, one would be so nervous about adopting - I can understand that regulatory impact statements are sort of scary. You know, there's the sort of feeling there up against time delay and so on. But if we give that impression we certainly don't want to leave you with that. The idea is that if these are good ideas and if these standards and procedures are worthy of adoption it shouldn't be difficult to justify them. So I just wondered about the level of sort of nervousness, if I can put it.

MR HEARSCH: I guess I'd have to say that the nervousness probably is more in the areas of the bureaucracy than the industry participants. But I guess nonetheless the matters that we've put before you would, I guess in our view, tend to question whether a regulatory impact statement need be done, or if it does need to be done whether the outcome of our work directly is the appropriate vehicle for that to be done, and I guess some of the points that we've made there are that the Commonwealth at this stage - and this may not necessarily be true in the long term but it has no regulatory function in this area. To the extent that any of our work gets a regulatory focus it's going to, in the short term at least, be through the state jurisdictions.

Secondly, the IGA, which of course is yet to be developed to go to Australian Transport Council in November, of itself will be seeking to achieve a nationally consistent way of addressing this. But I guess the view is that until the implementation mechanism itself is known and understood, maybe there's not much purpose in undertaking an impact statement because the method of implementation itself will probably to a fair extent determine the impact. I guess also there's a view that irrespective of whether or not this work we're doing ends up in some sort of regulatory form.

The difference between it and perhaps other regulatory development that has been done for other industries is that all of this work has been done by industry participants and I think it's fair to say that although they will be part of a consultation process, the government officials and regulators, the work to date has really not involved their input at all, so that we believe that at the end of the day what we will have is a set of rules and procedures and standards which the industry has developed for the industry. I suppose the argument goes that one of the things that a regulatory impact statement would do would be to assess the impact on the users or on those participants, but in this case the impact has already in effect been implicitly assessed by the users by virtue of their involvement in developing the material.

PROF SCRAFTON: Indeed the consultation process that you describe is itself part of what would normally be regulatory review.

MR HEARSCH: Yes, of course, quite so.

PROF SCRAFTON: Could I just ask you then, is that why it's suggested that the Australasian Railways Association would manage the consultation process? Does that follow out of what you just said?

MR HEARSCH: Well, essentially yes, because the Australasian Railways Association is the head user body, if you like. It's the head industry body and they have agreed to in effect manage the consultation process, and I guess the reason for that is twofold: (1) they obviously have a direct connection to all the participants and can help us to ensure that all of the stakeholders do in fact get consulted, given the opportunity to provide their input, but also I think it's fair to say that perceptions are fairly important here and that using the industry association as the vehicle to undertake the consultation we believe will reinforce the perceptions in the industry that the work we're doing has been done by the industry for the industry rather than something that is imposed upon it.

PROF SCRAFTON: Could I just pursue that a little bit further too. You go on to say that in relation to - again it all follows out of this best practice regulation section. You say that:

Contrary to previous advice provided to the commission it's no longer proposed that ATC endorse the uniformity work.

Is that again an outcome of what you've just been telling us, all part of this sort of change or this move to it being an industry - - -

MR HEARSCH: It is, and also it flows from a realisation that if we ask ministers to endorse specifically the codes of practice and the other material then any subsequent change to that material would presumably have to be re-endorsed and we didn't want to get ourselves into a situation where we had to go through some long sort of drawn-out bureaucratic process to be able to continue to modify and adapt this material in the way that I described earlier and that's why we see this - something that this body would be able to administer.

MRS OWENS: But you are actually saying that if it's not the ATC it will be - accreditation authorities will have to approve the uniformity work, on page 3.

MR HEARSCH: No, I don't believe we said that.

MRS OWENS: Page 3, the second bullet point, about midway down, you say:

Accreditation authorities will have to approve the uniformity work.

