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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 BRISBANE ON WEDNESDAY, 4 NOVEMBER 1998, AT 11.16 AM

Continued from 29/10/98 in Sydney

MRS OWENS: Good morning and welcome to this public hearing of the Productivity Commission's public inquiry on progress in rail reform. This public hearing in Brisbane is the fourth in five sets of hearings. The final hearings will take place in Melbourne next week. We have already held public hearings in Adelaide, Perth and Sydney over the past couple of weeks. The hearings are designed for people to raise issues they feel affect this industry. They give people the opportunity to provide input into the draft report, which is due to be released early in April next year.

These hearings are in addition to the extensive rounds of visits already undertaken by the commission and the 70 or so submissions to the inquiry which have been received already. While people who provide information are protected in this inquiry as if they are giving evidence to a court, this is not a court of law. We shall try to make the hearings as relaxed as possible; however, there are some formalities which we try to follow each time we conduct a public hearing. For the benefit of the transcript we ask participants to identify themselves and to indicate in which capacity they appear - I will come back to that in a moment.

Secondly, information provided at these hearings is often usedin our reports. We therefore ask participants to be as accurate as possible with their comments and their answers to any questions. If there is any doubt about the accuracy of anything that you might say, would you then please tell us that you're not absolutely certain and we will then try to come back and get it verified one way or the other. Finally, transcripts from today's proceedings will be provided to all participants at the hearings. Anyone else here today who wishes to obtain a copy should contact the staff, one of whom is here, and she is identified with a name tag.

Let me introduce my colleague on my left - Prof Derek Scrafton, who is the associate commissioner on this inquiry. I think probably now we will get started and I wonder if you would like to introduce yourself for the tape and the organisation that you are representing at the hearings today, so that the court reporter can identify your voice on the tape?

MR R.J. SCOTT: Thank you. My name is Russell Scott and I am the commercial manager for Shell Coal Pty Ltd. We operate three coalmines in New South Wales, two coalmines - sorry, three coalmines in Queensland, two coalmines in New South Wales and are major users of railways for the carriage of coal by rail.

MRS OWENS: Thank you, Mr Scott, and thank you very much for the submission which Derek and I have both read. I know you were at the hearings last week in Sydney on the final day, representing the Minerals Council, but is there anything you would like to address in this submission before we ask you some questions?

MR R.J. SCOTT: Thank you. I would like to just make some key points from our submission, quickly. We believe that the distinguishing features of a railway system are who owns and controls the track and track infrastructure; who owns, maintains and operates the rolling stock, track maintenance and train scheduling. We believe

that except for the ownership and control of track and associated infrastructure each of these activities are contestable and should be exposed to the disciplines of the marketplace.

We see some analogy between track infrastructure for railway systems and the transmission and distribution lines for electricity. We believe that in these circumstances a strong and independent regulator is necessary to ensure that the charge to access rail infrastructure is transparent, non-discriminatory and cost efficient, and transparency is terribly important. In both New South Wales and the proposed Queensland rail access regimes at this point there is a "negotiate and arbitrate philosophy" in setting prices, setting access charges for rail infrastructure. We propose that the concept of negotiating access with a natural monopoly is difficult to accept under any circumstances and it can only be countenanced with complete transparency on the part of the infrastructure owner.

We also propose that such transparency equity between users will be harder to achieve where there is not a structural disaggregation of the various parts of the railway system. New South Wales has attempted to do this; in Queensland it is proposed that the ownership of the infrastructure remain with Queensland Rail as part of a vertically integrated structure. We appreciate there are benefits and costs with either approach but we propose that in the long run there needs to be a separate independent body owning the Queensland Rail infrastructure. Thank you.

MRS OWENS: Thank you very much. We have in another couple of hearings discussed some of these issues before but I think it is always useful to get the perspective of the individual companies and I presume that Shell Coal Pty Ltd is operating in both Queensland and New South Wales so has experience with both regimes?

MR R.J. SCOTT: Yes.

MRS OWENS: I think it would be particularly useful for myself and for Derek, if you wouldn't mind, just giving us a little bit of background as to how much involvement you have in each of the states and, to you, which of those regimes is working better. You made a comment about your concerns about having an integrated, vertically integrated, system as we have got here in Queensland, and the inference is that the New South Wales system is working better, but would you care to comment on the relevant efficiency and efficacy of these two regimes?

MR R.J. SCOTT: Thank you. We operate two coalmines in New South Wales and three mines in Queensland, so we do have experience with both the New South Wales rail systems and Queensland. New South Wales took the hard political decision some years ago to disaggregate State Rail Authority into four parts and to set up an access regime for potential users and current users of the rail network. It is fair to say that it has been a long and tortuous process in terms of implementing those policy decisions by the New South Wales government and we're still not there. There is an application for declaration under review from the New South Wales Minerals Council at the

moment in the Australian Competition Tribunal, and that is based on perceived inadequacies in the New South Wales access regime.

The New South Wales government also has an application before the National Competition Council seeking certification of the regime and that is under consideration and the New South Wales government has a number of proposals before the National Competition Council to correct perceived inadequacies in the regime, so the answer to that part is that it has been slow but, in New South Wales, progress has been made and in terms of the outcomes for rail users, certainly shippers of coal, there has been significant reductions in the amount of money paid in rail freight since the access regime was instituted, and as the monopoly rent component is phased out between - or it will be phased out by 2001 - there are further reductions already in the pipeline.

Queensland is, to my mind, probably 2 years behind New South Wales in terms of developing an access regime. There is an undertaking being developed now; the industry - perhaps I should say Shell Coal - has some concerns with the structure of that access undertaking and some of its principles but the industry in the form of the Queensland Minerals Council is in discussions with Queensland Rail at the moment and they are exploring the background, the rationale and the logic in a number of aspects to better understand the proposed undertaking and, from what I hear, that has been a very positive process.

I think, myself, that it will be very difficult to convince customers that an access regime in Queensland, which is still firmly embedded in the Queensland Rail structure, is as efficient as it can be by separating it from the rest of Queensland Rail, and by giving it independence and autonomy and ensuring that there is complete transparency I think we would be more comfortable. To have it remain embedded within Queensland Rail must raise questions about its ability to achieve world best practice in its maintenance acquisition policies, in its allocation of corporate overheads and its treatment of capital costs and so on.

I think to compare progress in rail freight rates - which is really the end result we are all looking for - I think the industry and ourselves have seen considerable improvement in rail freight over the last 4 to 5 years. The introduction of commercial rail freight in Queensland, coincidental with the introduction of a royalty review in 1993 or 94, I think, brought about some improvements, and we would hope that the developments in the access regime will bring similar benefits once it is put into place.

MRS OWENS: Thank you very much. I think implicit in what you are saying about the Queensland regime is a concern, particularly about the possibility of not having as transparent a regime as one might expect in a system where there is some degree of separation. Is that correct - the concern is about the transparency of the system?

MR R.J. SCOTT: Yes. I think we would be concerned to the extent that with an organisation like Rail Access Corporation, which has no other purpose than to own, maintain and operate the rail network, their costs can - their policies can be

transparent without impinging on any commercial aspects of other aspects of the New South Wales rail business, for example. Transparency with Queensland Rail, I think, would be impaired to the extent that there are parts of Queensland Rail which compete with other parts of the economy and the transparency would have some commercial problems; for example, Queensland Rail will continue to operate haulage services in the coal industry. If a competitor starts operating services in the same area then you would expect to see the haulage accounts profitability data expunged from the Queensland Rail accounts, so it places a constraint on the amount of transparency that one could expect.

MRS OWENS: In terms of transparency there are a number of things that could be transparent. You can try and ensure that the pricing principles which are being adopted in terms of access are transparent - - -

MR SCOTT: Yes.

MRS OWENS: - - - and I would presume that that would be possible under both regimes to some extent - to have transparent pricing principles?

MR R.J. SCOTT: Yes.

MRS OWENS: Another factor that you want to ensure is transparent is the valuation of the assets; how that is done and whether it is on a replacement or an historical cost basis and just exactly what costs have gone into that calculation, and I presume that both regimes could ensure that that is a transparent calculation?

MR R.J. SCOTT: Yes.

MRS OWENS: Another thing you want to ensure is transparent is if there is any appeal process or a process such as in New South Wales where IPART gets involved possibly - I think your submission says that anything that comes out of that organisation - any findings - should be transparent and, similarly with the Queensland Competition Authority; that any findings from that body be transparent.

MR R.J. SCOTT: Yes.

MRS OWENS: And I think that that again - from where I am sitting, I can't see that that could necessarily be a problem. I mean, maybe it is not transparent at the moment but it potentially could be transparent, so what is left that you would like to see - where you would like to see more information?

MR R.J. SCOTT: I think we would like to see the Rail Access unit in Queensland independent in the sense of having its own balance sheet and capital assets and that to be completely transparent and, ideally, for our industry, on a corridor-by-corridor basis, we would like there to be transparency such that the industry could be satisfied that maintenance costs and practices on the track and infrastructure were world best practice. We would like to be satisfied through transparency that the share of

overheads - whether corporate overheads, telecommunications, rental property and so on - was properly allocated on an agreed basis to the different segments of the business and, particularly the Rail Access unit.

I think one of the objects that we would like to see would be a competitive pressure on costs - not just on revenue - and it is hard to see where the pressure to drive costs down would come except through transparency and through parties being able to compete for different aspects, different processes, within the Rail Access unit operations.

MRS OWENS: We had some hearings in Perth a couple of weeks ago and the Western Australian government, I think, has looked at the issue in a slightly different way and I think they saw that there were potentially trade-offs between transparency which you might be able to get through the separation, and integration where the potential exists when you have an integrated entity - I know you have probably heard all these arguments - to ensure that the maintenance and so on is responsive to the needs of the operator. When it is integrated there are better information flows and so on; when you separate them you lose something there.

MR R.J. SCOTT: I agree. There are arguments for and against but we have certainly seen the benefit of this aggregation in New South Wales and the reduction in rail charges has been quite dramatic and it certainly, I believe, owes a lot to the fact that the various parts of the State Rail Authority were in fact disaggregate. I would rather see a disaggregation in Queensland than to remain vertically integrated but I accept that there are reports from experts which would support either disaggregation or vertical integration as the way to go.

MRS OWENS: I think there is a bit of a trade-off - - -

MR R.J. SCOTT: Yes, there is.

MRS OWENS: - - - and it is a matter of - and the answer might be different for different states and it might be different for carrying different products.

MR R.J. SCOTT: That's right.

MRS OWENS: I suppose that's what we are trying to get to the bottom of really. You said you have had dramatic reductions in rail charges in New South Wales. Is there any information we can get on that?

MR R.J. SCOTT: No. It would be commercial confidence but the answer is probably no at this stage, but I think if you spoke to any of the coal shippers they would suggest they have seen significant reductions in rail tariffs since the disaggregation.

MRS OWENS: Yes. You also mentioned at the outset and in the submission that there are a number of distinguishing features of the rail system and that you thought

that the ownership and control of the track was in some way different from ownership of the rolling stock, track maintenance and train scheduling.

MR R.J. SCOTT: Yes.

MRS OWENS: You are implying that you don't see that the track can be contestable but it is a natural monopoly and in that case would you prefer to see it as being in public or private ownership or is that not relevant?

MR R.J. SCOTT: I think the answer is - we said the other day - that we would be indifferent as to whether it was a public monopoly or a private monopoly. The real question is whether or not there are proper regulation processes and regimes set up in which that monopoly is obliged to operate and I guess it would be akin to the access regime's regulations and so on that the electricity distributors - the poles and lines and high voltage transmission set-ups are regulated. They are a natural core monopoly and they need to be transparent, open to public scrutiny, and operate under very clear guidelines as far as valuation of assets and return on those assets is concerned.

MRS OWENS: So if it was a private monopoly would you exclude the coal companies themselves from owning the track?

