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Tuesday **24 June** 2008 - Estimates Committee A (Sturges) - Part 1

LEGISLATIVE COUNCIL

ESTIMATES COMMITTEE A

Tuesday **24 June** 2008

MEMBERS

Ms Forrest
Mr Hall (Chair)
Mr Harriss
Mr Martin
Mr Wilkinson

SUBSTITUTE MEMBERS

IN ATTENDANCE

Hon. Graeme Sturges, Minister for Infrastructure

Department of Infrastructure, Energy and Resources

Mark Addis, Secretary
David Peters, Deputy Secretary, Infrastructure
Scott Dobie, General Manager Rail Management Unit
Amanda Russell, General Manager, Infrastructure Policy
David Spence, General Manager, Brighton Hub
Penny Nicholls, General Manager, Land and Transport Safety
Peter Todd, Manager, Roads and Traffic
John Pauley, General Manager, Passenger Transport Policy
David Hope, Director, Passenger Transport Policy
Bernard Carlington, Manager, Passenger Transport Services
Maria Skillen, Project Manager, Motor Registry Project
Marietta Wong, General Manager, Planning and Development Business (SCWA)
Colin Finch, Chief Executive, Marine and Safety Tasmania

Stephen Long, General Manger, Corporate Services
Suzie Jacobson, Manager, Corporate Affairs

Ministerial Office

Gary Hill, Head of Office
Angela Collis, Adviser
Denise McIntyre, Adviser

The committee met at 9.30 a.m.

CHAIR (Mr Hall) - Good morning to everybody. Nice to see you here, Minister Sturges, for your first Estimates.

DIVISION 6

(Department of Infrastructure, Energy and Resources)

CHAIR - I will open the batting, Minister, and it will be no surprise that my first question is about rail.

Mr STURGES - Chair, would you mind if I just made a brief opening statement?

CHAIR - If it is a very brief one, because we are ready to go. I think most members are across the department.

Mr STURGES - With your indulgence, Chair, I would just like to make a very brief statement to put in perspective where we are at and where I see the infrastructure department going.

CHAIR - All right.

Mr STURGES - Thank you, Chair. Getting our infrastructure right is critical to the future of the economic and social development of Tasmania. Tasmania has changed dramatically compared with 10 years ago. We have undergone a sustained period of economic growth with new and expanded industrial and commercial sectors contributing to a significant increase in the State's transport task. We have an extensive, substantially mature land transport network, and while total population growth has been small, it has seen a shift towards coastal and fringe urban areas. Changing settlement patterns combined with an ageing population, economic growth and the need to support and enhance a vitally important tourism industry create new transport systems and infrastructure challenges going forward.

Tasmania's heavy freight task is valued at over \$11.6 billion each year and is predicted to almost double by 2020 with strong growth set to continue for both road and rail freight through to 2030 and beyond. This growth will put pressure on existing infrastructure, and there is a need to manage freight across networks. I think it is important, Chair, because I want to talk a bit about rail here.

There is a constant and growing need for ongoing maintenance and improvement of both our physical infrastructure, such as roads and bridges, and of the contracts that we have, for example, with our bus operators. It is also important to understand that, over the last 10 years, we have continued to develop policy, strategies and legislation that have, at the foundation, broad economic and social objectives to deliver a safe, efficient and equitable transport system for Tasmania. Such a framework is especially important in our vital task of keeping our roads and highways safe. The Tasmanian road safety strategy aims to reduce fatalities and serious injuries caused by road crashes in Tasmania and is funded by the road safety levy that is charged on all registrations. I am sure you might have some questions about that. The strategy delivers projects under the strategic directions of safer travel speeds, best practice infrastructure, increased safety for young road users and enhanced vehicle safety.

We have been greatly assisted in recent years by the advent of new technology, but, at the same time, we acknowledge that technology is not a silver bullet when it comes to the amelioration of road safety issues, but it is certainly a part of the equation. This has included the new electronic speed limit signs, which are being progressively introduced in school zones across the State. They will make the 40-kph zones more advisable to motorists, and vehicle-activated signs trigger a warning message for drivers who are travelling too fast for the conditions.

Also, we will shortly be starting a trial of alcohol interlock devices, which lock a car's ignition if the driver's blood alcohol level is over the limit. We were the first State in Australia to mandate a minimum safety standard for the entire government vehicle fleet, and we are continuing to promote technology, such as electronic stability control and other safety features. This complements the Government's commitment to make the government vehicle fleet carbon neutral by July 2010. Passenger vehicles now meet a minimum green vehicle greenhouse rating of 5.5, and all light commercial and four-wheel drive vehicles reach a minimum rating of 3.5.

I look forward to the major contribution that infrastructure projects are making; this will continue to add to Tasmania's continuing prosperity. In 2008-09, the State Government will invest \$187 million in road infrastructure. This money will be applied strategically to ensure the best value for money in Tasmania. Both the State and Federal governments are committed to rail transport - a \$122 million rail rescue package plus a further \$130 million for rail upgrade funding.

Now, contrary to recent reports and statements, Pacific National is not pulling out of Tasmania. It is selling its business as a going concern through normal commercial transactions. In the meantime, rail operations are continuing as normal, and a sale is proceeding in an orderly manner. In fact, only late last week, Asciano, the parent company of Pacific National Tasmania, issued a statement which I will quote from:

There is significant interest in the sale expected to be finalised in September 2008. We will continue to work with the Tasmanian Government and potential buyers to ensure the long-term viability of rail in Tasmania.'

Mr Chair, this Government will work proactively with the new operator to ensure that the rail network continues to be a strategic transport asset. I am really delight to have been appointed Tasmania's Minister for Infrastructure at such an exciting and crucial time in the development of this State's major infrastructure. The Government is focused on planning for the future to meet the transport infrastructure challenges ahead.

CHAIR - Thank you, Minister. I congratulate you on being succinct, unlike Mr Llewellyn, who sometimes comes to this table. You talked about the overall big picture. What I would like to focus my mind on in the first question is rail, and obviously that has been the hot topic of recent weeks. My first question is: has the Government actually done a strategic business plan to prove that rail is sustainable in Tasmania?

Mr STURGES - Just let me have a look here. I know a lot of work has been done. I have a lot of information about the Government's policy on rail going forward. I can talk about the rail rescue package and what we have done there.

CHAIR - The question really is have you done a strategic business plan to prove that, as I said, in the future, rail will be sustainable in Tasmania?

Mr STURGES - I will just defer to the secretary to get some advice. I am advised by the secretary of the department that, through the negotiation of the rail rescue package, they certainly sought advice from consultants with regard to the value of investing in the rail track infrastructure. I think it has to be recognised that profitability of rail is always going to be marginal, but the Government certainly has a clear strategic direction where we want to have an appropriate mix of rail and road freight in this State. So, in direct answer to your question, there has not been a strategic business plan developed or a costing model of that nature developed, but, through the negotiation of the rail rescue package where the Government has committed \$44 million over a period of 10 years, the Federal Government has committed a further \$78 million for a total of \$122 million, advice was taken from expert consultants in the area with regard to the wisdom of that investment.

CHAIR - If I could follow up on that and just say that if a business plan has not been done, then why would the Government commit to spending hundreds of millions of taxpayers' dollars on infrastructure, rolling stock, et cetera, when, hypothetically, in the short, medium and longer term, it might never be viable, without a lot of public input, I might say?

Mr STURGES - If I could just probably explain: there has been a degree of misunderstanding out there in relation to how rail operates in Tasmania. Back in January of 2007, I think it was, the Government purchased the below rail track infrastructure for one dollar. Now, the rail rescue package is focused on upgrading and bringing up to scratch the rail track infrastructure. Above rail is run on commercial terms at the moment by Pacific National Tasmania. It is not really the Government's role to actually undertake business planning on behalf of private companies who elect to operate their operations on rail. If I can use just a comparison, we own almost 4 000 kilometres of roads in Tasmania, but we do not run trucking businesses. Therefore, we do not undertake business analysis on behalf of the large trucking fleets that operate up and down the highways on a daily basis.