MR HEARSCH: Okay. Yes, that's probably badly worded when I reflect on it. We wouldn't also be asking the accreditation authorities to approve the work per se. What we'd be doing is asking the accreditation authorities to accept the work as an industry standard. If they wish, they could make its adoption a condition of accreditation although I don't believe they will probably do that because the

accreditation authorities themselves have expressed some concern as to any liability that might attach to them if they were to make an accreditation condition on that. But at the same time we believe that what the accreditation authorities are likely to do is that if an operator seeks accreditation on the basis of adopting these procedures and standards, then subject to any other qualifications that might apply they would be happy to grant accreditation on that basis. So I guess when we say to have them accepted or approved, I think it's probably approved - we certainly didn't mean in a literal sense.

MRS OWENS: So it wasn't replacing the ATC in terms of approval?

MR HEARSCH: No.

MRS OWENS: Is there any likelihood that those accreditation authorities could decide - on their own volition decide to not accept these, or is that highly unlikely?

MR HEARSCH: We would think it's unlikely. We'll be putting that to the test during the consultation process because we intend to fully consult with the accreditation authorities as well during that process. Certainly the informal inputs and discussions that we've had so far would indicate that the accreditation authorities welcome this development because in many ways it makes their job easier and it takes the existing framework which has been established through AS 4292. It takes that a considerable way further.

MRS OWENS: With the proposal that we had in our report to undertake RISs, regulatory impact statements, I think they could in this sort of circumstance prove to be advantageous if it was shown that that process had been gone through. You are going through a similar sort of process, you are consulting, and undertaking RISs is about looking at benefits and costs as well. If you seem to be going through that process and the different jurisdictions see that you're going through the process and the industry as a whole sees that they're adequately consulted and so on, then you've got a better chance of the process, I would have thought, actually reaching fruition and, you know, successfully getting there. We weren't thinking in a very narrow, bureaucratic way about RISs but I think there are certain thought processes to be gone through.

I was wondering, in terms of what you're doing, have you actually looked at the costs of what you're doing?

MR HEARSCH: In terms of implementation subsequently or the cost of doing the work that we're currently doing?

MRS OWENS: No, in terms of actually trying to get some degree of consistency. I mean, what I'm saying here is consistency sounds terrific and we're mainly focusing on interstate but beneath the interstate there's a number of layers and there's intrastate rail operations and some of the jurisdictions would say that's where the main game is. Then within intrastate you've also got some very low-volume branch lines, very small

branch lines. Now, the question is whether in getting consistency across the interstate network you then end up with inconsistency between interstate and some of the bigger intrastate networks and whether that then creates another set of problems.

MR HEARSCH: I guess that's something we're very conscious of and it's the reason I mentioned earlier that we will be seeking to encourage the particular in the industry whose concern is primarily on the intrastate networks to look seriously at the question of both current and potential interworking between the interstate and intrastate networks. To the extent that that is either already occurring or is likely to occur then we would be seeking to persuade them to look very seriously at adopting wholly or to the extent that's appropriate the work that we've done. I mean, there is quite possibly the potential for a new disconnect there; we accept that. We've got full involvement of those people now in any case.

If you take an organisation, for example, like Rail Access Corporation, RAC, in New South Wales they have been a leading participant in this process. I must say they have been extremely forthcoming and cooperative, and the people who are involved have a dual responsibility for both the interstate and intrastate networks. You would probably have to ask them directly, but I would think that they are already thinking about the extent to which this work might also be relevant to those other parts of the network.

MRS OWENS: The other thing I just wanted to clarify was this comment you have - I'm sorry we just keep on this RIS issue but it's quite important for us. You talk about - this is on page 2, we're skipping back and forward here a bit, "The Commonwealth current role is solely one of facilitation and the commission statement that a RIS is mandatory for Commonwealth regulation is not relevant to the IRG uniformity work." RISs are not just about Commonwealth legislation, as you probably know, it's also about - there is provision through COAG, the competition principles agreement, for review of the legislation and to introduce these principles at all levels not just at the Commonwealth level. So that's why we're sort of plugging it a bit.