MR R.J. SCOTT: I think I would need to think about it. From our point of view we don't have any urge to own railway track infrastructure or port infrastructure. Our business is mining and selling coal to the extent that an opportunity to reduce our cost of input came about through buying railway infrastructure - or port infrastructure - then we would have to look at it, and you have different models in Australia. You have private ownership at PWCS in New South Wales, the port of Newcastle; you have a slightly different arrangement at Port Kembla with a lease arrangement from the government of New South Wales, and you have government-owned port infrastructure in Queensland, so I mean they all work.

MRS OWENS: I suppose there is another access issue: say one of your competitors decided that they were going to do a deal with the Queensland government and buy one of the tracks that you may both be sharing and you then end up in the same sort of situation that Hamersley is in Western Australian in the Pilbara with what is a privately owned railway line and one of the competitors wants to seek access and that is, as you are probably aware, causing some degree of concern on the part of Hamersley, so you end up with another set of access issues.

MR R.J. SCOTT: It comes back, I think, to the fundamental task of getting the access regime right, providing the regulator with appropriate powers, and also I guess separating the role of arbitrator and regulator under the access regime in case of disputes in the future, but if the access regime is properly constituted, established, and applied, then it really shouldn't matter whether we are talking about a private owner of that infrastructure or a government owner of that infrastructure.

MRS OWENS: Yes, I tend to agree with you on that. I think there are a number of

other sets of principles about companies that actually establish the railway line and see it as very much part of their own production process, so there may be some distinguishing features about what has happened in Western Australian vis-a-vis the lines that you might be using in Queensland or New South Wales.

PROF SCRAFTON: In your introductory comments and in your submission you comment that among these other functions that train scheduling is contestable. How do you envisage that working?

MR R.J. SCOTT: I'd make the point that it is an area of railway operations that could be contestable. As far as I'm aware at the moment, for example train scheduling and operations is not part of Rail Access - is not staffed up by Rail Access Corporation in New South Wales. They in fact contract with the State Rail Authority, I believe, to do the track - the train schedule and train operations, and that per se could be contestable at some future date. You could have one of a number of Australian railway operators or overseas operators in fact seek to contest that role at a future date. So that's really what I meant, and contestability would I think be good to the extent that it improved the quality and the cost of the service and took proper cognisance of the professionalism and skills and safety requirements of the railway.

MRS OWENS: So you see the function of scheduling could be contestable. What about the actual scheduling. If you're on a track with say two other competitors and there are favourable times and less favourable times for you to say get to port - I don't know how those times would be allocated now, but it's probably just on an administrative basis - what do you think about the idea of making those times contestable in terms of auctioning times?

MR R.J. SCOTT: I think it's one of the issues that needs to be addressed. It's a theoretical issue at the moment. I guess potentially there's the opportunity to charge a railway operator more if he places constraints on the times - on the train parts that he needs to carry out his business, and if in fact by imposing those constraints he increases the cost for the other operators or for the owner of the infrastructure, it comes back to a user pays concept, I think, fundamentally. I find it a little bit hard to see how it would work necessarily or would need to work in either New South Wales or Queensland because of the way in which the port operates at Newcastle. It's very much a campaign railing kind of operation. Queensland - maybe, maybe not. But I think it's very much a case of circumstances at the time. The conclusions should be that user pays, so if in fact one party wants another kind of service or a different service which imposes a cost on the system, then they should wear that cost.

PROF SCRAFTON: When we were talking last week with the New South Wales Minerals Council - when you appeared there - they mentioned that they had - and I think in your submission you mentioned that they had put an alternate pricing methodology which they would like to see implemented. Could you just tell us the principles of that and again what you think of the benefits of the approach compared to the present negotiate and arbitrate problems.

MR R.J. SCOTT: The proposal put forward by the Minerals Council - and it's on public record, I believe - is very much based on user pays, and it's based on the assumptions that you allocate costs, whether they're operating costs or capital costs, to different line segments and reflect those in the access charge to the users of that particular line segment. The pricing methodology in the New South Wales regime I believe is called combinatorial pricing. It's a factorial system. It's based on clusters of customers. I think that the proposal or the preferred alternative of the Mineral Council of New South Wales certainly offers the benefit of being far more administratively straightforward, simple, and lends itself to being much more transparent.

I think that's probably all I can say at this stage. In terms of outcomes, the council argues that the outcomes of the two different methodologies would be most likely the same because the methodology in the access regime assumes - or would need perfect knowledge of the customers to operate to its theoretical ability, which of course in the real world in most unlikely.

PROF SCRAFTON: And presumably you would prefer to see the same regime applied in Queensland too. Is that a reasonable assumption?

MR R.J. SCOTT: I think the first thing being that we would be uncomfortable with the idea of negotiation, which would not be part of a cost allocation type - a purely cost allocation type exercise. It lends itself more to transparency, of course. So yes. The answer would be yes.

PROF SCRAFTON: But how does it work at present in Queensland? Does Shell Coal have a long-term contract with Queensland Rail?

MR R.J. SCOTT: We have long-term contracts with Queensland Rail that are governed by confidentiality clauses, and the contracts just at the moment are a single tariff which includes access charge and haulage component. We're not aware at the moment of what each of those components of the tariff are.

PROF SCRAFTON: So that - let me just think this through. In the interests of getting a more transparent regime, you would be prepared to run the risk that the price might actually be higher?

MR R.J. SCOTT: No, but we do believe that transparency would on average move the rail tariffs towards world best practice, which of course is a stated aim of Queensland Rail anyway. The analogy again, if I can use it, would be electricity, where a number of customers have become contestable this year in terms of the supply of electricity, and most of those customers had contracts with the distribution companies, and in fact there was an unbundling process available, by choice, to the customers, who had a choice of either remaining under long-term contract with the power distributors, local distributors, or unbundling and entering into another agreement with the distributor and a separate agreement with the supplier or the seller of electricity.

PROF SCRAFTON: Thanks for that. That certainly clarifies it in my own mind. That example that you've given removes that sort of risk element in seeking a sort of theoretical or preferable concept. Yes, thanks for that.

MRS OWENS: Before we get off pricing, I just want to follow on something you just said a minute ago. You said that at the moment with Queensland Rail you've got a long-term contract that's got an access component and a haulage component.

MR R.J. SCOTT: No, a single component.

MRS OWENS: But you said it's made up of those two things, but you don't know what they are.

MR R.J. SCOTT: That's right, yes.

MRS OWENS: So there's no transparency about how much you're being charged for access at the moment.

MR R.J. SCOTT: Or for haulage at the moment.

MRS OWENS: Or for haulage. So you negotiated a - - -

MR R.J. SCOTT: A single tariff.

MRS OWENS: A single tariff, and you don't quite know what the underpinnings of Queensland Rail's charge is to you.

MR R.J. SCOTT: That's right, and to be fair, Queensland Rail are only - as I said previously - at the moment seeking to have their access undertaking approved at both Queensland and federal level, and until the pricing principles and so on for access are agreed and approved, then there really is no basis for them to go away and calculate or derive access charges which by definition will leave the haulage charge in the tariff rate.

PROF SCRAFTON: Yes.

MRS OWENS: So the next time you negotiate a contract it will become more obvious.

MR R.J. SCOTT: We would expect so. We would expect, and we are very keen, as soon as possible to be able to go to Queensland Rail and say, "In our current contracted tariff rate, would you please tell us what is the access charge and what is the haulage charge?"

MRS OWENS: I'm an economist and Derek is not, but economists tend to think

that some form of price discrimination can actually be economically efficient, and to actually negotiate prices with individual customers is potentially going to give you a more efficient result than setting a price on a formula basis based on the actual costs, and you've mentioned the Baumal-Willig approach in your submission.

MR R.J. SCOTT: Yes.

MRS OWENS: What you're saying is that the actual cost of getting the information to actually implement that approach is going to offset any efficiency benefits there may be from - - -

MR R.J. SCOTT: And the imperfections in the data that's used for that, yes, and it is a dynamic scene. I mean, there are, in the case of the coal industry, new coalmines being begun or beginning constantly. There's other coalmines that are coming to the end of their economic life. There's other producers that are producing more or less at different times. So the dynamics of the industry are such, I suggest, that it would be very difficult to ever have the knowledge necessary, by the regulator or by the access provider, to properly apply Baumal-Willig pricing.

MRS OWENS: In an ideal world - - -

MR R.J. SCOTT: Baumal-Willig is just sort of an adulterated Ramsay, isn't it?

MRS OWENS: Yes, that's right. I mean, Baumal was basically putting forward a Ramsay pricing approach - - -

MR R.J. SCOTT: Within limits.

MRS OWENS: - - - but to do it properly you've got to actually be able to work out price elasticities of demand and so on.

MR R.J. SCOTT: And we would propose that that's really too hard.

MRS OWENS: In the too-hard basket.

MR R.J. SCOTT: Too-hard basket, yes.

MRS OWENS: Okay. I don't want to put words in your mouth.

MR R.J. SCOTT: No, but they were good words.

PROF SCRAFTON: I'd just like to briefly touch on the problems with the asset valuation issue that you mention in your submission, and earlier in a sort of general response to a question from Helen you mentioned that you didn't really have a preference between dealing with a government monopoly or a private monopoly, but this asset valuation issue is one that will always be there, as long as it's government

owned. Do you think that's a fair- - -

MR R.J. SCOTT: I'm not sure. I think that there is now a body of work starting to develop in terms of asset valuation and reasonable rates of return on asset bases. The Victorian work done on the gas pipelines I think was very significant, and it will be hard for any government-owned corporations owning infrastructure to ignore the principles that were developed in Victoria, so I think that over time that it will become less of an issue.

PROF SCRAFTON: That's a rather optimistic view. I think it's interesting to hear you say that, because in most of the stuff that we read is this more pessimistic outlook that governments are unlikely to change, but you feel that this body of work that is now in place in gas- - -

MR R.J. SCOTT: It's now developing in electricity.

PROF SCRAFTON: - - - should cause people to - and presumably the professional organisations themselves also, one would assume, would be picking up some of these issues. Yes, thanks for that. I think the only thing I'd like to just go back to again is this business about the contestability of scheduling. I'm sorry to return to it, but it is something that - I understand the problem very clearly, and you mentioned in New South Wales the way in which the Access Corporation which is responsible for scheduling has actually (indistinct) to an operator, which doesn't seem to make a lot of sense, although the operators themselves in the State Rail Authority in submissions to us argued very strongly why from their point of view it doesn't make sense, but certainly again it's not particularly transparent. But I wonder how a third party could enter into the scheduling task. That's really the difficulty I've got with the concept.

Certainly the idea - I agree that it is possible for the parties to do it. I just don't see how they would do it, and just to give a little example, I firmly believe for instance that traffic control in cities is a contestable business. Traditionally it has been handled by government authorities, highway authorities or local councils or whatever, but I think we're beginning to see in that field where, if you like, the traffic control is handled by a third party, but in railways I still have a little bit of difficulty seeing how it would fit into the machinery, and I just wondered whether you'd thought about that in terms of say running trains on the core lines in the way that Helen asked.

MR R.J. SCOTT: There's no simple answer. I think we need to be careful when we're talking about scheduling and operations and control. I mean, the scheduling, certainly in the coal business, is driven very much by ship or vessel arrival times and stockpile capacity, and by mines having product available to ship. There's a complex supply chain in there. So the scheduling is one part of it, and then there's the actual, I guess, train operation, where you have somebody sitting at a monitor who's responsible for managing train movements on a particular segment of track, and that's another area altogether. At the moment, as you've noted, in New South Wales it is technically contracted out, although the same people that have been doing it over the years are doing it, but it's not to say - I mean, it is within the mandate of Rail Access

Corporation to seek tenders for that task in the future, and it would probably be healthy that they do so. In Queensland obviously with the vertically integrated business at the moment that won't happen, it can't happen, while it's structured as it is, so it's really a hypothetical question.