CHAIR - I understand that. I understand that commercial operators have to do their own thing, but, for example, if a business plan was done and rail was proven not to be viable in the longer term, it might well be that - and it has been mooted - for example, \$500 million might put a four-lane highway from Hobart to Launceston and through to the north west coast, and that might be the better option.

Mr STURGES - There has been a lot of speculation about investment on road, but the advice I have got is that, if we were to even look at doing that - there is all the issues of bypassing places such as Campbell Town and land acquisition and what have you - it would be well over \$2 billion

plus. The Government's position at the moment, Mr Chair, is to ensure going forward that we have a viable rail operator in the State and that we have an appropriate mix - I do stress an appropriate mix - of road and rail freight operating in this State. That is our position at the moment. I am heartened by virtue of the fact that I am advised that there are a number of interested parties currently talking to PN. Again, I stress again that it is PN's business. They will negotiate on commercial terms in relation to the sale of their business. I am advised that there are a number of interested parties currently talking with PN at the moment.

CHAIR - I think you were advised that it would take \$2 billion; so are you saying that it would cost \$2 billion to put a four-lane highway or duplicate the highway between Hobart and Launceston?

Mr STURGES - That was the indication I was given. I have not seen any specific costings on that, but I am advised that it would certainly be well in excess of the \$500 million that you have just mentioned.

CHAIR - If it were done over a period of 10 years, for example, you could allocate X amount per year. If you are really wanting to make sure that rail does work in this State, how much is the public subsidy going to be over the next 10 years to do that? Have you any handle on that?

Mr STURGES - Again, we are putting in \$122 million; \$44 million of State money and \$78 million of Commonwealth money. We believe that it is sensible to ensure that we have an investment-ready rail track infrastructure network in this State. The Government's position quite clearly is that we want an appropriate mix of rail and road freight in this State. I accept what you are saying. At the moment, it could be argued that the Government is subsidising rail, but we see that we have a community service obligation in that regard to ensure that we attempt to make our roads safer, that we provide an alternative to these large trucks traversing the highways. At this point in time, the Government's position is that we are committed to the \$122 million rescue plan. PN have now flagged that their commercial operation is on the open market and that they want out. I will just take this opportunity to put paid to the misunderstanding that PN have got that \$122 million in the bank. We are paying PN as they provide accounts, and we are satisfied that we have audited that the work has been undertaken. We are holding the money in the bank, and we pay for work satisfactorily undertaken.

CHAIR - The former infrastructure minister claimed PN was contractually bound to maintain services in Tasmania. The question is this: has the Government sought legal advice in terms of PN's obligations?

Mr STURGES - Yes, there is a rail management and maintenance deed of agreement. There are certain legal requirements that Pacific National Tasmania must fulfil under that deed of agreement. There are provisions within that deed where they must give notice to the Government of their intention to cease the operation of their business in this State. I think that may have been what the previous minister was alluding to.

Mr WILKINSON - Can I ask when that notice was given?

Mr STURGES - Pacific National?

Mr WILKINSON - Yes.

Mr STURGES - They have not.

Mr WILKINSON - They have not given notice yet?

Mr STURGES - No.

Mr WILKINSON - So, therefore, they are still bound by the contract in that they have not given notice?

Mr STURGES - Correct. What they have done, though - the deed of agreement is reasonably complex. I may just need a bit of assistance with this, but there are effectively a couple of trigger points in that deed of agreement. There are two key trigger points, and I think it is important that you get an understanding of them, because they have not notified that they are actually ceasing the operational side of the business. Mr Chair, I have Mr Scott Dobie from the Rail Management Unit who can give you some specific advice.

Mr DOBIE - Specifically, the trigger event that has occurred that Pacific National have relied on is the loss of the coal freight from Cornwall Coal in the Fingal Valley. There are a series of trigger events. They were, I guess, prescribed at the time of negotiation, having been determined as things that are critical to the profitability of that business unit. There is a sliding scale trigger event. That relates to percentage loss of tonnage of intermodal freight. That has a consequence of having a sliding scale effect on the requirement for them to invest in their rolling stock.

Mr WILKINSON - When you talk about trigger events, what do the trigger events do? Do they put the Government on notice that the contract may be breached, or, alternatively, are the trigger events you are talking about agreements made between the two parties for one of the parties to carry out works and services, and those works and services have not been concluded?

Mr DOBIE - The trigger events principally relate to a reduction or cessation of their investment in their rolling stock capital improvement program. As part of the rail rescue package, there were three sums of money. The State Government committed \$44 million, which was to be attributed to maintenance of the infrastructure. The Federal Government committed \$78 million, which was attributable to capital upgrades associated, again, with the below rail infrastructure. There was a contribution of \$38 million to be made by Pacific National to upgrade its ailing rolling stock fleet.

Mr STURGES - This is over a 10-year period.

Mr WILKINSON - Going through those one by one, the State Government's \$44 million, has that been spent or what part of it has been spent?

Mr STURGES - No, it is \$4 million a year. We are allocating around \$4 million a year to the infrastructure track upgrade program over the 10-year period.

Mr WILKINSON - Right. How much has already been spent?

Mr DOBIE - \$3.6 million has been spent between February 2007 and 2008.

Mr WILKINSON - The Federal Government has put in \$78 million.

Mr DOBIE - Correct.

Mr WILKINSON - How much of that has been spent?

Mr DOBIE - Approximately \$15 million.

Mr WILKINSON - Has that got to be spent over the 10-year period?

Mr STURGES - Yes.

Mr WILKINSON - Pacific National?

Mr DOBIE - We are in the process of auditing Pacific National's books on that. It varies between \$4 million and \$7 million at this stage. That is what we can ascertain. That is the claim that they have put forward.

Mr WILKINSON - No doubt, part of the contractual arrangements and the negotiation that are taking place now would involve Pacific National saying they have spent *X* amount and the Government will be saying, 'No, you haven't, you've spent *Y*', and that is why you are auditing the books.

Mr STURGES - As I said before, there was this assertion being put about last week that the Government had tipped \$122 million into the coffers of Pacific National Tasmania. That is not the case. What we have been doing is paying on the basis of once we are satisfied that work has been properly undertaken in regard to the rail track maintenance activities. We then pay on that account. My understanding is that there is an amount that PN are currently seeking from the Government that we need to be satisfied has been fulfilled. We are also going through that audit process to ensure that, when we do pay, we get bang for buck.

Mr WILKINSON - The deed that you talk about, are we able to get a copy of that?

Mr STURGES - Yes, it is publicly available on request. If you want to note that, we will take that on notice and make a copy of that available to you.

Mr WILKINSON - The deed is referred to as?

Mr DOBIE - The rail management and maintenance deed.

CHAIR - Minister, when you were appointed infrastructure minister, were you disappointed that you were not made aware of PN's decision as soon as you became minister?

Mr STURGES - No. Can I say, again, with the greatest deal of respect, Mr Chair, what I have been saying last week in media interviews and in the House of Assembly: people really need to take a cold shower and need to put this whole matter into perspective. I was certainly aware that Pacific National Tasmania were less than enthusiastic operators of rail in this State. I was aware that they had indicated to the ASX last year that they intended to put their business on the market in Tasmania. But then there was another step in that process. They then said that they were going to engage KPMG to undertake an audit of their national operations just to validate that the company's decision was, in fact, a sound decision. That auditing process concluded around April, I think it was, and KPMG came back and actually validated the company's decision.

On that basis, under the rail management and maintenance deed, the Government had first offer of refusal on purchasing the above rail operating arrangements. There was a meeting between the previous Premier, who was also Minister for Infrastructure. At that meeting, the Premier requested that PN go away and put that in writing, which they did some weeks later. We took advice, or the Premier took advice, and wrote back in early May of this year declining the first option of purchasing the above rail operation in the State.