MR HEARSCH: I guess the principal point that we see coming out of this is that - I mean, we certainly don't dismiss the idea of a RIS but I guess until such time as we have an understanding of what the likely implementation mechanism is, if there is to be one, it should be considered at that point and because we don't have one yet we just believe perhaps it's premature. Also, I guess we'll come to it later on, the other issue which perhaps is also supportive of your position is that we'll also be pressing, and we would suggest that it might be appropriate for the commission to consider recommending to government that notwithstanding the interim arrangements that have been made to implement this work there will also need to be a more permanent process for doing so and that if there is to be any sort of regulatory framework that might surround that, well, then again an impact assessment would more likely be appropriate in those circumstances.

MRS OWENS: I think that has clarified that for me.

PROF SCRAFTON: There was just minor aspect before we move off that topic and that was about the mandatory requirements. You say in your submission that they're only a small element and you say that they've been deemed necessary for safety and interface coordination on the network. Deemed by the group does that mean?

MR HEARSCH: Yes, at this stage; yes, deemed by the group - and we're still working through that. It's our view that the prescriptive or mandatory components of the codes of practice should be absolutely minimised, because we're trying to have an output focus on this throughout, but the physical realities are that there are a few things that need to be mandated; some for safety, some are simply to ensure that you can in fact have interoperability across the network.

MRS OWENS: I think you've also given us some very definitional distinction between rail safety regulation and operational uniformity and we will be taking on board your views about restructuring our section so that it makes a little bit more sense. What we probably will do we'll set it up in a way so we talk about safety legislation, then we talk about operational standards and procedures and then we might set it up so that we talk about codes of practice separately but then link them back. I think it will be clearer. The way it was before I can understand why you may have got concerned because we ended up talking about some of the very general stuff under safety when it didn't really quite belong there. So thank you for that.

MR HEARSCH: No, that's fine. I guess in terms of the uniformity work, on further consideration either section 8.2 or section maybe 8.3 where you talk about advancing regulatory reform - I mean, probably either of those areas would be the appropriate parts to deal with that.

MRS OWENS: Yes, we will have another think about it now. We have got a bit more time. We always find when we're putting a draft report to bed that sometimes the niceties of where things belong - you know, we tend to overlook them a bit just so long as we get some of the material down. That's the great advantage of having a draft report first because we get an opportunity to actually fix some of this up.

PROF SCRAFTON: They also suffer from editing. The continuity might be obvious in an earlier draft and then a couple of pages go by the board in the interests of shortening something and the logic disappears or the sort of confusion which you've highlighted appears.

MRS OWENS: Yes, you make the point here that the codes are about more than just safety and were not developed as a form of safety regulation.

MR HEARSCH: That's right.

MRS OWENS: I think we actually used those words in there somewhere but it was buried, and I think how we wrote it wasn't totally consistent with that sentiment.

PROF SCRAFTON: Just again a minor point but I think it's worth debating it with you. The submission seems to have switched the focus from the earlier IRG document that said the codes exist primarily to improve operating efficiency and only in passing the codes may assist compliance with AS4292 and that's when you said that's one of the reasons for shifting the stuff on the codes in the document. We accept that and we'll take that into account, but given the earlier IRG document what caused that slight shift of direction? Is that just all part of the learning process we go through?

MR HEARSCH: I think that's true. I think our original assessment of the task was to find ways by which the industry can give practical effect to AS4292 but I think we realised as we progressed that really this task was probably much more about operational efficiency and interfacing than it was purely about safety. Having said that I mean, as you realise, it's difficult to separate the issues because there are substantial overlaps. But I think later on when you look at some of the work we've done, if you wish to do that, that you'll see that quite a lot of it is not really connected with safety as such but really provides a guidance to operators as to ways that they can operate successfully and efficiently across multiple jurisdictions.

PROF SCRAFTON: I would just like to look at one other point in relation to something you mentioned. You talked about sort of where you saw it going from here but do you think in the longer run there will be a national body or do you see a continuation of these groups emerging to resolve particular problems and then disappearing or being merged or - - -

MR HEARSCH: I think there is a certain inevitability that there needs to be a national - well, a series of national regimes. Certainly I think there will need to be some form of national regulator in due course. You're possibly aware, while it's not directly connected to our work, or you may be aware that at the same Australian Transport Council meeting that dealt with these matters they've also commissioned a major review of rail safety arrangements. As I understand it, that's primarily directed at looking at the various accreditation regimes that exist around the country at the present time to see how effectively they're operating or whether there ought to be a different mechanism or maybe an additional mechanism.