PROF SCRAFTON: But it isn't in practice in the New South Wales example. You mentioned yourself that the schedules are very much influenced by whatever it is, mix of calls, a requirement for a particular type of call, and the ship that's getting in and so on. So you already have that market influence, if I can call it that, in the schedules, but you still think that there is the opportunity for somebody dealing with it as an independent business almost, to refine that or to be seen to be more fair or whatever?

MR R.J. SCOTT: There are complex interfaces all along the supply chain, and there's an input to the scheduling process to come from the ports because they're the people that are aware of the vessel stemming programs and of stockpile capacities, and then there's an operational interface in which trains are then despatched and organised to meet those schedules, and I guess at the other end of course there's an interface between the shippers or the users and the railway haulier and the port, but within that there are processes and activities which are identifiable. I'm probably not as close to it as other people that you'll speak to, but there are processes, I would have thought, activities within that supply chain which are discrete, which can be made contestable when circumstances are appropriate.

PROF SCRAFTON: Thanks for that. I'm sorry to pursue it as I did, but you are one of the few people that has made this suggestion. There's a lot of talk about separating infrastructure from operations and so on, but I think the extent to which your company and other mining interests have thought about this problem and prepared submissions to earlier inquiries - I guess over so many years you wouldn't want to think about it, but it does bring up this rather interesting concept, and so I just wanted to draw it out a little, and if you in turn would allow us to think a little more closely about it.

MR R.J. SCOTT: I don't think it's a major issue amongst the issues that we have, and it was primarily put forward in our submission to illustrate the core monopoly characteristics of ownership of the track.

PROF SCRAFTON: Thanks for that. That's all I've got.

MRS OWENS: Can we just come back to Shell just for a minute. At the moment what we have are two states which are developing access regimes and hopefully they will eventually get to a point where they're working reasonably well. I mean, there's teething pains and so on, and you mentioned in your presentation at the outset just where things are at with applications for certification and your discussions at the moment with the Queensland government or with Queensland Rail about the regime. Do you see a point where there will be other operators that will want to get into the business in New South Wales and Queensland? As I understand it, it's only Queensland Rail in Queensland that's actually hauling coal at the moment - I may be

wrong - and only FreightCorp in New South Wales. Is this correct?

MR R.J. SCOTT: Hauling coal?

MRS OWENS: Yes.

MR R.J. SCOTT: At the moment, to the best of my understanding, yes. There are other rail operators in other segments of the business in different states but- - -

MRS OWENS: Do you think there will be other operators who will come into the business in Queensland once the access regimes have been sorted out?

MR R.J. SCOTT: I believe there will be other operators come into the business of hauling coal in New South Wales and Queensland, to the extent that the existing freight hauliers are inefficient or overcharge, and leave an opportunity for somebody - some party to come in and compete profitably. If the state-owned corporations operate efficiently and price competitively, then it's a business like any other business, and who knows what will happen, but certainly if they attempt to pass on inefficiencies in the form of price or exercise any monopoly power that they may have, then inevitably there will be competitors on the line.

MRS OWENS: But you don't see that that is something that your company is necessarily hoping will happen in the short term? Are you reasonably happy with the efficiency of QR and FreightCorp at the moment?

MR R.J. SCOTT: Coming back to what I said, I think that providing you've got the conditions present whereby a competitor to an existing haulier of coal can compete if the service is inefficient or overpriced, then that's the position that Shell Coal would like to see the industry approach. Now, I believe that is the situation largely in New South Wales at the moment. FreightCorp is the only coal haulier at the moment, and they are very conscious that if their performance in terms of effectiveness or pricing is not acceptable to industry, then there's the opportunity for industry to take offers from competitors or perhaps competitors to be encouraged to approach customers, and hopefully we'll have a similar situation in Queensland, where if the services delivered to the coal industry by Queensland Rail are too expensive or inefficient, then the door is left open for a competitor to enter the scene.

MRS OWENS: So it's the contestability that's really what matters.

MR R.J. SCOTT: It's the possibility of contestability on equal and level playing grounds that is important.

MRS OWENS: And Shell Coal wouldn't ever at any stage want to get into the business of hauling coal itself?

MR R.J. SCOTT: My personal feeling is no. But who knows? Our business is mining coal. We're a part of the energy business and I don't see that hauling coal

would be any part of our core business.

MRS OWENS: Although, coming back to Hamersley, their argument is that the transportation of their iron is part of their production process and they just see that as part of the production line and so they obviously must see that as being part of their core business, not just do whatever they do at the mines, but it's getting it to the port, so they obviously see it in a different light.

MR R.J. SCOTT: But the question is where do you draw the line? I think if you spoke to half a dozen companies, you might get half a dozen different answers, and they will change over time and they will change according to circumstances. But at this point in time, I don't believe Shell Coal contemplates getting involved in the coal haulage business.

MRS OWENS: I just had one other small question to ask you and that was about something you said about the rate of return. You said that the problem was compounded when a non-commercial rate of return is applied to an inflated asset base and you cited in New South Wales the access regime currently contemplating a return on investment of 14 per cent, which is patently out of step with profits earned by the New South Wales coal industry.

MR R.J. SCOTT: And that's after tax. That, in fact, is part of the gazetted regime, which was gazetted in August 1996, and Rail Access Corporation are empowered to seek a return of up to 14 per cent nominal after tax and that is uncommercial and, in fact, IPART have just released their terms of reference, or are in the process of it. I'm not sure that they're released, but they're very close to releasing their terms of reference and one of the things I understand they'll be looking at will be the basis of asset valuation and an acceptable rate of return for Rail Access Corporation.

MRS OWENS: So potentially, that issue may be resolved, once IPART is going.

MR R.J. SCOTT: Yes. Things have moved on, I guess, since we submitted that.

MRS OWENS: What I couldn't understand was what the link was between the rate of return that that access regime might impose and what your rate of return in the New South Wales coal industry might be.

MR R.J. SCOTT: The New South Wales coal industry - and I can't remember the exact numbers, but one of the large accounting firms has tracked the profitability of the New South Wales coal industry each year since the early eighties, and my recollection is that the last report that was released - and it was released publicly - indicated that the industry had earned less than 1per cent on its investment over that period, and that was the reference that I was making there, that whereas the industry in New South Wales had been notably unprofitable, the access regime that was established in fact encapsulated or enshrined a rate of return which most of the customers of Rail Access Corporation would have been very happy to receive.

MRS OWENS: So what you're arguing is that the rate of return that should be charged should in some way be linked to the rate of return of individual industry?

MR R.J. SCOTT: No, I'm not. I'm just saying that it was an inappropriate comparison. The comparison between the access regime, the rate gazetted there, and what was happening, if you like, in the real world with the coal industry was quite different.

MRS OWENS: Thank you, Mr Scott, for that discussion. I found it very useful. As you know, the commission has a final report on the Australian black coal industry with government at the moment and it has yet to be released. Some of these issues are going to be addressed in that report and some of them we will also pick up that have taken it so far and, of course, I can't tell you what's in the report. I've got a copy here, but I can't tell you what it's saying, but there are quite a few things in common with the draft report on some of these issues. But I'd like to thank you for coming and I was wondering if you had any other closing comments you'd like to make.

MR R.J. SCOTT: No, thank you.

MRS OWENS: Thank you. We'll break now for lunch and we'll resume this afternoon with our next participant, which is a Mr Graham Scott, at 1 o'clock.

(Luncheon adjournment)

MRS OWENS: The Brisbane hearings are now resuming and our next participant this afternoon is Mr Graham Scott. Mr Scott, would you like to give your name and your affiliation, if any, for the purposes of the transcript.

MR G. SCOTT: My name is Graham Scott and this is basically a private submission.

MRS OWENS: Thank you very much, Mr Scott, and thank you for coming and seeing us today. We have got your submission that you've provided to us on a commercial-in-confidence basis and so we will not be able to address aspects of that commission in this hearing, which is a public hearing. But I understand that you have got some points that you would like to make on the transcript, so would you like to go ahead.

MR G. SCOTT: Thank you very much for allowing me to attend today. The first point I'd like to make is that - I'll just read them one by one - is to bring forward major railway infrastructure projects for Australia. Do you want to comment on that?

MRS OWENS: Which way would you like to do it? We could comment now.

MR G. SCOTT: It might be better, otherwise you'll probably forget.

MRS OWENS: I think that would be quite a good way to do it, because then otherwise by the time we get to the end, we'll have forgotten what you said. With the major infrastructure projects that you're talking about, are you talking about major interstate projects or intrastate projects or a bit of both or urban rail services? Where do you think the priority should lie?

MR G. SCOTT: At the moment, there seems to be no restriction on road development. They should open the rail up to no restriction as well and allow rail to develop, both interstate, in an urban environment and so on.

PROF SCRAFTON: It's worth mentioning, Mr Scott, that there is an inquiry under way chaired by Mr Jack Smorgon into these major projects and if that is one of the major thrusts you wanted to make, I think you keep that in mind. I'm not sure whether they are holding public hearings, but they've certainly invited submissions and I think that if you have any feel about priorities, you should make them known to that committee. One of the important differences in our work is that we are not getting into a sort of a debate about whether, say, the Alice Springs to Darwin railway is better than the Sydney to Canberra airport railway or whatever. That's not within our terms of reference, but we are concerned about the allocation of priorities for investment in transport, so we appreciate your comment.

MRS OWENS: Yes. I think one of things we're interested in is the emphasis, your views about the emphasis, that is now being place on these big major projects, such as Derek mentioned, vis-a-vis the possible projects that could be put in place to maintain the existing infrastructure, some of which could be very major projects, but there have

been a number of participants, including yourself, that have pointed out to us that there is a real need to actually upgrade what is there and make better use of what is there, so our interest does lie in, you know, how do we allocate the resources between the big new projects that could go ahead - you know, there's another one between Melbourne and Darwin that's been suggested - those sort of projects visa-vis say the line between Melbourne and Sydney or between Sydney and Brisbane.

MR G. SCOTT: Number 2 is, "Seek funding options from private and government areas."

MRS OWENS: Where do you think there's most scope to get funding in the future? These major projects, I think the emphasis is on trying to extract as much private funding as possible, whereas I think people when they're arguing for more infrastructure development or maintenance - I think there's an emphasis or an assumption that it's government's role to do it. Do you think the potential is there to get the private sector involved in these big projects?

MR G. SCOTT: I think there probably is, but we've got the situation where the government is winding out of it very very quickly and maybe they should wind down a little bit slower.

MRS OWENS: So government stays in the game and continues to perhaps redirect funding from road funding into rail. Is that what you're saying?

MR G. SCOTT: I think, if they're going to go private, there should be a transition period, rather than just a chop-off point, which seems to have happened a few years ago.

PROF SCRAFTON: Do you think there is potential for diverting funds which presently go into roads towards rail projects? Do you think that ought to be - - -

MR G. SCOTT: Absolutely, yes.

MRS OWENS: I suppose the question is how those decisions are made, and at the moment you've got different bodies making decisions about rail infrastructure versus road infrastructure and some have suggested that what needs to happen - instead of having a National Road Transport Commission making decisions about road and then you've got individual rail authorities around the country making decisions about rail and you've got the Australian Rail Track Corporation, what needs to happen is all those decisions need to be brought together so that you're making decisions about land transport as a whole at a national level and then somehow establish a national framework for land transport and then, within states, have bodies trying to get a more rational allocation of resources within states as well. Have you heard about this proposal for a national body?

MR G. SCOTT: I haven't, but I think it's a good idea.

MRS OWENS: I think the only way you're going to get this diversion you're talking about is to have a body that looks at the question of rail transport and the efficiency of rail transport effectiveness, the environmental impacts and so on, and compare that with road transport and you need to establish what the costs are, the relevant costs of investing in one or the other, and the relevant benefits.