From there, bear in mind this is still a commercial operation - the Government owns the rail track infrastructure, PNT and their parent company, Asciano, operate the above rail operations in the State - I was certainly given to understand that PN may have been having some discussions with interested parties away from the Government. It is not the Government's business. This caused much speculation and, with respect, there has been a lot of mischief and a lot of hype around what occurred a week or so ago. Having said all that, and I have said this in the House and I have said it publicly, I then went away to ascertain whether or not the discussions were commercial in confidence, bearing in mind it is not a government business and is a commercially-run business. I formed the strong opinion that I was able to come out and advise the Parliament and advise the Tasmanian public the very next day that, in fact, Pacific National Tasmania was on the open market.

Now, to that extent, Pacific National Tasmania also put out a media release late last week doing a couple of things: advising that that was the case and also advising that they were not ceasing operations and that they had a number of interested parties with whom they were talking. They also advised that it was their intention to work with the Government to ensure that the business was sold as a going concern. So, there has been, with respect, a lot of misunderstanding. I think on the part of some parties, there has been some deliberate mischief making around this whole situation.

CHAIR - Have you had any personal contact with PN?

Mr STURGES - All the contact that I have had, given the fact that this is a commercial venture, is through the secretary to the department and the Rail Management Unit, who I have a great deal of confidence in. They have been keeping a very close watching brief on matters as they have progressed. I have been talking on a regular basis with the department secretary, with my head of office, and with the manager of the Rail Management Unit.

CHAIR - If I could put a worst case scenario to you, that, for whatever reason, rail operators did not want to take it on. Have you got a strategic plan to cope with the massive increase in road transport? Has the department got that?

Mr STURGES - Yes, there is certainly a contingency in place. Whether it is going to cope, time will tell. I hope that we do not have to initiate the contingency, but perhaps the secretary or the manager of the Rail Management Unit might wish to answer that.

CHAIR - Yes, we would like some elaboration on the contingency plan.

Mr MARTIN - I wonder whether it is possible to table it.

Mr STURGES - I am here to be as frank and open as I possibly can, but it is a commercial-in-confidence document. Given the fact that, at the moment, the commercial operator of rail is engaged in negotiation with potential purchasers, then we would not be prepared to table it at the

moment. We will give you as much information as we possibly can, but, bear in mind that there are commercial negotiations going on right now, as I am advised by my department. Therefore, I think for us to flag what the Government's contingency is would certainly jeopardise the possibility of the outcome of those negotiation. We are not able to do that at the moment.

Mr WILKINSON - I suppose your argument would be, am I right, that if you gave us that information in open, you would be giving us a figure that the people who might purchase it would be taking into account in relation to the costs that they were going to pay for, the money that they would pay? Is that your commercial-in-confidence argument? Otherwise, I cannot see how it is.

Mr HILL - Obviously. You would be putting a significant amount of information out in the marketplace, which is going to affect how that sale would proceed. It would not seem to be a very sensible thing to do.

Mr WILKINSON - It would only be affecting how it proceeds, though, in relation to value that they would place on it. It could not affect it any other way.

Mr STURGES - It would also have implications on the Government. I did make mention before that all indications are that rail, at best, has been marginal in this State from the advice I have been given throughout the country. I just want to clarify it. The intermodal services are marginal. The bulk freight certainly is profitable. I am talking about cement cartage and mineral, et cetera. The intermodal capacity or component is very marginal at the least.

In answer to your question, certainly some estimates have been undertaken. That contingency certainly could cause some issues for us going forward, given that we stand ready as a government to work with a new operator of rail in this State. I say again, we are committed to do our best to ensure that we get an appropriate mix of rail and road freight going forward in this State. We are prepared to sit down with a new operator. The Premier has already said that he would certainly be prepared to, using his terminology, dust off the deed of agreement. I think it is appropriate that we as a Government sit back from the commercial negotiations at the moment and wait for the new operator, dare I say, to come on board. In the meantime, we will ensure that we have got an appropriate contingency, should your worst-case scenario eventuate.

[10.00 a.m.]

CHAIR - Given what you have just said, is there a risk that a new operator might only just cherry pick those bits of the rail operation which would be profitable and, therefore, leave the other bits without an operator? For example, you talked about the intermodal part being marginal. I cite the fact that one of the main road transport operator, Chas Kelly has indicated an interest. Could I put it to you that people in that road transport industry might want to put a bid in and then close down whichever parts they do not want and simply improve their profitability in their business? That is a real risk, I would have thought.

Mr STURGES - The point I need to make is that your assessment is correct. But, right now, the vast majority of freight contracts are owned by trucking companies and they use rail to on forward. In a commercial world, that could potentially eventuate, but I make the point now - I just need to be careful because I do not want to go flagging too many of the Government's punches - we stand ready as a government to work with a new operator of rail in this State. We will renegotiate, if necessary, elements of the deed of agreement. But I do not want to get ahead of where we are at at the moment. In answer to your specific question, because rail intermodal freight and bulk freight

is run on commercial terms at this very point in time, then, yes, that could happen. It is up for grabs. It is out there in the commercial world.

CHAIR - What is your view on whether TasPorts have expressed an interest.

Mr STURGES - They have not.

CHAIR - But it has been floated in the media that they are interested.

Mr STURGES - Yes.

CHAIR - Would you be concerned if TasPorts, for example, as a GBE got involved and that they might end up themselves carrying a much more significant debt than a GBE should have to?

Mr STURGES - Let me make this quite clear: I meet on a regular basis with the CEO and the chair of TasPorts. Having said that, I have only been in the job four weeks, but I think I have had about four meetings with them - three or four anyway. Again, that has been misreported. TasPorts, I am advised, are not interested in purchasing rail. Certainly, because of the connectivity with their business, they are keeping a very close watch on proceedings, bearing in mind that the end of the journey, inevitably ends up in one of TasPorts' facilities at Bell Bay, Devonport or Burnie. So they are taking a very close watching brief over this matter. But they have certainly not advised me or the department that they want to purchase and run rail in this State

Mr HILL - To the contrary. They have actually advised us that they do not want to run rail operations.

CHAIR - Okay, so they are out of the loop. You have cleared that one up.

Mr HARRISS - Coming back to policy-strategy issues, and before going to that, can I come back to the matter that Mr Wilkinson raised - that is, the provision of the deed to this committee. Minister, you have indicated that that would disclose some commercially confidential matters. You would be aware that committees of the parliament can hold any information like that in confidence in the custody of the Clerk of the Council. To use a term that somebody used once before on another issue, it will never see the light of day. So the question is, if the committee was of a mind to satisfy itself about those issues, the committee could require of you the provision of that document, as far as I understand, and then the document could be held in total confidentiality. What is your reaction to that?

Mr STURGES - Again, if I may, with respect, I think you are confusing the deed with the contingency plan. The deed, the agreement, is here. We have a copy for you now. You can have that. That has always been available on request to any member of the public. In fact, I was at a community forum only recently with a person who has got a significant interest in rail that has a copy of that. He was quoting to me clause by clause certain matters. I think, with respect, Mr Chair, what the honourable member is confusing is the contingency plan that the Government has should the Chair's worst case scenario eventuate. We do not believe at this point in time that that worst case scenario will eventuate. I rely heavily on the Rail Management Unit and the secretary to the department, who have expertise in this area. That is what they are paid to do - to ensure that they keep a watching brief on these matters. The clear advice I am getting, backed up by the media statement - in fact, we might just get a copy of that media statement of Asciano's last week and also table that for your information - is clearly that Asciano are coming out backing up

the advice that I have been getting and saying, 'We want to sell the business as a going concern. We are currently negotiating with at least five very interested parties. There are another four on the side sniffing around'. My office has had phone calls from a number of other interested parties from intra and interstate. I will table this, Mr Chair, if I may: it is the media release of 19 June from Asciano. Asciano goes on to say in this media release:

Pacific National has commenced the sale of its Tasmanian operations as a going concern. There is significant interest in the sale of the business. Five parties will receive information memorandums today. The company is also in dialogue with more than four other potential buyers.

It goes on to say:

The sale process is expected to be finalised in September of 2008. PN will continue to work with the Tasmanian Government and potential buyers to ensure the long-term viability of rail in this State.

That is precisely what the Government wants. We believe that it is sensible to have an appropriate mix of rail and road freight going forward. I will table that media release, Mr Chair.