PROF SCRAFTON: It's a good response, John, because one of the problems that we have is that we get confronted by sort of both camps, if I could call it that. There have been some fairly strong recommendations that the commission should support the idea of a national body. On the other hand we get some stiff resistance, if I could call it that, from those who prefer the existing regimes. As you mentioned in your introduction it is very much a moving feast and we just have to keep on top of that and perhaps word our findings and recommendations in such a way that it will at least hold substance for some time.

MRS OWENS: All right. I think we have just about covered most of the questions that we wanted to ask. I was going to ask you just as a point of - this is just for information. Following through what has been happening with the ATC and Scott

and the Rail Group at one stage there was a series of task groups set up, the uniformity task group and the rail accident and incident investigation task group and so on. Have they all been abolished? Is that correct?

MR HEARSCH: Basically the only two bodies that are still operating are our group, the industry reference group, and the rail safety committee of Australia. The group that was looking at accident investigation has completed their work and they have made a recommendation to ministers and I think that will be picked up as part of this overall review of rail safety.

MRS OWENS: So the rail safety committee, they're mainly interested in the issue of accreditation and fees and the regulation - - -

MR HEARSCH: The rail safety committee primarily consists of regulators although it does have a very small number of actual rail industry particular in it as well.

PROF SCRAFTON: John, we haven't discussed the specific comments attached to the back of your submission but what we will be doing with them is taking them into account, particularly in light of the discussion with you now. However, there are a couple that I would just like to refer to, if you don't mind. They're on page 8. One of them is about this business of local operating instructions. Again, it's not clear to us whether or not these are serious problems or whether they're just sort of minor irritants. Certainly in the first round of hearings, it was put to us that these local protocols, as some people referred to them, do in fact cause or can cause difficulty and complexity. I realise that this is probably sort of on the edge of your group's work, and while I'm not sure about that, you might want to comment on that. But I just want a view: are they a problem or not?

MR HEARSCH: I think they're a problem at the moment because there isn't any overarching uniformity that takes their place. To give an example, the Rail Access Corporation in New South Wales has a document which deals with standards for rolling stock. That was a somewhat unique document because it wasn't directly paralleled by similar documents in other states and therefore it tended to form the basis of a set of unique requirements which that body imposed on operators. What is happening as part of our work is that virtually all of that work will be subsumed into the national codes of practice, but there are certain purely physical requirements or conditions that apply, say, in New South Wales that are, in reality, unique. The way we'll be dealing with them is we will have a series of schedules to our work which will deal with special conditions which apply in individual jurisdictions. Obviously we would hope and anticipate that as time goes by, the need for those special conditions will diminish, but they will probably never entirely disappear.

I think the other point that needs to be made is that we are really dealing in this process - there are three levels. The level the industry reference group is working at is essentially related to the interstate network, with some potential flow-on to the intrastate network. Then you have that intrastate network where we've indicated that

the codes and the other work we're doing may or may not, as the case may be, be adopted, and it will largely depend on the extent of future inter-working. Then in addition to that, you have a series of local procedures which will deal with very specific situations that apply to an individual jurisdiction and which, by and large, won't impact on the overall interstate operation.

MRS OWENS: Can you give me an example of what they would be?

MR HEARSCH: The sort of case might be where it might, for example, relate to the working of a particular yard or a particular facility where in the past, the organisations had its own local rules. You know, you come off the main line and you go into that yard and once you're in that yard, because of the special set of environmental issues, if you like, then some special procedures have to apply. That's the sort of thing we would see being covered by local operating procedures. If you like, they'll be company-specific things which, if an operator is actually going to go into that facility or work in that environment, then it will have to take notice of those requirements. But by and large, they won't impact the overall operation across the interstate network.

PROF SCRAFTON: Thanks for that.