MR G. SCOTT: That's right.

MRS OWENS: And somehow you need to bring that together under a single framework. So you think that that's- - -

MR G. SCOTT: I think that's the way to go, yes, as long as they look at it objectively.

MRS OWENS: I suppose you'd need to set up something that was quite independent from both the road - I mean, people talk about a road lobby being very successful, so there would need to be one step removed from existing road people and the people who have got an interest in rail.

MR G. SCOTT: Yes. Number 3 is, "Fully integrate rail systems with airports."

MRS OWENS: Have you taken an interest in what's happening overseas in this regard and the progress that's being made in other countries integrating rail and airports?

MR G. SCOTT: I have, but it's very hard to get information. I don't think they've progressed to the right point. They have sort of put rails to airports rather than actually integrated rail with the airports and I think that's a path we're going down unfortunately.

MRS OWENS: Can you give me some examples of where they're putting rail to airport and what integrating rail with airport actually means?

MR G. SCOTT: It seems to me, and I could be wrong, that there has been rail run to airports, such as Heathrow and so on and Hong Kong, and they basically are a railway station at the airport, rather than actually a full integral modal system at the airport.

MRS OWENS: What would a fully-integrated system look like? How would you distinguish a railway at the airport from a fully-integrated system, the system that you'd be able to come off your planes, get your baggage and straight onto the train?

MR G. SCOTT: That's right, yes.

MRS OWENS: But you can do that at Heathrow, can't you?

MR G. SCOTT: I've never been there and I've only seen a few diagrams of it and it does seem quite difficult.

MRS OWENS: I haven't been to the new Hong Kong facility yet.

PROF SCRAFTON: I think the difference between what exists now and your concept is that you would try to minimise the amount of movement that was required between the modes. Is that your objective?

MR G. SCOTT: Yes. It would all be made very very efficient, the actual modal transfer.

PROF SCRAFTON: So you would have not just the rail and the air terminal, but also a bus terminal integrated with it?

MR G. SCOTT: Yes.

MRS OWENS: There are projects planned for Melbourne from the city to Tullamarine and there's work already going on in Sydney for the Olympics. Both of those projects, you would argue, would be just rail to airport rather than properly integrating those services?

MR G. SCOTT: I think, as far as Sydney is concerned, they've gone part of the way. They have loop system, whereby there will be two stations at both the international and domestic terminals and they will be underneath the terminals, but it is still designed as a railway concept which is underground, which means there is the problem of going between levels with baggage and so on, but the passengers are forced to go through little narrow corridors, which could be avoided.

MRS OWENS: I suppose if you're thinking about Sydney airport - and we were both in Sydney last week and battling our way around all the construction that's going on at the moment - it's very difficult to think about if you had the facility above ground. It's competing then with the carpark and they're going to have different entrances and exits for people, arrivals and departure, for taxis and so on, so you've got all these other competing uses for a very limited space. If they planned it differently - would you have put all the carpark underground instead and had the trains up on the ground level? How would you have done it differently?

MR G. SCOTT: I would have utilised the airport terminal basically just as a transfer point and have the actual, like the boarding functions placed at suburban stations, such as Hornsby, Parramatta and so on. So you would already have boarded a high-speed train somewhere in Sydney and you would have moved to the airport and then you would get off the train and walk straight onto your waiting plane. They would be coordinated, so this would remove all the congestion and all the problems that are now associated with airports and it would alleviate a lot of the traffic problems around Sydney.

PROF SCRAFTON: I guess one of the difficulties is that once you get the sort of basic infrastructure set up as it is in, say, Sydney - or for that matter now, in Brisbane too - then integrating the other infrastructure becomes increasing difficult. Whether it's for carparking or whether it's for a station facility at the same level. But there are opportunities, you are quite right. I mean, for instance, the example of Sydney again, they're doubling the highway access by having a separate deck, as Helen said, for departing passengers, which is very common in other parts of the world, so I guess you're quite right, if they could do it for one mode, why consign the railway to the cellar, which is in effect what is happening, as you say. Also, there is a plan here in Brisbane too, isn't there, to bring that train in?

MR G. SCOTT: Yes.

PROF SCRAFTON: That train, as I understand it, will come into the existing stations, which themselves are quite well integrated, like here at Roma Street or down at Central, and you've got good use of the air rights there.

MR G. SCOTT: I tend to think it's been quite severely under-designed myself.

PROF SCRAFTON: Is that right? So what would you do? How would you be able to improve it?

MRS OWENS: Start again?

MR G. SCOTT: Well, no. It could be done now, because there has been no concrete laid. I think it's just a matter of people have got this idea ahead and that's the way they're going to go. They can't see any sort of benefits from spending a few extra dollars, but it is possible to integrate high-speed rail with a sports facility, a major sporting venue. It's also possible to integrate it with any sort of international trade park, and it could all be done now, rather than doing it in bits and pieces and finding out later that it could have been done.

MRS OWENS: I suppose it's a matter of the people that plan these things having the vision to be able to see the potential and, again, you tend to find that this sort of planning happens in segments and somebody will be charged with trying to get a rail link from the airport to the city and somebody else will be thinking about sporting complexes and so on. I might be being a bit unfair on our planners, but I think a lot of planning in the past has been a bit piecemeal, unless you get something that brings everybody together like an Olympic Games in Sydney, where you have to start to try to think of everything as a whole.

PROF SCRAFTON: Presumably there is potential for implementing the ideas when you have a fairly new railway like the extension from Beenleigh to Robina, which runs for a lot of its right of ways in fairly open country, so that there would be potential for planning new infrastructure, where it was a freight centre, an exhibition centre or a sports stadium or whatever. Okay, thanks for that.

MRS OWENS: Do you want to move onto the next point?

MR G. SCOTT: Number 4 is, "Integrate rail with seaports and road transport."

PROF SCRAFTON: We have heard from other submissions, in submissions and people who have appeared before us, that rail is perhaps returning to the ports, having gradually declined in its use over recent years. There seems to be a bit of a resurgence. You've got your new standard gauge track from here to - what do you call it, Fishermens Bend?

MR G. SCOTT: Fisherman's Island.

PROF SCRAFTON: Fisherman's Island. And we see that it's returning to the waterfront in Melbourne, with exclusive sidings for Patrick Stevedores and also the potential for the use of short-distance trains between terminals in Sydney and the harbour at Port Botany, so I guess on the freight side maybe there is potential for a resurgence there.

MR G. SCOTT: Number 5 is, "Tap into instant high-revenue markets for rail."

MRS OWENS: What are they?

MR G. SCOTT: There may be two here. The Brisbane-Sydney corridor, the Sydney-Melbourne corridor, Brisbane-Melbourne corridor, which would be a different routing system, and Melbourne-Adelaide. It seems to me that there's a massive amount of revenue to be made just moving passengers between cities at ground level. The only option you have at the moment is to fly. Who wants to drive a car with all the trucks? Double-Bs and triple-Bs.

MRS OWENS: To tap into these you need, do you think, high-speed train links?

MR G. SCOTT: I'd say high speed or Maglev you know, why not Maglev. That seems to be the way to go.

MRS OWENS: I suppose the people who evaluated the Canberra-Sydney link, and we have not been involved in that directly in this inquiry, but they looked at the Maglev and the tilt train options as well and I think that Maglev - I think it's an economic question as to whether it's affordable at this stage, whether the benefits outweigh the costs. I don't know, I'm not an expert on the system. It sounds very interesting, but that may be a big barrier, at least in the short term, to that sort of technology being adopted.

MR G. SCOTT: When you consider that whatever it's going to cost, it's going to cost a lot of money, the current figures from - well, I did a measure a few years ago and it was about $5 million per kilometre for rail and about $20million for Maglev. Now, that's what, about four times the cost. Now, you've got to consider that it's not going to be a 5-year project. It's going to be something that will last for maybe

80 years. So the cost really is something that should be considered but itshouldn't be a major component in opposing its construction, I would have thought anyhow.

PROF SCRAFTON: The other thing is that there's a tendency not to consider Maglevs because, you know, it's sort of still untried technology, but it's my understanding that - isn't it Hamburg to Berlin is - they've already started work on the construction, and the Japanese have prototypes that can't be that far from operational. Thanks for that thought anyway.

MRS OWENS: I think in the meantime it's still quite difficult to get those very expensive projects up, because what happens is they're compared with a cheaper option and then somebody does a cost-benefit study and says, "Okay, you know, the cost-benefit study doesn't sort of all add up at this stage." So we may find that what doesn't come out on the side of a beneficial project now in 5years' time, as the technology improves and the costs come down, it may, so it may be just a time factor, but maybe then something else will be coming along to supersede the Maglev.

MR G. SCOTT: Well, it could do, yes.

MRS OWENS: So you would prefer to see these sorts of - a focus on those routes with a high-speed train which means basically that you'd have to lay new rail and it would be a very major exercise. It's not just buying the rolling stock, it's a major infrastructure project, isn't it?

MR G. SCOTT: Yes, well, even with high speed you really couldn't use the freight tracks. It just would be unsuitable. They would have to establish a new corridor between Sydney and Melbourne at least, and between Sydney and Brisbane you may have to establish a new corridor, and the advantage of Maglev is the fact that kids can play under it. It's above ground and it's very quiet and it can run into urban areas. There's a lot of advantages, plus the less energy required. I think even though it's four times the cost, you know, we should consider it here for Australia. I know it hasn't been proved anywhere but I think we should look into it.

MRS OWENS: Do you think having those of facilities will create its own demand, that people will use the facility if it's there? I suppose it's the unknown factor.

MR G. SCOTT: It's a bit like a hundred years ago in Australia there were no towns. They built the railways and the towns came later. I think you can do the same with Maglev. In fact, you can actually move the locality of the airports. You don't have to have, say, Sydney airport where it is. You could actually fragment Sydney's airport, sell the real estate and have three - well, four independent airports around Sydney, and that would solve a lot of urban design problems.

MRS OWENS: And the immediate problem about where to put the second Sydney airport.

MR G. SCOTT: Exactly. You wouldn't have to worry about it.

MRS OWENS: Right, well, that was our fifth point.

MR G. SCOTT: Number 6 is very similar. I'll read it, but I think we've just covered it: "Create new high revenue markets for rail." Number7 - - -

MRS OWENS: That's similar to number5.

MR G. SCOTT: Number 5, yes. "Regain lost markets due to the past removal of rail infrastructure."

MRS OWENS: So does that mean replacing infrastructure and maybe getting the private sector to evaluate whether it's worth replacing that section of track and starting to run trains on it again?

MR G. SCOTT: What I have found is that there's various towns around Australia where the main railway lines go past, and there used to be sidings available, and somebody has said, "Well, look, the sidings are no longer required. We'll rip all the sidings up. We'll pull the silos down," and that means that a town, say, of 5000 population has no railway siding. The trains go right by and the only way they can get goods in and out is by truck down little narrow roads with potholes and so on, competing with passenger buses and passenger cars. So I think it's silly that, you know, you remove the infrastructure and force people to use roads.

MRS OWENS: So this is the infrastructure - like, sidings and so on , not so much the track system is there but the sidings have gone and- - -

MR G. SCOTT: Well, yes. One country town I thought of was Molong in New South Wales, which is near Orange, not far from Orange. Now, the population is about 5000 people. It's got a very nice railway station there and it used to have quite extensive trackworks and sidings there. Now there's only the main line through to Perth which means that everything for the town has to be delivered by truck. Most of the trains don't stop and you've got to go by coach to Sydney.

Here in Brisbane you've got the northern part of the Brisbane River where they've removed a lot of the infrastructure from the port. Now, I know they have sort of improved it on the south side of the river, but it means all the factories that are supplied by rail have to get their goods unloaded at Acacia Ridge and it has to be put on a truck through suburban streets and over all the bridges here, through the city and to Fortitude Valley. That's silly, and that's why they've got a traffic problem around Fortitude Valley because there's no means to get goods around other than via road and there's a lot of existing rail that still is there just being not utilised effectively.