Mr HARRISS - Given that, the question still remains, but it attaches to the contingency plan. What is your reaction to that same question with regard to the contingency issue, if the committee was of a mind to require that information?

Mr HILL - We are obviously aware of the committee's ability to call on these documents at any time. I suppose the point the minister is trying to make is that the contingency plan is a living document. It is not set in concrete. So, as circumstances change, that document is adapted to fit those circumstances. It is the minister's call, but maybe the best way to resolve it would be for the department to give a verbal briefing to the committee as to what is in the contingency plan rather than tabling a document that is changing. Obviously we would expect that that briefing would be in camera.

Mr STURGES - I would be happy, Mr Chair, if that would satisfy your interest in this matter, to arrange for an in camera briefing by the experts in the department to advise honourable members of what the contingency plan is, or elements of that plan.

Mr HARRISS - Through you, Mr Chair, I am sure the committee will make some sort of decision about that at a later time.

CHAIR - Yes.

Mr HARRISS - On the matter of policy, you have been very clear, minister, a number of times that it is government policy to have an appropriate mix of rail and road for freight movement around the State. That being the case, going back to an earlier answer of yours as to the fact that there is no strategic plan of detail in the event that rail is not available in the State. You have got the policy position that that is what you would like to see continue on.

Mr STURGES - Correct.

Mr HARRISS - That either suggests one of two things: if rail becomes unviable for a commercial operator, then there is a pull out and we do not have any rail. Alternatively, the Government then stumps up and either takes it on themselves or provides substantial subsidies to ensure that a commercial operator can exist in the environment. Further to that, if there is no strategic plan to map that possibility, how can you subscribe to the view that you have this policy position of the mix? Further, and finally on this particular point, minister, and I look forward to your response, on this very important matter - this is a major, major central plank to transport around the State - can I suggest that you have had a hands-off attitude because you have not even met with the particular company? Why would you not personally meet with the company on such a very important matter to this State's transport infrastructure?

Mr STURGES - I will answer the last part first. I have regular dialogue with the department secretary, with the manager of the Rail Management Unit, and their advice to me at this point in time is that it has not been necessary for me to meet with the company. The company are about selling their business.

Mr HARRISS - And you have accepted that, obviously?

Mr STURGES - Of course, of course. I store a lot of regard and respect for the expertise that these people have. The company are selling their business. What the Government stands ready to do is work with a new operator. I have a number of meetings with people interested in this matter. We are interested about seeing rail going forward. Pacific National have now said they want to sell the business. I do not see it as a role of government to facilitate the sale of their business for PN. I see it very much as a role of government to work with a new operator, to dust off - using the Premier's terminology again - the deed of agreement and, if necessary, renegotiate elements and aspects of that agreement.

In relation to not having a business plan, I want to put that in perspective, too. We certainly have a strategic plan going forward in relation to our business, which is the rail track infrastructure in Tasmania. We are committed to the \$122 million rail rescue package. Work is going on now. In fact, there is a tender that is closing right now that is soon to be announced for another \$25 million rollout of rail track and sleeper infrastructure in the State. That is the Government's business. Our business is to ensure that the rail track infrastructure is investment ready. Our business is to ensure that the rail track infrastructure is up to scratch. It should be noted that for the last 30 years or so, the rail track infrastructure in this State has been let run down to a very poor state indeed. That is our strategic plan going forward.

Mr MARTIN - Is that documented anywhere?

Mr STURGES - Yes, we can table that. The title of the document is *Tasmanian rail network review*. This is the second track condition assessment, November to December 2007, capital and maintenance programs. We can table that document.

CHAIR - And you did table the deed before?

Mr STURGES - Yes, we have submitted to table it, and we will table that, and that will be nice night-time reading for you. There are some nice graphs in there. I think we might just need to keep that at the moment in case we need to refer to it, but we will commit, if we could take that on notice, to get you a copy of the document that I just referred to for the committee's perusal and information.

If I may finish answering the member's question, because it was a lengthy but reasonable one. As a government, we have not seen it as being necessary to have a strategic business plan going forward for rail operations because we are not in that business. We are not in that business. It is commercially run by Pacific National Tasmania at the moment, and it will be commercially run. This is the Government's intention, and I make this quite clear. Part of your question, if I may paraphrase, is whether the Government is going to take over running of rail. That is our least preferred option. We do not want to be operators of rail in this State. We will commit to our rail track infrastructure program, and we will stand ready to work with a new commercial operator coming to this State.

[10.15 a.m.]

Mr HARRISS - With regard to all of that, what, then, do you understand, Minister, as the major suite of reasons, if you like, as to why Pacific National do not wish to continue operating here in Tasmania?

Mr STURGES - I might just defer to the secretary, who has been in regular dialogue with Pacific National.

Mr ADDIS - We have been talking with Pacific National from the time they first came into the business and we negotiated the deed. I suppose the best indication of Asciano's reasons for taking this course of action comes from the words of Mark Rowsthorn, a director of Asciano, in an investor briefing when briefing the stock exchange in December last year. The focus of that was to talk about PN's operations in New South Wales and Victoria and, to some extent, Tasmania. But the point he was making was that in looking at their whole corporate operations, one of the key things that they required was stability of cash flow. In that respect, they had question marks over their operations in those three States, Tasmania included. The primary reason, as we understand it publicly from his comments and it has been reinforced since by senior management from PN, is that the review by KPMG was all about how they sustain cash flow for the corporate operation. That was the basis of the evaluation; that was the basis for deciding to put the Tasmanian operation on the market.

Beyond that, again, these are important matters of commercial strategy for a private company. These are not the things that we should or can be involved in. I guess the point I would make is that the rail operations in the State have changed hands on two occasions already. This is the third. It is normal marketplace behaviour. It is proceeding well. We have every reason to believe Asciano's statements about the level of interest in the business as a going concern. We have had some informal contact with some of those people as part of their due diligence process. Things are proceeding extremely well, from where we sit and from where Asciano sits.

Mr HARRISS - That being the case, and the minister's admission earlier was that rail operations in Tasmania are marginal.

Mr STURGES - I will clarify that, in I may, Mr Chair. The advice I subsequently received was that the intermodal component of rail operations is marginal.

Mr HARRISS - We have just heard from Mr Addis that the financial issues are the major component in terms of PN making its decision in December last year that the operations across Australia, but certainly here in Tasmania, are sub-economic - that is my term not yours. That being the case, my question then is to the minister: as part of your whole freight transport strategy or

policy - it is more a policy than a strategy, I would suggest - you are prepared to continue spending on the on ground infrastructure, but the very real possibility is that you may not have a viable operator. You would also be aware of the Premier's own announcements of recent times that every decision the Government makes will be based on thoroughly and properly researched data. Yet, we are told here today that there is no broad strategic operational/business plan for road versus rail in the event that rail becomes unviable and falls over.

Mr STURGES - You are saying that there is no business plan, but this is wrapped up in our contingency, in the analysis that we have undertaken, in the assessment of rail that we have undertaken.

Mr MARTIN - With all due respect, you are saying there is no strategic plan.

Mr STURGES - It is semantics now as to whether there is a contingency, whether there is an understanding, an analysis of rail or a business plan. The point I have made is this: why would the Government have a business plan for a business that we do not operate? We do not operate the rolling stock. We do not operate rail operations in this State, but we regularly analyse freight movements, road and rail. We look at the tonne only, we look at the type, we look at the movements, the time of movements. The Government's position is quite clear: we believe it is essential to have a commercially viable mix of road and rail freight in this State. There is also the situation of looking at investment in our road infrastructure if additional trucks were to come on the road. That has been analysed and what impact that would have on costs to the Government. There is also the issue of road safety that we have taken into account in our deliberations. So I think, with respect, whilst I hear you use the words "business plan", we do not run the rail operations business, so we do not have a business plan. We certainly have strong analysis to support our contingency to ensure that we have an appropriate mix of rail and road freight going forward.