MRS OWENS: I think it raises a really interesting question because I think the focus of this attention has all been on interstate and trying to get consistency across states. But what's happening now, I think, and what will happen increasingly in the future is it's not just about trains crossing borders, it's about different operators getting into different markets. The example is FreightCorp going into Leigh Creek.

MR HEARSCH: Yes.

MRS OWENS: Will these local operating procedures act as a barrier to that sort of activity occurring?

MR HEARSCH: It's difficult to answer that question, I guess, because it's somewhat hypothetical.

MRS OWENS: It's not hypothetical to the extent that it is happening now.

MR HEARSCH: Yes. I mean, if you took that situation that you've just mentioned, probably a little unusual in that the owner of the infrastructure is actually an electricity generating authority now, but if it was a more normal railway track owner and a new operator came in to operate on a discrete part of that network, yes, there may well be some local operating requirements that apply to that part of the network. I don't know that you could construe that as a barrier to entry if those local operating requirements are derived from physical conditions that actually happen to apply on that particular piece of the railway. I guess it's a little difficult to answer that in the abstract. There is a risk, yes, that it could represent some impediment but if one makes the assumption that track owners and operators are operating with commercial

objectives in mind, then one would expect that a degree of rationality would apply and that if these things were seen as obstructive or an impediment, then presumably there may need to be recourse to a regulator or a dispute resolution process to resolve that which you'd obviously hope wouldn't be necessary.

But in the main, I think most people in the industry accept that there are, in various circumstances and various locations, unique conditions that apply and these have to be taken account of and that having a set of local operating procedures or rules, if you like, is the appropriate way to deal with that.

PROF SCRAFTON: Following on that same page, there's some discussion of the detail on the codes of practice. You say that the IRG is working on the development of four industry codes of practice. I guess one comment we would like to make is that as part of that, would it be possible to get some sort of standardisation of the language that's used?

MR HEARSCH: Absolutely.

PROF SCRAFTON: One problem that we had was we were in effect being criticised because I think the list that we used was drawn from, I think, the ERA, so you might use words like "civil engineering" or "electrical engineering". I just wondered if - hopefully others won't fall into that trap in the future, as a result.

MR HEARSCH: We haven't mentioned it here but there will in fact be a covering document that will sit on top of all of these that will deal with interface issues and issues like definitions and terminology. Surprising as it might seem, we have already achieved a substantial measure of agreement with the various participants as to a new set of standard terminology because it's quite true, as you would have observed, particularly in the different states, different terminologies grew up which mean the same thing, but are different. One of the things that we set out to do right from the very start was to get a uniform set of definitions and terminologies for universal application. It's that sort of thing that we would be working hard to encourage all of the participants, whether they're interstate, intrastate or even unconnected to the network to perhaps adopt those things because they essentially are low or minimal cost to do. Those things, even though they're sort of soft, rather than hard, can really take you quite a long way down the path in terms of getting uniformity.

PROF SCRAFTON: That's right. If somebody is reprinting a manual or something, all it needs is somebody to go through and unify this sort of stuff.

MR HEARSCH: That's right.

PROF SCRAFTON: There was one technical question related to that and it's also on that same page, 8, about signalling. It says:

The IRG does not intend to develop a code of practice for conventional signalling systems.

Given that the differences in signalling seem to be one of the problems with the interstate operators, I just wondered why that was.

MR HEARSCH: I'll clarify that. In the train operations code of practice, we are dealing extensively with the application of signalling and the user interface of signalling. What we're referring to there are technical standards for the signalling systems and equipment themselves and the design of that equipment. The reason for that, and we've discussed this quite extensively with the industry, is that the conventional signalling systems by and large will not be perpetuated in the future and we do not believe that it will be value for money trying to reinvent a set of standards that really - - -

PROF SCRAFTON: We thought that was what you were leading to there.

MR HEARSCH: That's why we referred specifically to transmission-based signalling systems, and transmission based can mean by a variety of methods, whether by simple voice or by data, computer based or whatever, but they're certainly the way of the future.

MRS OWENS: You also said:

No code of practice is being developed to specifically address electrical engineering issues.