MRS OWENS: Does that mean somebody has done a valuation at some stage and said that that rail was no longer viable, or what's happened in the past?

MR G. SCOTT: I'm not sure how it's ever come about, but I actually live on the

north side near Eagle Farm. We live in Hendra, and over the past 5years there's been a lot of track infrastructure just removed piece by piece. Now, there hasn't been a crew down there sort of pulling it out all in one fell swoop, but there's been a bit here and bit there and the end result is that a lot of it's just unusable.

MRS OWENS: So they remove it and use it somewhere else or just remove it?

MR G. SCOTT: I don't know where it's finished up. I think there's a demand for rail elsewhere. I don't know whether they sell it overseas or not, but I don't know what happens to it. I haven't followed that up.

MRS OWENS: So what you're questioning is really the decisions that are being made about line closures, or you're really saying that some of those decisions are not - they're the wrong decisions.

MR G. SCOTT: I think so. Especially where a factory would exist and goods come and go out, why not allow the line to be still there and used, rather than use a central terminal to transfer it to truck? That might sound good economically to sort of put everything in one area and transfer it to truck, but that creates the problem of traffic chaos through the inner cities, and even suburban streets where people live.

MRS OWENS: So perhaps what you're saying is that those decisions are not necessarily taking into account some of the broader ramifications. They're being made on very narrow criteria rather than looking at the broader economic and social costs of closing the line.

MR G. SCOTT: Yes.

MRS OWENS: Okay. Do you want to go on to your next point?

MR G. SCOTT: We might have covered a bit of this before actually. Number8, "Introduce new technologies, including very fast train, high-speed train, Maglev systems, four-pronged corridors," so I think we went through that before.

MRS OWENS: Yes.

MR G. SCOTT: Number 9, "Improve the image of rail with politicians."

MRS OWENS: Any ideas about how you go about doing that?

MR G. SCOTT: No, well, I've sort of run out of ideas. I've been trying to do it for a number of years now.

PROF SCRAFTON: The House of Representatives has just published a report called - is it Making Tracks? It's about improving railways in Australia, so I think the members of the committee - admittedly it's a committee of backbenchers - have showed a lot of enthusiasm in their work, and also of course it was the committee

from the previous government before the recent election. I mean, I think you would find that quite interesting reading. They recommend the sum of around $3 billion to be expended over a period of about 10 years I think it is: the 750,000,000 which has already been budgeted, plus 2 billion in the next 5 years or something like that after that. So I think you'd enjoy reading that if you haven't seen it already. I think it's called Making Tracks, but anyway it's available from the government printer and it's the report of the House of Representatives Committee on - it's got a rather long title - transport, infrastructure and micro-economic reform I think is the title of the committee.

MRS OWENS: I think it's called Tracking Australia.

PROF SCRAFTON: Is it Tracking Australia?

MRS OWENS: Is that right? It's quite an interesting report to look at. I think the other way you may be able to raise the profile of rail is if there was some sort of national body which we talked about before, another mechanism. Some people understand, you know, what rail can do, but I think already over the last year or two rail has had a higher profile while there's been these other proposals on the table. Things have changed.

PROF SCRAFTON: I think a lot of it too is the problem you alluded to earlier where traditionally politicians have seen roads as being vote catchers, and you have to get a change of outlook or mentality that will influence the investment of governments, but, yes, we'll take that on board.

MR G. SCOTT: Number 10, "Introduce heavy duty rail and light rail lines, which is trams, to major cities and larger towns as full options to motor traffic management and motorway schemes."

MRS OWENS: I come from Melbourne and we're okay. We have quite a lot of light rail, but apart from Melbourne, where else have we got light rail?

PROF SCRAFTON: Adelaide has one line.

MRS OWENS: One line, yes.

PROF SCRAFTON: And there are plans for Brisbane, aren't there, BrisTram, or whatever it's called?

MR G. SCOTT: There was, but I think they've scrapped it in favour of diesel buses.

PROF SCRAFTON: I see.

MR G. SCOTT: Which is a pity.

MRS OWENS: As a Melburnian I totally and wholeheartedly agree with you.

I think light rail is a wonderful form of transport and can be very efficient and environmentally sound too. I don't know how we actually increase the light rail in other cities. It would be very difficult, for example, in Sydney now to go back, wouldn't it?

PROF SCRAFTON: Sydney has its one line, doesn't it, the Pyrmont line?

MR G. SCOTT: It would be possible to do it again in Sydney. Sydney had a very, very extensive system - in fact, it was more extensive than Melbourne's - and I'm sure it could be done, and there's tunnels that could be dug under the streets and you could definitely put light rail on the north shore around the city there and it would be better than the buses.

MRS OWENS: I just think of all the controversy when they tried to build the monorail. It's quite difficult once things have gone to get them back. Nothing is impossible though at a price.

MR G. SCOTT: True, but there's a definite problem with buses in city streets at the moment. There's just a congestion which can be overcome.

PROF SCRAFTON: Okay, good.

MR G. SCOTT: Now, number 11, "Explore the potential of rail to dramatically reduce atmospheric emissions." I think that's something that they never really consider.

PROF SCRAFTON: I think it's increasingly on the agenda though, isn't it? I think that people appreciate the need to reduce emissions and there are the agreements reached at Kyoto, even though Australia isn't necessarily a very enthusiastic supporter of them. I think what we're looking at there is again trying to get a change of attitude in the community, a comprehension that people have to change their views about the way that they move about in cities. I don't think that can be done easily. We heard a submission in Perth where it was pointed out to us that within about 50 years it will be forced on us, but it is very difficult to get people to change their ways and to get that sort of understanding, and people have very short time-frames of decision-making, and lives, for that matter.

MR G. SCOTT: Unfortunately we have the situation in Australia that somebody might decide to build a huge motorway, a tollway or something, and if you don't own a car you might be enticed to go out and buy one and use it and add to the pollution. So why are we going down this track? We can only sort of think in the terms of cars, tollways, freeways and so on. I don't know why we can't diversify our thinking.

MRS OWENS: Again it comes back to trying to ensure when different options are being evaluated that all the ramifications are taken into account. This is where - if you think about planning for land transport and look at the overall costs and benefits of the different options, then I think vehicle emissions and the impact on the atmosphere

and so on would come into that, those broader calculations.

MR G. SCOTT: But if you want to build, say, a tollway between Brisbane and Strathpine, that wouldn't be considered. You'd just build one.

MRS OWENS: It's a matter of can you change that sort of decision-making? That would be based on a range of factors, possibly including political ones, and it's a matter of how do you ensure that those broader issues are put on the table and are accounted for? It's always harder because you've got to actually - you have bigger measurement problems to deal with and it's difficult.

MR G. SCOTT: Number 12, "Consider rail as a means to reduce motor traffic accidents." It seems to me that every time there's an accident somewhere around that you can always find a means to reduce the accidents by putting more lanes in, putting traffic lights in, reservicing the highway, taking out the curves and the bends, but nobody ever seems to consider rail as an option as well.

PROF SCRAFTON: I think people do understand the point that you're getting at. I just think it's very difficult in the way that decisions are made, as we talked about earlier, that it's a matter of - I mean, I think your comment earlier - you're quite right that if somebody is promoting a tollway let's say in Sydney they're unlikely to be prepared to look at options. But the strategic planning organisation for Sydney, the metropolitan planning organisation for Sydney, ought to be prepared to do that.

I mean, I was quite impressed - yesterday I saw a copy of the City of Gold Coast's regional plan, and despite the fact that we, over recent years, have found the debate occupied with the construction of the freeway down to south-eastern Brisbane down to the coast, you now have the railway in there and this plan has proposals in there for LRT in Gold Coast. So some people are thinking about it. It's a matter of converting those strategic plans into action on the ground and not having those proposals set aside in favour of polluting - options that are more polluting or options which are liable to increase accidents.

You're quite right. I don't have any difficulty with that. I think it's all part of the decision-making process that - the issue we've got here. I don't think you'd find people that would take issue with your comments here. It's a matter of converting that into decision-making.

MR G. SCOTT: 13, "Introduce tourist rail services to all areas, including the extension of rail into national parks and other tourist sites."

MRS OWENS: Would there be a problem of introducing rail into national parks?

MR G. SCOTT: I think initially there would be, but when you consider that you could put a rail in and basically do very, very little damage to the environment as compared to a road, rail should be considered. If you put a road in you've got to put drainage in, you've got run-off, you've got all sorts of problems. If you run rail in you

can have gum trees right up to the edge of the track and there's no, or very little, drainage problems involved, and you can have, say, a transfer site where people can park their cars, get onto a rail and move into the national park and you're not bulldozing great carparks into the national park. It can be more environmentally friendly, if you know what I mean.

This would be a great thing for tourists. At the moment you've got tourist sites all around the country whereby they've had to put in huge parking areas for tourist coaches within the park boundaries and nobody seems to worry about that, and you could actually get rid of those carparks and restore the areas and utilise rail.

MRS OWENS: Have you any views on the proposed tourist rail service - not into national parks, this is the Orient Express train that's going to be running from Brisbane to Sydney I think.

PROF SCRAFTON: And Cairns.

MRS OWENS: And to Cairns. Is that something you would support?

MR G. SCOTT: Well, absolutely, yes.

MRS OWENS: So you'd introduce some rail, tourist rail lines, into national parks, and where else did you say that there's potential?

MR G. SCOTT: There's other tourist sites apart from national parks. It is possible to say if there is a main line going by that the main line might miss a beautiful scenic spot. Now, if a little branch line were created and it went up the side of a hill you might be able to see quite a good view maybe of the mountains and so on and the train could stop for tourists.

MRS OWENS: Of course you've got one of the best tourist rail lines in the country up in Cairns. I mean, it's wonderful facility, but that was developed privately, wasn't it? That was a private sector initiative.

MR G. SCOTT: You mean the one from Cairns to Kuranda?

PROF SCRAFTON: North Queensland Rail, isn't it?

MR G. SCOTT: It is Queensland Rail, but I think there's a private operator as well.

MRS OWENS: So maybe it's a matter of convincing the private sector to get involved in some of these activities as well.

MR G. SCOTT: That's right. You've got the Blue Mountains in Sydney. You've got rail going right through it. I'm sure that if rail were considered you could have a little terminal at Katoomba. Down in western Victoria you've got the Grampian ranges. Now, rail goes quite nearby. You've got the new standard gauge line going

almost by it. You could have a branch line going to Halls Gap. You could have a branch line going to Ayers Rock. Now, okay, you say, "Well, that would be very expensive," but at the moment you've got tourist coaches rattling along roads there. It can be justified economically. 14, "Ensure the strictest compatibility of all equipments between all system regimes."

PROF SCRAFTON: Yes, I think there is general support for that. I think that is as a result of the work of the Maunsell committee, the Maunsell report for the rail group, that is actually beginning to happen. Just how much progress is being made remains to be seen, but I think at least again there's broad sympathy with that recommendation.

MR G. SCOTT: Okay, well, we hope that can happen. 15:

> Create new rail corridors within cities by the construction of tunnels, study the potential of a series of tunnels linking Albury airport interchange with Canberra airport interchange for direct Maglev.

Now, I know people might freak out at that, but I think a study should be done on that. People will say it will break the bank but I think it's a good idea.

MRS OWENS: Have you put this proposal to anybody?