I made this point before, but I do not want to be provocative at this table, and I do not want to be flippant or facetious, but we own almost 3 650 kilometres of road network in Tasmania. So it is almost 4 000 kilometres of road network in Tasmania that we own. We do not have business plans for the trucking companies.

Mr MARTIN - But you have a long-term strategic plan for the roads?

Mr HILL - And we have a long-term strategic plan for rail.

Mr STURGES - Just as we have here a strategic plan for the Tasmanian rail network. That is there, but we do not have a business plan to run the rail operations, because we do not run rail operations. What we do have, though, is a deed of agreement with the rail operator where we have made a commitment. I take the honourable member's point that we are paying funds. But we believe it is in the community's best interests to have an appropriate mix of rail and road freight going forward in this State. We stand ready to work with a new rail operator.

The existing commercial operator of rail in this State has now said that it is on the open market, that they are talking to at least five very interested parties to sell their business in a seamless way, that is their intention to sell it as an ongoing concern. We then as a Government will stand ready, along with our rail network strategic plan here, to work with them to look at elements of the deed of agreement to facilitate the ongoing running of rail on a commercially viable basis in this State. That is where we stand. With respect, it is erroneous to suggest that we do not have a plan going forward. We do not have a plan for Pacific National because Pacific National is not our business.

Ms FORREST - You have repeatedly said, Minister, that it is not the Government's business to be concerned with the commercial operation of the operator who operates the rail, which is currently Pacific National. It may be someone else in the near future. A lot of money has been and continues to be committed to the part of the rail that the Government has responsibility for, which are the tracks and the below rail costs. There is a significant commitment to that maintenance program now, which has been delayed or lacking in the past. The next point you make, and Mr Addis made it also, was that one of the major problems for an operator is stability of cash flow. So if the Government is going to continue to spend a lot of money on this rail without actually knowing whether there is a commercially viable business into the future, obviously, that will be a challenge for any future operator because of the short distances that we have. Whether it is intermodal routes or whether it is the larger freight carrying routes on to the west coast and places like that, their problem is still going to be the same. How can we be assured that taxpayers' money will be spent wisely here? As you say, it is not the Government's business to be interested in the commercial operations. When we are spending so much money, it is. How can we be assured that taxpayers' money is being wisely spent and these things have been fully considered?

Mr STURGES - Again I make the point that we invest considerable funds. I think I said earlier on that we are spending \$187 million on roads this year. This year alone, in 2008-09, the State Government is going to invest \$187 million in road infrastructure. During the course of 2008-09, some trucking businesses are going to go better than others. We do not have a business plan to run the trucking businesses. Our business, our core responsibility, dare I say, is to ensure that we have an appropriate road infrastructure. The Government's position going forward is that we believe it is essential to have a mix, an appropriate mix, of road and rail freight in this State. So, therefore, based on all the analyses that have been undertaken, based on all the expert advice that has been given, we believe that there is a future for rail. I think I also said in my opening presentation that road freight is going to double by 2030. It is anticipated that, over the next 20 years or so, the freight capacity is going to double in this State. Therefore, our position going forward is that we believe we need an investment-ready, up-to-scratch, properly maintained rail track infrastructure in this State. We believe, based on analysis and based on advice given by the experts with whom I meet on a regular basis from the department, that a more enthusiastic and, dare I say, perhaps a more aggressive marketer of the business may be in a better position going forward.

Ms FORREST - With all due respect, some of those freight movements and increases will be high value-low volume increases. For them, rail will not be a viable option unless there is considerable subsidy or something else to make it more attractive. Have we looked at this issue to ensure that the expected freight increase you are talking about will be merged in that way, and is it wise spending the money? Has a business case been done to ensure that that is the case?

Mr STURGES - There is a lot happening as far as high-level strategic vision for freight in this State. We are committed to \$79 million in expenditure on the Brighton intermodal hub. That is going to facilitate operation of freight in and out of the southern area of Tasmania. In fact, I was only recently out in that area meeting with members of the business community, and one very large business that has re-established out there only recently. I was speaking with the CEO from Sydney. Over a cup of coffee, his advice to me was that it was the intermodal hub that convinced his business to relocate to that area, and it was the intermodal hub that convinces his business to invest quite significantly in new plant and equipment for that new facility. So, from a Government's perspective, we believe that by putting in place better and more appropriate infrastructure, we will assist not only road freight in this State and businesses required to use that, but also assist the connectivity of road and rail in Tasmania. We are also committed to spend

\$3.9 million on the Bell Bay intermodal hub. So, from an infrastructure point of view, we believe the Government has a role to provide the best opportunity for a mix of road and rail freight going forward. We believe that that will also be an incentive for a new operator wanting to in to the State. The secretary has indicated that he wants to make a comment.

[10.30 a.m.]

Mr ADDIS - To respond to your earlier comment about the underlying viability of rail, obviously the profitability of any business depends on a whole range of factors, market supply and demand, quality of management assets, all sorts of things. As we have said repeatedly, rail operations are not our business, so we are not into doing business planning. But we need to distinguish between business planning and strategic planning. Now, strategic planning we have done. Much of that strategic-level work about the extent to which Government gets involved in rail activity occurred 18 months ago when PN came to us and said, 'Look, we can't continue to operate this business profitably and continue to own the rail infrastructure and maintain it'. That is where we got a really fundamental shift in rail. In the history of rail in this State, right up until we put in place that deed of arrangement with PN, the State, then the Commonwealth, then a succession of two private operators not only ran a business, but they had to try and make that business maintain and upgrade the truck infrastructure. PN finally came to us and said, 'Look, we don't think you can run any rail business profitably and still retain responsibility for the infrastructure'. So the proposition to the State and to the Commonwealth is that the only way for anyone to make it profitable or viable is for the State to take over the infrastructure, just the same as you do with roads. That is when the Commonwealth came in and the State came in and said, 'Okay, we hear you. We can't just take your word at face value. We are going to have to have a close look'. There were a series of consultancies commissioned by both the Commonwealth and the State to satisfy ourselves at a strategic level that if we agree to taking back the infrastructure and agreed to what goes with that - maintaining it and upgrading it - at that strategic level a business operator, any business operator, could reasonably expect to be viable. That is the detailed analysis that went on at, as I said, both levels of government, that underpinned the Government's agreement to take back the infrastructure. That is where the strategic analysis has occurred, and it was quite rigorous.

Ms FORREST - That is looking at the past. I was hoping to look at the future a bit.

Mr ADDIS - It sets the whole model for the future.

Ms FORREST - The issue of the Brighton hub - the same might be said for Wiltshire, I am sure - is that we are not going to see all the Smithton and Circular Head businesses moving to Wiltshire so they have ready access to the rail. They are still going to have to truck their produce from the Circular Head region to Wiltshire, to put it on to a train to take it to the Burnie port or maybe further, depending on where it is going. Hence, there is the nature of the intermodal lack of profitability perhaps, because it is such a short distance. The question is about spending such an amount of money on any line without being sure that all the risks have been assessed and that we can be sure that there is a business case for the Government to actually spend that money in such a way. I need some certainty, I guess, that that has been done.

Mr STURGES - I say again that there has been very detailed analysis. The Government also believe that an underlying principle in this issue is the need to meet community expectations. There is a very strong community expectation that we provide this community service obligation by way of the mix of road and rail freight going forward. I just correct the record, too. Bell Bay intermodal hub facility is \$5.2 million, I am advised.

It is a point you make. All businesses will make a commercial assessment, will make a commercial judgment, as to the way in which they on forward their freight. That is the very nature of the business that we have at the moment. The Government builds and maintains roads. The Government, from 1 January 2007, took over the responsibility of maintaining and upgrading the rail infrastructure in the State. Trucks and trains operate on a commercial basis above road and above rail. That is about the best analogy I can use. But, at the end of the day, the Government, whilst I will say again that we stand ready to work with a new rail operator going forward to back up our position in relation to the appropriate mix of rail and road freight, cannot take private businesses kicking and scratching in a certain direction with regard to commercial decisions they are going to make with regard to how they on forward their goods.