MR HEARSCH: Yes, the reason for that, when the ARA was doing this work originally, it tended to reflect very much the old railway discipline hierarchy where you tended to have a civil engineering organisation and a mechanical engineering and an electrical engineering and a signalling organisation. So in pursuance of that, they had already gone a long way down the track in developing an electrical code of practice which was essentially to do with traction systems in the urban areas. Again, because our focus is primarily on the interstate network, we saw little or no value in doing this and each of them are different anyway. Therefore, what we're doing is we're dealing with the interfaces with those systems; for example, in terms of clearances below overhead catenary and so forth, they will be dealt with in the rail infrastructure code of practice, but we're not going to write a set of standards as to how you install an electric traction system for an urban railway or whatever.

MRS OWENS: I think we've pretty well covered everything in here. As I said, we won't get into the detail of the paragraphs and the sentences but the team will certainly look at all your comments and take them on board. Have you any other comments you'd like to make, John?

MR HEARSCH: I don't think I've got any further comments in the context of the industry reference group. I would just like to make some very brief comments if I could put on my hat as an independent transport consultant.

MRS OWENS: You may.

MR HEARSCH: I've supplied the commission apropos of some earlier discussions with a copy of a paper I presented at a conference in India at the end of last year which really deals with a number of issues to do with the future of the rail industry in this country. I've just forwarded to the commission, which you probably have there, a brief covering document in which I'd like to make a few general points which really I suppose go to the potential recommendations that the commission might make or its observations in its final report.

MRS OWENS: Excuse me, I don't think we've actually got it in front of us. I think it was given to the team. It's already in the system, so we haven't got it in front of us. You can still talk to it and tell us what - - -

PROF SCRAFTON: Can you talk to it, knowing that we don't have a copy?

MR HEARSCH: As you say, it's in the system. Some of these points, I'm sure, would have been made by other participants, perhaps many other participants. I guess the first one is that there has to be, as I see it, some national transport vision and policy and strategy. The Commonwealth must take a leadership role in this area. I think it's fair to say that that hasn't been particularly evident to date, at least in the industry area and particularly in the rail area.

I guess to that end, the strategy must be based on an intermodal approach. I guess much of this is perhaps conventional wisdom, but I'm not sure how well it's understood by people that aren't close to the transport industry. I believe that any such vision and strategy must be based on a well-integrated intermodal policy that will facilitate the development of each mode in a way that maximises total economic development and efficiency.

Further, to that end, I think that government policy needs to recognise the important economic benefits of intermodalism both of freight transport and for passenger service. I think - and again I'm not sure that this is particularly evident to date - this requires a clear understanding as to how the various transport modes can best be developed and integrated so as to achieve the most effective total transport solutions.

I think also I see it as very important that in developing that sort of strategy the rail industry, as the commission has been at pains to point out, is carrying a lot of historical baggage. Even though I and many others have been part of driving change and reform in the industry for a long time, it has still obviously got some considerable way to go. I think the problem with that past baggage is that most people when they talk about railways can only reflect on the past, based on their experience and anecdotal information. I have not seen any - what I would regard as a proper assessment of what a largely privatised rail industry could deliver by way of national economic benefit, which is operating hopefully on a better infrastructure and hopefully ultimately in a competitive or a reasonably competitively neutral

environment vis-a-vis

alternative modes.

So I guess the point I'm trying to bring out is that people - there are not many people who really understand what the real potential of the rail mode is for delivering efficient service and for generating economic value to the country or maximising economic value to the country, if you had an efficient industry, if you had a better infrastructure and you had something approaching competitive neutrality with other modes.

The related issue is that I think today there needs to be a fresh assessment of the contribution that rail could make to environmental improvement, through its increased development as an alternative to long distance road freight transport and as a partial alternative to ever increasing motor car use in our cities. Again there tends to be a reflection of what has happened in the past, rather than, if you like, looking in a more visionary way as to what rail - and through effective intermodalism - could achieve by way of environmental betterment, which is obviously going to have a series of other benefits which will be I think today more easily quantified than in the past.