MR G. SCOTT: I haven't, but I've had a look at - a sort of a pretty basic look at it and I think it would be possible with a series of about five tunnels to link Albury airport and Canberra airport and open up massive amounts of snowfield to tourism, and it would reduce dramatically the route miles involved. I didn't bring the figures along, but it would reduce the route miles. One problem is that by putting Maglev through a tunnel you would restrict its speed, but there would be other benefits - spin-off benefits - as well. With Maglev going through that area the power supply is already there, there's ample hydro energy and there's enormous ski fields available to the international tourist. When it's summer in Europe it's winter here and people could move, say, from Sydney international airport or Melbourne international airport and be at the ski fields within 1hour, let alone the potential to link Sydney and Melbourne. 16, "Consider smaller multiple railway corridor integrated airport changes for Sydney."

MRS OWENS: Sorry, what was that?

MR G. SCOTT: Consider smaller multiple railway corridor integrated airport interchanges for Sydney. I will explain it if you like. I think I sort of mentioned on this a bit earlier on.

MRS OWENS: Yes.

MR G. SCOTT: That it would be possible to relocate Sydney airport if Maglev was introduced, and I would like to own the real estate there. Number (17) is consider

modifications to the Darwin to Melbourne rail route.

MRS OWENS: This is the proposed rail route that has been on the table to be considered at the moment, is it?

MR G. SCOTT: This is the one that is the inland rail route. This is not the Darwin to Alice Springs one.

MRS OWENS: No, this is the other, Melbourne-Darwin. That route, yes. What are the modifications that you're talking about?

MR G. SCOTT: I think there are a couple of modifications to the route that can be incorporated that would make it much more beneficial and possibly more cost-effective.

MRS OWENS: There is, as Derek said, another committee that's looking at these proposals and it may be worth your while sending them a submission, because this inquiry is not actually looking at those particulars routes and those proposals. It's beyond our terms of reference.

MR G. SCOTT: Number (18), new Adelaide Airport site. Full integration of all modal systems. Heavy cut or tunnel for Lofty Range for container double-stacking.

PROF SCRAFTON: We have had proposals from a number of people appearing before us who have talked about the Mount Lofty Range one in particular, but yours would be the first one that has mentioned about integrating it with an airport. Do you have a site in mind?

MR G. SCOTT: Yes, I've got a couple of sites. It might upset a few farmers, maybe. I don't know.

MRS OWENS: It will probably upset Derek.

MR G. SCOTT: Possibly Virginia-Two Wells area.

PROF SCRAFTON: Yes, there is actually a site at Two Wells that has been identified as a possible airport for Adelaide so it wouldn't upset too many farmers. I think people are quite familiar with the argument but up till now the demand has not justified the move but that has been discussed from time to time in the planning for Adelaide. Certainly the other aspect of your proposal about improving alignments and tunnels through the Adelaide Hills for double-stacking trade, I think you might see in the fairly new future, among the sort of projects that you have mentioned, that would have some priority I think.

MR G. SCOTT: That's about it.

MRS OWENS: Thank you, Mr Scott. That I think for us clarifies some of the

proposals you've given us on a commercial-in-confidence basis. We can see the underpinnings of those proposals from what you've just outlined for us. So thank you very much for coming, and we will break for just a couple of minutes for our next participant.

MRS OWENS: Our next participant this afternoon is Mr Stewart Hames. Would you like to give your name and your affiliation, if any, for the transcript, please?

MR HAMES: Yes, my name is Stewart Hames. I'm currently a mechanical engineering student and I've identified a need in railway engineering. I'm convinced that rail should and must be able to meet the future needs of this country.

MRS OWENS: Thank you, Stewart, and I hope you're not in the middle of exams today.

MR HAMES: They are about a week off.

MRS OWENS: Well, shouldn't you be studying? Thank you for coming anyway and we've now received a submission from you and a supplementary submission and we've both read those submissions but I understand you want to make a few opening comments.

MR HAMES: I have no vested interest in the inquiries outcomes. I am not employed in any transport-related industry. I'm a mechanical engineering student that is trying to specialise in railway engineering. We must ask ourselves what role should rail play in Australian transport. Texts on transport engineering highlight the basic advantage rail has in resistance on a per ton basis, which simply means that rail is the most energy efficient. Obviously it is impractical to provide rail access to business and home, therefore the collection and delivery role is performed by more flexible road-based transport.

Rail's benefits are particularly in longer hauls. These facts are proved in practice. In the situation where no infrastructure exists and must be provided by private capital, rail is the chosen mode. In the north of WA a collection task is performed by 360-ton trucks with 200 tons of payload, with the long-haul task still performed by rail, not road. In addition a road is still provided to assist rail maintenance. If rail is the most efficient form of land transport, both in theory and practice, why does road transport dominate in a country so large and sparsely populated as Australia.

Not so competitive neutrality is easily the greatest hindrance to the railway reform process. Despite rail's proven energy efficiency road transport enjoys considerable advantages over rail which have greatly distorted transport trends in Australia. It is interesting to note that the New Zealand model of rail reform which has influenced Australian rail reform has found it essential to reform the road system simultaneously leading to a more accurate user-pays system of road charges. To date there has been no move in Australia to adopt road reform in conjunction with rail reform.

This totally compromises the rail reform process. How many prospective buyers and operators have avoided Australia as a result of the tilted playing field?

What effect has this had in undermining the sale prices obtained for recent privatisation of taxpayer assets? Will it limit private investment in infrastructure? The user charges in New Zealand for road transport are approximately four times the Australian rates. Effectively the average motorist is paying for the damage caused by heavy trucks. As a result the cost of road transport is artificially reduced. This is a major factor in rail reform that must be addressed as it has caused the other side effects which has hampered the rail industry over many years.

The debate on road and rail funding has increased lately, concentrating on the lack of investment in the substandard interstate railway infrastructure. However, the reason that the rail system has been so neglected over so many years has been avoided. The neglect is a result of road policy that does not cover costs. This is not acceptable in the railway industry and should not be acceptable for roads. Obviously artificially low road charges result in a greater market share which unfairly steals traffic from rail where all costs are covered by freight charges.

As rail's market is eroded the volume of freight rail reduces, thus the fixed-maintenance cost must be divided over less traffic which results in an even higher unit cost which further reduces traffic. It becomes a downward spiral. At some stage, that we have reached in Australia, infrastructure development is stopped to enable fixed cost to be reduced just to be able to remain competitive. Eventually even maintenance can be deferred in a last-ditch attempt to compete. Thankfully we have realised that deferred maintenance is not an option. Indeed the current situation is a bad enough scenario, with artificially low road charges preventing rail from exploiting the economies of scale that allow it to fund its own development.

Very pro-road road-user charges have prevented rail from continually reinvesting in infrastructure which has minimised a recent maintenance revolution. Queensland Rail figures state that it cost in 1989 dollars around $35,000 per kilometre to maintain an important main line annually. However, a modern concrete-sleepered main line maintained to a much higher standard cost only $5000 per kilometre. A simple change to concrete sleepers that would normally be funded from freight revenue slashes maintenance costs by 86 per cent

There are many other recent technological advances that also greatly reduce the cost of maintenance, all of which are denied to the Australian interstate railways because of road policy that sees the motorist pay for the damage caused by heavy trucks, not the road-freight operator. The Western Australian transport minister recently said:

> In a state like Western Australia heavy road vehicles were a vital link in the transport chain.

While this point is valid for remote areas not serviced by rail it should not be used as an excuse to allow cut-price freight where road and rail should compete on an equal basis. Indeed there is also a current push to increase road funding. This campaign forgets to tell the average motorist that they pay for the damage caused by

heavy trucks. By increasing road funding the situation for rail would be even worse despite the best efforts of this and previous inquiries. Remember that rail freight is maintenance-paid; road maintenance is motorist-paid.

Benchmarking and world's best practice have become the evidence to support railway reform as Australian railways fall short of current world's best practice. It is generally assumed valid to benchmark against US railroads with minor allowances for significantly greater US freight task. However, it is careless to adopt benchmarking without fully understanding the impacts of your assumptions. These benchmark figures conveniently avoid any reference to the most fundamental factor that governs the effectiveness of rail base axle-load. Without taking it into consideration the benchmarks are totally incorrect.

US railroads have an axle-load between 32 and 35 tons. 50 per cent more than the 22 tons on the Australian interstate system. This has a dramatic effect on efficient running of trains. For a given trailing mode the train is 50per cent longer, requires 50 per cent more rolling stock and 50 per cent more capital investment in rolling stock. Because the locomotives are two-thirds the weight they can only usefully be two-thirds as powerful, hence the number of locomotives required and the fuel consumed increases. As there is 50 per cent more axles and brakes the resistance to be overcome to move the train is greater and the resistance per tonne increases. As the train is 50 per cent longer, longer passing loops are required and loading times are increased, and so it goes on.

The actual net revenue load is reduced as more unproductive weight must be hauled. As it costs more to operate the train the freight rate per tonne is higher. Hence if an Australian operator were equal to a US operator they would still appear two to three times more inefficient due to our cheaper standard of infrastructure which is a result of a road policy. Not to allow for this is pure deception. Indeed to compare with Europe is equally incorrect. Although axle-loads are similar vastly different road policies have influenced railway investment in different ways.

We have staked our future on roads whereas they have adopted a user-pays system which has not detracted from railway development. While I agree that reform and improvements are essential, as they should always be, I firmly believe that our railways are doing better than the flawed system benchmarking would have us believe. Perhaps if the Australian figures were taken into account with respect to infrastructure investment, or lack thereof, I'm certain that our freight task per million dollars invested would be quite enviable.

Perhaps we should benchmark government policy. Rail is seen as a solution to many different problems in developed and developing countries alike. Maybe these countries could have world-class policy advisers and we do not. To my knowledge I have seen nothing published on the impact of axle-loads on benchmarking. As this is fundamental to the operation of railways I am extremely concerned that critical decisions have been made without appropriate expert advice. Name-dropping eminent people does not automatically qualify as expert advice. Stephen Bright, in his

book The Line Ahead, stated the main decisions are made by people who have no investment in keeping the railways alive and intact.

The entire push for rail reform and privatisation is due to considerable expense required to sell AN, Australian National, unencumbered. Ironically pre-National Rail AN was the most dynamic and innovative government railway in Australia and was operating on a commercial basis. Indeed AN realised the importance of a quality infrastructure and embarked on a visionary project to concrete-sleeper its entire interstate main line and to be funded internally - everything that should be expected of a railway. Despite the recovery of road transport this vision is reflected in the 80 per cent market share that rail has on this corridor and should also show on the road budget with reduced road maintenance. Indeed it shows what could be obtained nationwide.

After this project was completed the track and interstate business were transferred to National Rail with the debt remaining at AN left with intrastate business only. AN had no opportunity to benefit from its infrastructure improvements. Remember that maintenance benefits of concrete sleepers is 14per cent the annual cost of wooden sleepers. Obviously Australian National was now terminally ill in this situation. The question must be asked: why was such a situation allowed to occur? To sell AN without debt cost the taxpayer about $1 billion, the same amount that is urgently required to upgrade the interstate track.

Incidentally, Australian National had an operating cost of about 3¢ per net ton kilometre on the east-west corridor. This compares favourably to the 1½¢ net ton kilometre achieved in the Pilbara when the difference in axle-load is considered. A similar situation occurred to Australian National's successor National Rail. It was to be both an operator and an infrastructure provider until the change of policy gave the infrastructure provider task to the Australian Rail Track Corporation, I think it's known as, with yet another start-up cost.

Railway history in Australia is littered with examples of government policies compromising railway development. With the move to government-owned commercially run railways the ability of government to change policy direction without due consideration of the consequences should no longer exist. Inappropriate policy changes during recent years has cost the taxpayer about the same as urgently needed for track upgrading. Perhaps it is time to let the railways go about their task without government interference.

There is currently no organisation responsible for the strategic planning and development of Australian railways that can also advise all levels of government the most appropriate level of railway development for Australia. As suggested by the Neville inquiry, Tracking Australia report, the time is right to form a land transport authority and perhaps a specialist rail department within that can perform these tasks. The most obvious current example of this is the politically motivated decision to accept the Sydney-Canberra speed rail proposal with TGV technology at an estimated-cost of $3½ billion. Indeed $1½ to $2 billion invested in the entire

Sydney-Melbourne route, including a Canberra link, is more in line with the process of reform. Both freight and passenger services would benefit and the route would become self-funding with access charges covering both the track maintenance and continual upgrading.