Mr WILKINSON - They can say, 'Look, this business is starting up and that business is not going to start up'. Therefore, if you do become a player in the market, you are going to not only obtain the work that is presently within Tasmania but you also have the opportunity of obtaining a lot of other work that may be waiting to start up within Tasmania? The Government would be going down that path, I would hope.

Mr STURGES - Absolutely. Again, I do not want to be evasive at this table, but given the state of negotiations regarding the sale of the rail operations business, I do not want to be flagging too many punches here in regard to what the Government is prepared or not prepared to do. What I can keep repeating, though, is that the Government, going forward, sees that there is a real need for a continuation of an appropriate mix of rail and road freight. We also stand ready to work cooperatively with a new operator coming into this State. We believe, based on very sound advice that I am given, that, with the predicted increase in freight, a more enthusiastic operator and perhaps a more aggressive marketer of the business certainly has a bright future ahead.

Mr WILKINSON - But you would have to prove to that new operator that there is the ability to obtain this extra freightage from either new businesses or upgraded businesses that are presently within Tasmania.

Mr STURGES - As I said to honourable members, over coming days I have scheduled a number of meetings with interested parties in this area. We will be having some pretty detailed discussions with regards to the analysis that the department has undertaken. I made the point before that the department is regularly analysing freight movements and regularly analysing the need for upgrades and changes to infrastructure. We have a lot of data available that, at the right time and in the right process, we would be prepared to be discussing.

CHAIR - Obviously the proposed pulp mill, in terms of freight volumes, is going to have a pivotal effect on a new operator in this State, given the volumes that they propose to move. Have you had any discussion with Gunns, particularly in light of PN's potential withdrawal to not transport any logs and what affect that may have on the proposal?

Mr HILL - Could you just clarify that, please?

CHAIR - PN, as we know, are now pulling out of the State anyway.

Mr STURGES - They are selling their business.

CHAIR - Yes, they are selling their business.

Mr STURGES - They are still operating. Do not do what an honourable member from the lower house did recently and go and stand in the middle of a rail track, because there is a good chance that if, apart from not having all the necessary safety gear on and what have you, there is a good chance that you will get run over, because trains are still running. I just make that point.

Mr HILL - I think there is a misconception that Pacific National are going broke in Tasmania and it is not a profitable operation. The evidence that we have is they are making a profit; it is just that the profit they are making is not big enough for the strategic direction in which they want to go. They believe they can get a better return on other investments. That is why they want to sell their operation in Tasmania and some of their other mainland operations to focus on new businesses.

Mr STURGES - It is a business decision they have taken. We accept the decision they have taken, and we stand ready to work with a new operator. We certainly do not stand ready to help PN sell their business. That is their job.

CHAIR - I realise that, but had PN previously had talks with Gunns? That was all part of the deal?

Mr STURGES - Yes.

CHAIR - Okay.

Mr HILL - What deal? I just need to clarify that. Gunns had indicated in the documentation that they had prepared in relation to the pulp mill that their prepared option was to use rail. The rail operator obviously went to Gunns and had commercial negotiations with Gunns, which is what we would expect would happen.

Mr STURGES - Business to business, not with the Government involved. Just let me clarify this.

Mr ADDIS - Your job at the time of the pulp mill debate when the legislation was going through the Parliament was to look at the transport consequences if the mill was approved and got up. In doing that, we had to get a handle on the transport task. To do that, we had extensive discussions with Gunns about the nature of the transport task if it all went ahead. Their preference at that time, and continues to be, to the best of my knowledge, is to use rail as much as possible for the transport of product to the new mill. Our analysis is predicated on that, and, as I said to both Houses of Parliament and a number of community groups, our preferred transport solution was primarily rail where it worked.

Mr WILKINSON - So any prospective buyer, - and this is how it would seem to me if I were buying the business - would want to know whether Gunns was going to proceed with their development. If Gunns were to proceed with their development, because Gunns preference was to have the logs travel by rail, that would be an incentive for a new operator to come in. That would be obvious business, I would say. Therefore, it would seem that the Government is in a hiatus at the moment waiting to see whether the Gunns proposal proceeds or does not proceed. Is that a fair summary?

Mr STURGES - I am not sure whether we are in a hiatus or not, but it is a reasonable summary with regard to, I am assuming, a potential buyer of rail operations, a potential new

operator. I am sure they would want to factor in all contingencies and components regarding a business going forward. Yes, it is a reasonable assessment, but I would not suggest that we are in a hiatus in that regard. We are committed as a government to continue with the rail upgrade and rail maintenance program.

Mr WILKINSON - I understand that, and I believe that is a good thing.

Mr ADDIS - Whilst everyone is waiting for a decision about whether the mill goes ahead or not, it is not the be all and end all, and it has not produced a hiatus. We talked earlier about a significantly growing freight task over the next 10 or 15 years.

Mr WILKINSON - Does that encompass the Gunns' proposal?

Mr ADDIS - Forestry is part of it. Mining is a big part of it. Container traffic is set to double by 2017. That is a big part of it. Even if we go back to forestry, even if the mill does not go ahead, there are still significant volumes of wood contained in young plantations that are growing, will be harvested and will have to be transported. So there is a much bigger transport picture of growth for both road and rail to reasonably expect to get a portion of other than just the mill. The mill is important, but it is not the be all and end all.

Mr WILKINSON - I hear what you say, but, obviously, the mill is going to add to what you are talking about.

Mr ADDIS - Yes.

Mr WILKINSON - And add to it quite dramatically.

Mr STURGES - That is a fair assessment.

Mr WILKINSON - With the amount of logs that would have to be transported; correct?

Mr ADDIS - Yes, it will.

Mr WILKINSON - Therefore, in relation to your doubling of freight by 2020 or 2030, what will happen if the Gunns' proposal comes on board? It would seem to me that it would more than double if that was not taken into account.

Mr ADDIS - No, the increase in the freight task associated with Gunns has been taken into account quite specifically. We have modelled the effect of the freight task on road; we have modelled the effect of the freight task on rail.

Mr WILKINSON - If that is the case, then, there has to be a significant investment in relation to infrastructure, and I would say rail, to cope with that added freight between now and the next 20 years, has there not?

Mr ADDIS - There is.

Mr WILKINSON - Therefore, the Government, it would seem to me, has to spend a significant sum of money on rail if that is the preferred option, and also on roads, to cope with what we hope is going to be the business increase with freight over the next 20 years.

Mr STURGES - Yes.

Mr WILKINSON - It would seem that with the roads as they now stand, they could not cope alone with the doubling of freight over the next 20 years, would that be fair to say?

Mr ADDIS - Depends on which parts of the network you are talking about.

Mr WILKINSON - The Midlands Highway in particular.

Mr HILL - Not necessarily. Parts of the Midlands Highway actually have a fairly low volume of traffic compared to other parts of the network. We actually have to look at what the existing volumes are. Were that to double, where does that leave the situation? The type of infrastructure you build is predicated on the volume of traffic.

Mr WILKINSON - So, again, I would say with the priority of taking your freight off the roads and putting it on rail - - -

Mr STURGES - It is not necessarily a priority. It is a factor. It is a factor in the equation. We are not about saying that we want all freight off the road. What we are saying as a Government, though - I am repeating myself again ♦ is that we want to have an appropriate mix of rail and road freight going forward. Certainly, what my head of office has said is quite correct. There are elements of the road that would need to be assessed and analysed. You cannot just make a broad statement and say the roads will not cope. But, having said that, this year alone we committed to another \$187 million worth of road infrastructure work and upgrade. So, it is an ongoing process the Government is involved in. I think that might be an appropriate segue, if I may, just to let the secretary talk to you about this transport policy and planning framework that we have. I certainly want to dispel any thought at all that we do not have strategic vision, that we do not have plans. What I have said right from the outset is that we do not have a strategic plan to run Pacific National's business in this State.

Mr WILKINSON - Can I ask about the appropriate mix, then, please, between road and rail. Are you saying there should be 80 per cent on rail, 20 per cent on road, 50-50, or are you just saying, "Look, there should be some on either"? What is the appropriate mix and what plans have you done?