The other point I would like to bring out really relates to the issue of private sector investment and private sector participation in the rail industry. I have noted in the commission's draft report that there is a view expressed that that should be facilitated and encouraged. I would strongly support that, and I do so from the perspective of having spent nearly all of my career in government and working for government railways. That experience of some 40 years clearly underlines to me that running a commercial business and being part of and owned by government are essentially incompatibilities.

Having said that, I think it's important that government should continue to find ways of facilitating private sector investment in rail. The commission has mentioned a number of those things, through boot-type schemes, direct privatisation, concessioning or franchising. My view is that that process and that facilitation is not something that should flow out of any particular political philosophy, which it tends to do, but recognise what I see as the reality - that privatisation will often be necessary as the only means of ensuring that sufficient investment is forthcoming to allow rail to achieve its potential and to deliver service which has genuine competitive advantage. Whether it be privatisation or through what I would call enforced contestability, in the case where particularly you have CSO-type service, I think both those processes are appropriate.

Finally, and notwithstanding all of that in regard to encouraging maximum private sector involvement and investment out of the private sector, I think there needs to be a realisation by governments that they're not going to avoid substantial additional public investment, particularly in rail infrastructure. There are relatively few projects or developments that will be of such commercial merit that they will be able to be funded wholly by the private sector.

It seems to me that there will be substantial justification for ongoing public

investment in rail infrastructure, as distinct from perhaps the above rail operation, that would be justified (a) by future savings in road expenditures, which when you look at the future predictions of road traffic growth are quite frightening and startling almost in some respects, and also having regard to the achievable strategic, social, environmental and other, if you like, non-financial benefits that will flow from those investments, and through analysis which has been conventionally used over many years to in fact justify road investments. So I would just ask that the commission give due weight to these considerations in framing its final report and recommendations to government and I thank you for the opportunity to express those views.

MRS OWENS: Thank you, John, and thanks for all of those additional comments with your consultant's hat on. Is the document you have given us meant to be a submission? I just need to clarify that.

MR HEARSCH: I have suggested you treat it as a submission.

MRS OWENS: Good, thank you for that. I don't know whether Derek wants to ask questions about some of the comments you've just made.

PROF SCRAFTON: I just have one comment that I think might have an interesting response. On this environmental betterment, we have been accused by some people who appeared before us of playing that down in the draft report and we'll take a look at that. But among the submissions that we received was one from - I think one might call it a bit of a sort of environmental futurist, you know, an energy specialist who looks not just at the next 10 years that one might think about in terms of sort of strategic planning but 25 and 40 years hence and, particularly in relation to energy, forecasts a pretty horrendous future for Australia if some of the things that you've talked about don't actually come to pass.

The real question is whether we can actually plan for these and systematically make the sort of changes - or the community itself adjust to the fact that these changes are necessary - or whether one has to wait for sort of crises before these things happen. If you think even in a more localised sense, if you think in terms of the policy change that has taken place in Victoria in relation to the franchising in the metropolitan area or the sale of the railway, it's interesting that it took a sort of crisis environment for the government of the day to - while it might have been in its program and it might have been carefully thought about over a long period of time in a planning sense, the decision was actually taken as a result of what was perceived to be a local crisis at the time.

I wonder if you have any thoughts about just that aspect of the decision-making process. The things that you have talked about here, which are necessary for the railway to survive and thrive, if I could use that expression - how you get that view across to governments and to the community in general.

MR HEARSCH: There's no doubt that crises have provoked some fairly major change and reaction which leads to that change. I suppose in a more ideal world you

would rather design your future to try and avoid that crisis, rather than let the crisis occur and then react to it. Maybe that is being somewhat idealistic. But nonetheless, I think governments, and the Commonwealth government in particular, has a very important responsibility to display leadership in this sort of area and to take a long-term view.

I guess in our federal system and with the electoral cycles that governments live with, more often than not you tend to find that governments take a short-term view, either driven by political expediency or by electoral cycles and so forth. I think to the extent that governments do that - and there's a certain degree of reality in that - but at the same time tend to ignore longer-term issues, then I believe they're fundamentally failing in their responsibilities to the community as a whole.