Eventually all three cities could be connected by high speed rail, passenger and freight services instead of the restrictive passenger only Sydney-Canberra route. The highest speeds that speed rail can obtain allow for steep gradients that slower heavier freight trains cannot use. Effectively it would create another break of gauge problem. In the situation that SNCF the French railways was in, with many lines at absolute capacity, it was logical to release capacity to freight traffic by constructing new dedicated high speed lines that the TGV uses. I doubt this technology is the most cost-effective for Australia.

I believe it is imperative that a strategic development organisation is formed immediately. By upgrading the infrastructure market share and competition will increase and operating costs will decrease, a win, win, win situation. Add to this a significant drop in road maintenance, the cost of road-building and road accidents and the full effect of total rail reform can be realised. In 1995 it was suggested that $3 billion over the next 20 years needed to be spent on the railway infrastructure. These figures remain widely quoted these days, although one important fact is omitted. The figures quoted were based on the railways giving 1995 level of service equivalent to road transport in the year 2015. One often neglected fact is that road transport is as fast as it can legally be, hence consumer demands for faster services cannot be fulfilled by road. Further road investment is of minimal benefit in a national context.

On one hand the government is attempting to increase rail's competitiveness; on the other hand it continues a policy that favours a less efficient form of transport by not requiring full cost recovery which totally prevents rail from becoming competitive. Whereas the government systems may have tolerated this the new private operators will not be so obliging and private investment in infrastructure, which government is so dearly after, will not eventuate. Thank you.

MRS OWENS: Thank you very much, Stewart, and thank you for the very detailed introduction, and very interesting. Before we get on to the substance of what you've written about can I just go back one step? You said you were a mechanical engineering student specialising in railway engineering. Are there many people like yourself specialising in this area?

MR HAMES: No, you can't officially get railway engineering as a distinct strand of engineering. You can't get qualifications in Australia and as a result I'm sort of on my own. There is a centre for railway engineering in Rockhampton but I think that they come under the impression that most others come under, that railway engineering is an engineer working in the railways. It is actually a complete different strand and is between a mechanical engineer and a civil engineer.

MRS OWENS: In your first submission to us you talked about your first point, talked about the formation of separate above rail and below rail entities has led to the demise of the railway engineer, which sounded very bleak, and I was just wondering what it is about the separation per se that jeopardises the profession. I would have thought that separation - there's still a certain amount of activities that need to be performed and if anything it makes the job more of a challenge.

MR HAMES: There is still the need for it but the way that it is split up the mechanical engineer is based with the actual operator, such as FreightCorp, or whatever you would like to say, and the civil engineer is with Rail Access, and as a result they don't communicate with each other and work out what is the best level of infrastructure development that would suit both parties. The level of savings that can come about by working out what is the most efficient way to move freight are just mind-boggling. I mean I mentioned the difference between concrete sleepers and wooden sleepers. Similar things occur when you reduce the actual gradient of the line. I'm just at a loss to explain the magnitude of the savings that can be realised.

Another example is National Rail has recently bought 120 new locomotives. These are a builder's state-of-the-art locomotives. They actually use a technology that was developed probably in the thirties and the forties but there has been a recent development during the nineties which uses AC or alternating current traction motors that lift the adhesion of the locomotive from 30 per cent to 40 per cent. That is a 25 per cent increase and there has been very little movement in that area for years.

MRS OWENS: Do you think that separation actually jeopardises the adoption of these sorts of technologies?

MR HAMES: I do believe it does. To use Queensland as the example, they're vertically integrated, or whatever the current buzz word for it is, and they seem to be adopting the tilt train and they've ordered 38 of these alternating current locomotives. They seem to be on the ball, where all of the others that have adopted the horizontal separation type of thing seem to be getting away from what railways actually do to minimise freight cost. They don't seem to be adopting with open arms the new technologies that can revolutionise freight transport.

PROF SCRAFTON: Stewart, in your submission you talk about - in fact to use your words, "I think it's imperative that a strategic development organisation is formed." Do you believe this organisation should be responsible for sort of all railways, national and interstate, regional, urban, or only parts of the network? Is the issue about National Railways or is it about all railways?

MR HAMES: Particularly I'd say rail reform in the context that it's meant is for interstate railways and you could extend it to include passenger services as well. Urban railways seem to be on a different level and should come under some sort of state planning or something, I believe. There is such a scope for development of all of these facts.

PROF SCRAFTON: There used to be an organisation called the National Railway Research and Development Organisation, and it was the railways themselves that actually blew this organisation away, and other people have made similar suggestions - indeed, the previous participant did, and so have others - to us. Maybe the whole thing has gone full circle. Do you believe that we should be applying funds that are presently applied to roads to rail transport and rail development and rail reform?

MR HAMES: Absolutely. You could take a view that on a tonne kilometres carried basis, rail is equal to road in this country. But if you want to take it, as the road industry likes to take it, on just a pure tonnes carried, I think the road takes 80 per cent and rail takes 20 per cent. In that context you could put 20 per cent of current federal and state funding into the rail network, just on those figures.

PROF SCRAFTON: Thanks.

MRS OWENS: Just while we're talking about this possible national land transport type of body, we've had some discussions with different people as we've been doing our hearings about what its actual role would be, and there are various sorts of options. There is a sort of a body overseeing the strategic planning of the transport system, if you like, so having a strategic planning-type focus. Less ambitious suggestions are that it gets involved in ensuring the harmonisation of regulations and safety regulations and so on. Another is to establish in more detail investment priorities, which I suppose is a subset of doing strategic planning, but determining what money should be invested where, and establishing principles for investing in road versus rail, and within rail for different purposes. Have you got any ideas about what you'd see such a body doing?

MR HAMES: That's a hard question to answer because rail can do so many things efficiently that you can't actually cut out anything by making the strategic planning body too restricted. Yet you can't have it so that it has ultimate control over everything. I think in an interstate type of network I'd say it's important for it to control development and also I think there was a suggestion in Tracking Australia that there should be tracks of national importance. Some of these that I believe would be currently important in a national context are out of service, and a recent magazine that I obtained had an advert in it that Rail Access Corporation in New South Wales was calling for expressions of interest on possible uses for some of these out-of-service lines. The taxpayers have paid for all of these service lines, to have them installed, and yet we're not utilising them at capacity.

Most of the situations where lines have closed in and around borders, the reasons they've closed is because of the change of gauge. A carriage just can't continue over the border, it has to go all the way into the capital city onto the standard gauge line and then go to another capital city and then get transferred to another gauge just to go what would possibly be a 5-kilometre trip. This is, of course, one of the reasons that road has become so efficient in this regard, because they can just go across a border, it doesn't matter.

MRS OWENS: I think that people have been saying that the gauge is probably less of a problem now, but where the issue may lay is more with the different regulatory regimes and safety regulations and differences across states.

MR HAMES: They're very important, but the impact of the actual gauge is still an issue, and it doesn't seem to be realised as such. I believe in Mount Gambier there are some broad-gauge rails and as a result it's just isolated. The rails are still there, except they're too wide and trains can't use them, that are going through that corridor. That's a silly state of affairs, to be quite frank.

MRS OWENS: I suppose there's the issue of how you deal with those problems within states vis-a-vis the broader problems you need to address when you're thinking about setting up in interstate services. Somehow you need to ensure that everything locks in together. You mentioned that urban rail systems should be the responsibility of the states, but even there, say if you were in Sydney, there is a need to ensure that your urban and your interstate and intrastate systems are all working in tandem, because the freight trains go on the same tracks as the local urban trains - city trains.

MR HAMES: Yes, I think there is a move by Rail Access to have a dedicated freight line through Sydney, but that won't be happening before - no, I can't say that. It may be happening before the Olympic Games, but I think David Hill, who was at some stage the chairman of State Rail, said that there should be a blanket ban on freight during the Olympic Games, and you can't just say that because most of the people that use rail just won't stay with it if things like that occur.

PROF SCRAFTON: That's right. That won't do anything at all to encourage them, will it?

MRS OWENS: I was just going to ask you - I think it's in the first submission and I think you just mentioned it earlier - about these other proposals to spend a lot of money on say the Speedrail and so on, and you were saying that you could spend something less than that to improve the entire Melbourne-Sydney route. Would your emphasis be on trying to upgrade existing routes rather than spend money on the big projects?

MR HAMES: A big project needs a lot of money up-front with a long construction period of whatever you'd like to say before you actually get any return. You could say that it's trying to take a revolutionary step rather than just constant evolution. It's fair to say that railways in this country are probably still at a 19th century level, and to move direct to the 21st century is probably a giant leap, where it would be really good for Canberra residents to be able to just jump on a train and be in Sydney very very quickly. It's not as simple as that. Like I say, for probably 1½ to 2 billion dollars that entire corridor could be suitably upgraded so that you can have fast trains going across at similar sort of speeds to what the Speedrail is contemplating, but obviously not as fast. But you could also have freight trains travelling maybe a hundred mile an hour or 160 kilometres an hour as well. That would just revolutionise freight traffic between cities.

As I said, road traffic generally is as fast as it can legally be - emphasis on "legally".

MRS OWENS: So who should pay for these upgrades? Should it be a government responsibility or is it something the private sector should- - -

MR HAMES: It's the government's responsibility for the current national track. By having such an emphasis on road funding they are in effect denigrating the rail because it is not able to do what it is supposed to. When I suggest that 1½ to 2 billion dollars could be used for the Sydney to Melbourne link, this could maybe come through Speedrail on the assumption that before any other passenger service uses that line, they contribute a similar amount to further upgrade the line. I mean, there are a lot of issues that are probably discussion - I have no access to them. But there are an awful lot of issues that need to be addressed in the whole reform process, and quickly, quickly is not the approach. Now is a good time to just take stock and make sure that the reform is going in the right direction.

MRS OWENS: I think there are two other important issues you raised in the submission. One was the issue of competitive neutrality, and a number of people have discussed that with us, and I think we've probably heard all the arguments on that one. But the other interesting point that you raised was the point about benchmarking, and we need to ensure that we are comparing like with like, and I think we'll take that point on board about your views about making sure that we look at axle-loads. I don't know whether it's possible to do this, and you say that you're not aware of any published material that's compared different systems, where you extract axle-loads and try and take that into account.

MR HAMES: Yes, I must admit that a lot of my research is limited. It's just an interest in the way that I'd like to go. I'm very very limited in funds and everything to do this sort of thing, but it's important and it needs to be addressed.

MRS OWENS: Yes, I think you've raised a very interesting point with us and as you probably are aware one of our terms of reference is to do some international and some intermodal benchmarking.

MR HAMES: Yes. If I may, one of the speakers this morning was commenting on coal and from where I come from in western Queensland there is actually a coalmine out there currently and for it to send coal to Brisbane it has got a 15-tonne axle-load limit. Most of the coal lines in Queensland, as far as I'm aware, are about 20tonnes. In New South Wales it's about 27½ tonnes and the axle-loads that they usually compare with world's best practice is the likes of BHP Iron Ore, Hamersley Iron and I think they're 35 and above axle-loads. As I said, the impact is fairly major.

MRS OWENS: Thank you. I think that's a very important point for us to absorb. We have just about covered everything we wanted to discuss with you, Stewart. Is there anything else you'd like to add to what you've already said before we move on to

the next participant?

MR HAMES: No, I think that's about it.

MRS OWENS: Good, thank you very much for coming.

PROF SCRAFTON: Thanks for that.

MRS OWENS: We will break for about a minute just to get our next participant.

MRS OWENS: Our next participant this afternoon is John Franklin. Would you please give your name and your affiliation for the transcript?