Mr STURGES - I will just let the secretary talk to you about the planning.

CHAIR - If you could be brief, because I think there are a fair few other questions from members, too.

Mr ADDIS - I am happy to be, Chair. The point I wanted to emphasise is that, as the minister has said, whilst we are not in the business of doing business planning for PN or any other business out there, we are very much in the business of policy and strategic planning. I am happy to table this. It is part of a framework, a layered approach to transport planning in this State that starts at a statewide level, moves down into a regional level, and starts to look at specific corridors. When we look at that overall growth in freight demand over the next 15 to 20 years, we have come to the conclusion that we cannot afford to have a debate about whether the transport mode is road or rail. We actually need both, and we are going to need both operating at maximum efficiency, and we are going to need both operating in an integrated way.

As to what is the most appropriate mode, that depends very much on parts of the State, topography, the nature of the transport task. When we had a strategic look statewide at that growth in demand, at the mining product that was continuing to come on to the market and build the transport task, the forestry and the containers, we came to the conclusion that rail from the northwest, rail from the south to the north made sense, because it was a relatively longer haul, because there was opportunity for back loading, whereas rail out to the northeast did not make sense because of shorter hauls and no back loading. The strategic solution in the northeast ought to be a road solution. The strategic solution from the northwest and the south, given an increase in volumes of freight moving south to north, was rail.

The analysis is not based on desired percentages but transport horses for courses or for product. Having said that, you have then got to have a look at the extent to which you invest in one mode or another. One of the critical considerations in our mind is public benefit. What is the public benefit of one mode over another? To analyse that, you really have to look at segments of the network, because it moves around. The public benefit is a function of external costs that you would otherwise incur using another mode. We can and do look at what would happen if we took all the mining product that is currently on the west coast railway line going to Burnie and if you put that on road? It is going to increase congestion, it is going to increase pollution -

Ms FORREST - There are no passing lanes, that's why.

Mr ADDIS - It is also going to require us to invest in road infrastructure. All of that has been and continues to be quantified. Quantify the public benefit you invest in rail legitimately to the extent of that public benefit. That moves around. We cannot give you a percentage response, but I can assure you, based on the analytical tools we have, the strategic planning and policy framework we have, that these issues are looked at and looked at very, very thoroughly.

CHAIR - We will take all that on board.

Mr STURGES - Just if I may, Chair, I just wish to supplement what the secretary said. I have been four weeks in the job, and I have been briefed on a number of aspects on which the department works. There was one area that really has above probably all of them really impressed me relevant to this, and that is the State infrastructure planning system that the department uses. I might suggest that, at an appropriate time, if members want to get a briefing on that, we could arrange that.

CHAIR - I think there will be some more questions about that. We will not need a briefing. We will ask about that.

Mr STURGES - That actually assists in the analysis of the types of issues that the secretary has been referring to where you can overlay; they can put in what if scenarios.

CHAIR - We will further pursue those as we go along today.

Mr STURGES - Okay.

CHAIR - Even though Gunns have indicated that their preferred source of transport is by rail, what happens if we do get rail up and running with a new operator, et cetera, and Gunns in their business plan - we are assuming that the pulp mill goes ahead here - say, 'No, it doesn't stack up. We want to do it all by road.' What would be the State Government's reaction then?

Mr STURGES - Again, you are talking about a private business making commercial decisions with regards -

CHAIR - It could happen; that is what I am saying.

Mr STURGES - Well, again, it is speculation, the what if.

CHAIR - It is a big what if, and it could happen.

Mr STURGES - Not necessarily. With respect, on what basis are you making that assertion? On what sort of analysis are you making that claim?

CHAIR - I am making the assumption that perhaps Gunns might do that.

Mr STURGES - It is an assumption that you are making, with respect, Chair, obviously not based on any form of analysis. Let me stress now that we do not run Gunns business. Gunns is a commercial operation run by the board of Gunns and not by the State Government. All the advice that we have received at the moment is that Gunns, subject to the mill going ahead and all the permits being approved and what have you, will ship the majority of their logs from south to north, northwest to north. That is the advice that we are receiving at the moment. But I stress again, as with other businesses and freight movers in this State, we are about ensuring that there is a mix of road and rail freight. We are about providing better interface between road and rail with the intermodal hub facilities. Commercial decisions will always be made by the boards of the companies responsible for the operation of those businesses. All indications that we have been given to date by Gunns is that they intend to move a significant component of their log freight south-north, northwest-north, by rail.

Just to finish that, given the fact that we have still given that strong indication from Gunns, we are still committed to investing in rail infrastructure in this State because we believe that, based on the analysis that has been undertaken, there is very much a demand going forward, and we believe that a more enthusiastic and perhaps a more aggressive marketer of the services, along with the twenty-first century infrastructure facilities that government will be providing by way of the intermodal hubs and the upgraded rail track infrastructure, will certainly be a better enticement to want to use rail going forward. Again, I do not want to sit here and suggest in any way, ship or form that we are about taking all freight off Tasmanian roads. There are a number of commercial operators out there and a number of Tasmanians employed in the road freight task.

CHAIR - Before we break for morning tea, one more question from Mr Martin.

Mr MARTIN - I am going to go back to the first question where there was a bit of confusion about whether there was a strategic plan or not and the long-term future of rail in the State. I am pleased to learn that there is obviously a detailed document. One of the most important things for the minister is to set the strategic direction through his portfolio. I know you have only been three or four weeks in the job, but, given the fact that rail has been the key issue you have been dealing with, I take it that you have read this strategic plan. Are you able to give us a brief outline of what the vision is for the next 10 to 20 years?

Mr STURGES - I have the plan there. I have been briefed on it. The question first thing this morning was: do we have a business plan, not a strategic plan? The response given was we do not

have a business plan to run Pacific National, but we have, through responses to questions so far this morning, indicated that there is a transport policy and planning framework underpinned by strategic planning, that there is a Tasmanian rail network strategic plan with regard to maintenance and upgrades. What I can say to the honourable member is that I have not read all of that. I have received briefings from the secretary. I meet with the secretary at an absolute minimum on a weekly basis. Given what has been going on with a range of issues, because there has been a number of other issues other than rail going forward -

Mr MARTIN - It does seem to be the main one.

Mr STURGES - Look, there have been other issues. This has been the main one in the media, because there has been significant misunderstanding and a lot of mischief that has been whipped up by certain parties. But there have been some other significant issues which I am sure we will drill down into as this estimates proceeding goes forward. But there have been a number of other issues.

I have had a look at some really good work that Metro is doing to address climate change and public transport and disability access. I have met with TasPorts on a regular basis. I have met with a range of stakeholders involved in the infrastructure area. I have done a lot of work in relation to the core passenger service review, which I am sure you have got questions on. In response to your question, the point raised first thing this morning was whether we have a business plan to run PN. The answer is no, because we do not run the commercial rail operations business, but we certainly do have a lot of strategic planning based on significant analysis of data to ensure that infrastructure going forward is dealt with on analysis, not on emotion.

[11.00 a.m.]

Mr MARTIN - Where does the State see rail in 20 years?

Mr STURGES - We see rail as being a very viable freight alternative and option in 20 years. As I have said, in 20 years, we believe that, based on analysis, current freight demands will double. On that basis, we believe that it is absolutely critical that we have a viable rail network in place with a commercially sound operator running rail in Tasmania. We see that it really does have a bright future. Certainly, in 20 years, we want to see viable rail operating in Tasmania.

Ms FORREST - Do either of those documents, the strategic plan or this other policy document, contain a full risk analysis of all the risks associated with the ongoing forward operations of rail?

Mr STURGES - In regard to what risk?

Ms FORREST - Any risk?

Mr STURGES - Give us an example.

Ms FORREST - A risk analysis.

Mr STURGES - It is all part of to contingency plan. Sorry, I was just trying to understand where you were coming from. It is part of the contingency planning where we analyse potential risk, we analyse potential chinks that could occur. So, yes, certainly, based on the sound data and

information that we have available, that analysis takes into account any potential risks, but it also takes into account obligations that a government has to the community.