I think that's particularly important where you're dealing with very long-lived assets, of which the railway and in fact most types of infrastructure are prime examples. Given that you're dealing with infrastructure assets that conservatively have a life of 50 years and may indeed be much longer, then the planning and thinking really has to have that sort of horizon. Nobody would suggest that you can develop an accurate portrayal of those futures. But I think in terms of having a vision and setting strategy - which is really, as I see it, a sort of directions framework, as to the broad direction that you want to go - I see no reason why governments can't and shouldn't tackle those issues. Indeed, I think there are plenty of examples where governments have done that.

I just feel in this area of rail - and land transport generally, and maybe you could argue that it even applies more widely to the rest of the transport sector as well - there really hasn't been a long-term view taken. There certainly hasn't been a view taken that I can see, at least as far as rail is concerned, that is relatively unconstrained relative to past experience and tends to say, "No, let's not worry about all the impediments and the inefficiencies that this rail industry has had in the past. Let's look and see what a revitalised rail industry operating in a less constrained way politically, operating with efficiency and profitability as important objectives, could achieve and what it could do for this country."

That's really I guess what I'm pleading for, and suggesting that really governments need to be addressing this and looking at long-term, because if they don't address long-term then we'll pay a heavy price almost inevitably for inappropriate decision-making as we have done in the past.

MRS OWENS: John, have you got any examples of governments overseas that have taken this approach, any good examples you could give us?

MR HEARSCH: Yes, and they're often criticised, but I think quite a number of the European administrations have taken a long-term view. While some of these tend to be criticised as being not sufficiently commercial in their approach, I think there is a lot of evidence that they are setting up their infrastructure to deal with a long-term future. I mean, I think a couple of examples would be the high speed train network in

Europe - a prime example, particularly in France and to a slightly lesser extent in Germany. That has been done with a recognition that while there's a road network out there which they will continue to develop, it's not going to be able to satisfactorily meet the needs over the long term.

I think the other example is probably the oft-criticised Swedish approach, where they have put a tremendous amount of investment in rail infrastructure and, although slightly diminished, they're continuing to do that, really with a recognition that they're trying to develop this infrastructure that in 50 years' time is going to meet the needs of the country. I guess they have established priorities accordingly.

MRS OWENS: Has that meant in, say, the Swedish situation a shift of market shares to rail away from road?

MR HEARSCH: I think there's some evidence of that. I think it's probably not so much a direct shift of market share but it's a - the effect of the investment has been to arrest the continued shift in the other direction, and ultimately I think it will have that effect. In the French example what it has done, interestingly, is provide a tremendous modal shift, not so much from road to rail but from air to rail. That in turn has tended to ease airport congestion and offset substantial investment that would have been required in that area, as well as dealing with a number of fairly difficult environmental issues.

PROF SCRAFTON: And there's no doubt that air space congestion in Europe is something that will assist the railways.

MR HEARSCH: Yes.

MRS OWENS: Okay, I think at this stage we might close proceedings today. Have you covered everything you wanted to cover now, John?

MR HEARSCH: I think so.

MRS OWENS: Okay, thanks for that. Thanks for the additional submission that we've not got.

MR HEARSCH: Thanks very much. We look forward to the next edition.

MRS OWENS: I will now close today and we reconvene tomorrow morning at 9 o'clock.

AT 4.45 PM THE INQUIRY WAS ADJOURNED UNTIL
WEDNESDAY, 26 MAY 1999

INDEX

	<u>Page</u>
ROBERT McKILLOP:	848-858
RAIL, TRAM AND BUS INDUSTRY UNION: ROGER GAVIN JOWETT	859-885
BICYCLE FEDERATION OF AUSTRALIA: ALAN PARKER	886-895
GLENELG SHIRE COUNCIL: PETER O'RORKE STUART WALKER	896-906
GREAT SOUTHERN RAILWAY: STEPHEN BRADFORD	907-916
INDUSTRY REFERENCE GROUP: JOHN HEARSCH	917-936