MR FRANKLIN: I'm John Franklin. I'm from Bicycle Queensland and I'm the Queensland representative to the Bicycle Federation of Australia.

MRS OWENS: Thank you for coming to these hearings. As I mentioned to you before we started, we've had a lot of interest from the Bicycle Federation members in the different states and we're very pleased to have had that interest in this inquiry. We didn't predict before it started that it was going to be an issue that the bicycle people would pick up, but now that we're into it we have heard some very useful and interesting arguments. Would you like to make some opening comments and then we'll ask you some questions.

MR FRANKLIN: Okay. First of all I'd like to say that I've been on your Web page and I've viewed transcripts from your previous sessions and seen some previous submissions, so it's not my intention to double up on some of what people have said to you previously.

The basis of my submission is that rail and cycling should be working together as partners. Both have problems with mutually beneficial solutions for each other and society as a whole. Cycling is best utilised for short trips, and longer trips tend to discourage people from utilising the bike. Rail is costly to expand, to secure corridors and lay track, and unlike the car and the bike, the train cannot travel down every street in the suburbs. So working together, rail and cycling can provide a solution to these problems which results in increased participation of both modes for virtually no cost. There are of course many other benefits of each mode individually, but I'm not travelling down that track today.

Our whole usage of fossil fuel dependent modes has created environmental problems, urban sprawl and incurred a massive cost on society. For roads, decreased health, deaths and quality of life. The switch to other more sustainable modes must be made, and I understand those arguments have been made previously. This mode change needs to be as seamless as possible to avoid negative factors which further discourage people. Many people that I'm associated with at my work tell me that they'd love to change to other modes of transport but it's too difficult for whatever reason, whether it's joining with their existing modes or getting to that mode. So I think that's an issue that needs to be dealt with.

Details of how to create this seamlessness, I believe, have been presented to you previously, but I'll add a few points. There's something about parking for bicycles and there's a document called Austroads Part 14, which also covers parking. In Brisbane, Queensland Rail provide bicycle lockers at stations for free with just a $50 key deposit, and I understand that currently they're all full, which indicates a very good demand for that service. Uniformity of approach across all states I think is very important and that's one of the more significant issues federally.I think it's important to note that we don't have to reinvent the wheel; this has been quite successful with

intermodal transport in other countries for quite a long time.

So what can be done at a federal level? I think it is critical that we take a top-down approach to managing this process. In Queensland we have made quite a few gains but only through fighting very hard for the issues that we wanted to push through, which at the end of the day benefited everybody concerned. Additionally we have had to convince a number of groups within Queensland Rail and get a yes from all of those groups, otherwise we got a no across the board. A couple of examples of that was the push initially to get bikes on trains to start with. We had to convince the management and the stationmasters jointly. The new tilt train to Rockhampton doesn't allow bicycles at all despite previous governments and management stating in writing that all future trains would contain them, so we have to go back to the drawing board on that.

If we take a top-down approach and the answer basically across the board is that yes, we can be partners in this, our energies can be expended on implementing world's best practice rather than dealing with issues that don't really exist. The last thing I'd like to say is that there was a statement made in Sydney regarding the health benefits of cycling versus the safety concerns, and I think, Derek, you may have raised that. In the latest edition of Australian Cyclist magazine, which is the publication of the Bicycle Federation, there is an article that reports about a British Medical Association report from 1992. Doctors were concerned about the level of death and injury to cyclists, but in the process of preparing the report they found considerable evidence of the health benefits to cyclists. It goes on to say, "Even in the hostile traffic environment the health benefits of regular cycling outweigh the loss of life through cycling accidents." One calculation showed the ratio at 20 to 1. That's all at this stage.

PROF SCRAFTON: John, do you have good relations - your organisation - with Queensland Transport or Main Roads and city transport people or - - -

MR FRANKLIN: We do, actually, yes, quite good. We sit on a number of committees that are run by the state government.

PROF SCRAFTON: So you get a good hearing. How does that translate on the ground in terms of bike tracks? You mentioned that QR has got lockers and that those are full. About what proportion of the stations would have these lockers?

MR FRANKLIN: I actually was quizzing a few people about that last night. I can't give you a number, but the indication we got was that it's reasonably low actually on the Cleveland line, which might have 20 stations. It was about every third station had two to four. So it's quite low.

PROF SCRAFTON: Maybe it's a bit like getting shelters at bus stops. It just takes a little time to get the policy to work through and keep the pressure on.

MR FRANKLIN: Yes, certainly it's gathering speed. Everybody is talking the talk.

We've just got to get them walking the walk now in Queensland, yes.

PROF SCRAFTON: I mentioned to the previous parties I was looking yesterday at the strategic plan for a city - the Gold Coast - and that seems to accommodate cycling to a considerable extent. I think in fact they have what I would call almost an arterial network of bikeways.

MR FRANKLIN: The Gold Coast. Yes, I think they are developing. Certainly they've come a long way in recent years.

PROF SCRAFTON: Given your knowledge of the national scene through your work with your counterparts in other states, do you think you've done pretty well in Queensland, or you are not as well off or how do you - - -

MR FRANKLIN: In comparison to them I think we've fared fairly well. In terms of where we could be I don't think we're faring fairly well.

PROF SCRAFTON: I think everybody says that to us. But it sounds to me quite encouraging. You mentioned that bikes are allowed on trains in general. Do you have to pay for the bike?

MR FRANKLIN: No, and you can take them on any time except in the peak flow direction. You can take them contrary flow now.

PROF SCRAFTON: Which seems reasonably sensible. However, there are people who use cycles for commuting who are obviously disadvantaged slightly by that policy.

MR FRANKLIN: Yes.

MRS OWENS: Is there any good reason for not allowing them on the tilt trains?

MR FRANKLIN: No, it was only just yesterday in fact that we discovered this, because it was launched on the weekend, and we haven't got to the bottom of that yet, other than one of our members was coming to Brisbane for the state cycle committee today and he got told he couldn't bring his bike. So we're yet to pursue that and find out what - - -

MRS OWENS: So you don't know whether it's a safety matter or- - -

MR FRANKLIN: We're not sure at all, no.

MRS OWENS: Maybe the doors aren't wide enough or- - -

MR FRANKLIN: It's possible that the seating arrangement just doesn't allow for them. Whether they have a baggage car, I'm not sure, because it's focused at the short

time-span of day traveller approach - that's taking a stab in the dark.

MRS OWENS: Right.

PROF SCRAFTON: When you put your bike on a long-distance train like that, or a regional train, are they usually fastened down? Would it normally be tied - -

MR FRANKLIN: I've never actually viewed what they do in the baggage car, but I've just put my bike on, just rode up and put it on.

PROF SCRAFTON: I just wonder whether it's a response to the technology that if the car itself tilts then unless the bikes or any other loose piece of stuff would not in fact - in theory it shouldn't happen because the tilt is supposed to hold gravity the same, so that if you have a glass on a table and the train tilts, the glass should not - you shouldn't see any slippage, but I'm not sure that that would work in practice. Anyway, that will be interesting. I'd say if that's the only problem you've got then it's not a bad position to be in, in terms of some of the evidence that we've heard elsewhere.

You mentioned yourself about the desirability of maybe getting some national standards. In Queensland, given the extent to which you are allowed to put bikes on trains the way you've just described, I should have thought some of the other states would be looking to Queensland to set the standard.

MR FRANKLIN: When I was doing my research for this it certainly became obvious that we were doing far better and that we were probably a case study for the other states, as it turns out, yes.

MRS OWENS: So we have to benchmark with Queensland.

PROF SCRAFTON: For the bikes, yes. Another thing that was mentioned to us, and I wondered if you had experience of it in Queensland, is use of railway right of ways for putting bike tracks alongside the rail. Have you any experience of that? You know, getting inside the fence, as it were.

MR FRANKLIN: Yes. It certainly hasn't happened in Brisbane.

PROF SCRAFTON: No.

MR FRANKLIN: And that's only suburban network. In terms of rail trials and that sort of thing, it's very limited.

MRS OWENS: Is that something you have been pushing for?

MR FRANKLIN: At a minor scale. We're very stretched as a volunteer organisation. There's some of it in Caboolture Shire but that's about the extent of it that we're aware of.

MRS OWENS: Getting back to the tilt trains, I suppose an interesting question is whether prams and pushers are going to be allowed on the tilt trains, because if they're allowed and there is this problem of rolling or whatever, there's the equivalent sort of problem - - -

MR FRANKLIN: Yes. Certainly we will be putting all of these cases to Queensland Rail.

MRS OWENS: Yes, I don't need to tell you what you have to argue.

PROF SCRAFTON: And it may be just an initial sort of strategic approach by the railways themselves to keep the proletariat off the trains while it's being class leader, if I could call it that.

MR FRANKLIN: We can hope, yes.

PROF SCRAFTON: Maybe in time you will win, yes.

MRS OWENS: I was going to ask you a question about your submission, and you made a comment about - well, you're talking about a cycling conference in Fremantle in October 1996 and you said:

> It was demonstrated how providing facilities for cyclists had exposed each suburban railway station -

I think this was in New South Wales -

> to a population nine times as large as before, encouraging cyclists.

So that means as soon as you have facilities at stations then you've got a broader catchment area for that station. Do you know whether it actually translated into more cyclists going on the train?

MR FRANKLIN: I haven't been able to follow that up, no.

MRS OWENS: It's an interesting question. If you do broaden the catchment, does that mean more people use the facilities? And it might be even within Brisbane, if you've got some stations with locker facilities and some stations without, you've got this potential for wider catchment areas in some parts of the line than others. Do you get more people riding bikes going to these stations and not to these stations?

MR FRANKLIN: It sounds like an excellent research topic.

MRS OWENS: For which funding would be required.

MR FRANKLIN: Certainly.

MRS OWENS: I think another issue that people raised was the problem about having bikes on trains and the disamenity that that may cause for other passengers on the train in terms of getting grease on them, or just being able to get past the bikes if they're in the doorway, or not being able to get a seat because the bike is taking up two spots.

MR FRANKLIN: Sure. I suspect that's one of the main reasons why we can't go peak-flow direction and I think most people respect that. I travel on the train mostly on the weekends with a social group of cyclists, often up to 20 people bowling onto the train, and we tend not to have problems, purely because in that circumstance you need to apply some courtesy. It's about an approach to the situation rather than just getting on and saying, "Well, this train's mine, I'll do what I like," and I think that that's an education approach that could be taken, to deal with people. Certainly that was the problem with the Stationmasters Union - was that they didn't like the chain grease getting on the seats. Fair enough, but I don't think that's a reason to stop the world.

PROF SCRAFTON: The other thing that's different in Queensland is that most of the seats in the electric suburban trains are lateral seats. The problem that Helen was describing tends to come more where you have a large proportion of longitudinal seats - you know, seats along the side.

MR FRANKLIN: Yes.

PROF SCRAFTON: And in Queensland most of the seats are lateral seats, so it tends to I think create something of a discipline on the person with the cycle. The potential for sort of spilling all over the train is not quite as great here as it is say in Perth where there's a lot of standing room.

MR FRANKLIN: Although space is quite tight, which makes it difficult to take your bike on, but it forces you to look after it a little better, yes.

PROF SCRAFTON: And presumably when you're in a group like you talked about, you just spread yourself through the cars.

MR FRANKLIN: Certainly, yes.

MRS OWENS: John, is there anything else you'd like to add to what you've already said?

MR FRANKLIN: That's all.

MRS OWENS: Okay. Well, thank you very much for coming and thankyou once again for the submission. I'd now like to close these hearings in Brisbane. We will be adjourning until 9.30 am on Tuesday, 10 November in Melbourne.

AT 3.03 PM THE INQUIRY WAS ADJOURNED UNTIL
TUESDAY, 10 NOVEMBER 1998

INDEX