Ms FORREST - So, is there a document that you can table that actually includes evidence of that risk analysis?

Mr STURGES - We have already had the discussion about the contingency plan.

Ms FORREST - A risk analysis should form part of a strategic plan as a general rule.

Mr STURGES - You are talking strategic planning, contingency planning. We have a contingency plan; we do not have a strategic plan to run Pacific National.

CHAIR - We will adjourn for a break of 15 minutes.

The committee suspended from 11.03 a.m. to 11.20 a.m.

CHAIR - Thank you, we will resume. The minister has requested one minute to elaborate on some things.

Mr STURGES - Much was spoken prior to the break and, with respect, there was confusion between business planning, strategic planning and the role of the Department of Infrastructure. What I have taken the opportunity to do during the break is get some information. What I would like to do is just say that the approach that I would like to take is to offer the committee a briefing - and it would be a briefing in confidence, and I will explain why - to explain the relationships between our transport policy priorities and how that is expressed in operational terms. There are a number of elements to this approach and data analysis which underpins this, for example, the State infrastructure planning system, the freight demand survey, the land freight task. I have got documentation here which I will get. I have at the table Ms Amanda Russell, General Manager, Infrastructure Policy. Much of the consultancy work done prior to the development of the rail rescue package and other aspects of rail analysis could be classed as commercial in confidence, particularly out there in the marketplace attempting to sell their business. It could compromise those negotiations. But I am more than happy to offer that briefing. The Chair has indicated that he will accept more information around that further on in proceedings, which we can talk about the sort of analysis that we undertake. We can then go into more detail in an in-confidence briefing with the committee, if the committee decides to go down that path.

I also make the point that part of the arrangement from 1 January 2007 was to make Tasmania's rail infrastructure network open access. We do have one rail operator at the moment, but there is, dare I say - I am not speculating that this is likely to occur - opportunity for more than one rail operator should that be the case. I make the point respectfully to committee members that we have a very detailed strategic analysis and strategic planning around freight movements in this State both for road and for rail. Given the state of play at the moment with PN's operations being on the market, my preference would be for Ms Russell to give you an overview of the type of planning that we undertake now, but then go into more detail should the committee desire in regard to some of the more commercial aspects of the analysis that we have undertaken. Certainly, we have significant detail available that has assisted and will assist us in our strategic planning going

forward and in our contingency planning going forward in relation to rail and road freight in this State.

Ms FORREST - Minister, you stated that this is part of the strategic plan?

Mr STURGES - It is part of our planning process.

Ms FORREST - My question was whether you have a strategic plan, and you have just gone over a bit of that again, I know, just in that last answer, but I would like to be able to look into this. You said that this is it.

Mr STURGES - No, no, I have not. Do not verbal me, please. What I have tried to say throughout the morning - I am not sure if I am articulating myself clearly enough - there are a number of elements taken into account in the analysis of data where we look at the road infrastructure, we look at rail infrastructure, we look at travel arrangements, tonnage arrangements from port to port, et cetera, et cetera. That is why I would like the opportunity - but the Chair has indicated at the moment that he is not desirous of Ms Russell providing that sort of an overview - for Ms Russell to give an overview of the type of planning, the type of analysis that is undertaken, which may then assist you. That forms part of the analysis process. That forms part of the strategic planning. It is not the total of all work that has been undertaken.

Mr MARTIN - With all due respect, minister, in response to a question from me earlier, you claimed there was a strategic plan.

Mr STURGES - Yes.

Mr MARTIN - Is it fair to say there is not?

Mr STURGES - It is a strategic plan for rail maintenance. That is what I have said. I take your point. It is a strategic plan for rail maintenance, but it is not the only strategic plan that the Department of Infrastructure has. That is why, Mr Chair, I have requested that the manager of infrastructure planning be given a brief opportunity just to overview in more detail the types of planning, the types of analysis and then provide honourable members with, if you require, an in-confidence, more detailed briefing in regard to some of the analysis that we have undertaken around rail.

Mr MARTIN - Minister, do you know whether there is a strategic plan for the future of rail in this State or not?

Mr STURGES - Yes.

Mr MARTIN - Can you point to it?

Mr STURGES - There are a number. This is the point. The honourable member is not listening. What I have said to the honourable member is that there are a number of components that go to make up the contingency plan and the strategic vision that we have for the conveyancing of freight in this State. Rail is a significant component of that. I would like the opportunity for the general manager of infrastructure planning to just overview the types of planning and the types of documentation, the types of analysis that we have. Then we can point to it.

[11.30 a.m.]

Ms FORREST - It is not a document as such?

Mr MARTIN - Can you just table whatever constitutes a strategic plan for rail?

Mr STURGES - What I will do is that I will just give an overview. This is an issue where we are sort of being driven into a corner here. The point I am making is that there are a number of documents, there are a number of processes used to analyse the freight planning, the rail planning going forward, the road planning going forward in this State. There is an overview document that the secretary has, which he is happy to talk to. But the manager of infrastructure planning could give a brief overview, which may assist you in better understanding that there are a number of documents. This is a whole-of-department role. There is not just one specific four-page document. There are a number of documents that support the planning process, that support the strategic vision going forward.

Mr MARTIN - Can you give an overview of the process.

Mr STURGES - That is what I have requested.

Mr MARTIN - Rather than from the secretary, can you give it?

Mr STURGES - What I am saying is that I think I have given an overview, and I have said that there are a number. I am not prepared to be bullied.

Mr MARTIN - I am not trying to bully you.

Mr STURGES - The situation clearly is that this is a very involved process. This is a complex process. There is a significant amount of data that is analysed. There is a significant amount of data that is captured, and the Chair has indicated that you want to talk about the State infrastructure planning system further on in proceedings today. With respect, with better understanding of the processes that are used, you would not take such a simplistic approach and say, 'Just point to one page in a document'. There is a number of documents. There is a significant amount of data that is being analysed. If Ms Russell were given the opportunity -

CHAIR - All right. Look, I will allow Ms Russell a very short time. The members have a lot of questions left, I know. With due respect to Ms Russell - who I am sure is a very competent operator - we will have a very brief and succinct overview.

Ms RUSSELL - I will do my best. As the minister has pointed out, the work of my division is actually substantially around transport policy and analysis. One of the key aspects that we use to inform that is not only the work of the people in the division, but also the State infrastructure planning system, which is, effectively, about supporting our analysis and decision and turning the data that we have and the myriad of data sources that we get on transport and freight in this State into information so that it will actually support repeatable open and transparent planning for State infrastructure.

Parts of the policy that we are working to is the seamless movement of people and freight. The minister is correct in saying that rail forms a component of that, as does road. What we are looking at in terms of transport policy objectives is how we best move people and freight to get the best

outcomes for this State. That actually translates into a number of strategy approaches, such as the Auslink corridor strategy, which you would know is publicly available through the federal website, as well as documents that we have produced on the State road hierarchy, which is about identifying the category, the priority and capacity of roads.

A number of those documents also are underpinned by extensive analysis that forms part of the freight demand survey. I think it is fair to say that no other State in Australia actually collects the type and the amount of data that we actually do on the freight task. The components of all of those are pulled together in the division and across the department in terms of other documents, other processes, other approaches that actually support transport task and freight analysis planning in the State.

If I could just sum that up - as much as there are those sort of statewide strategies, that is also articulated in regional plans. You would, no doubt, be aware that there is a northern regional plan, a Cradle Coast plan and also a southern transport integrated plan, which is under development. We would be looking at sending that out later in the year that goes right down into planning studies that the division undertakes on aspects of the network, on components of the network and on the network in total. So, in summary, I think that is probably the shortest version I can give in terms of the policy and planning that is actually undertaken in the department.

Mr STURGES - Thanks. Chair, I think what Ms Russell has indicated there - I say respectfully ♦ is that there is no simple answer. We have a significant amount of documentation and detail that we are prepared to provide to the committee, but, given the current situation with Pacific National having its business on the open market, we would prefer to offer a briefing to this committee in confidence to go through the systems, to go through the elements and the components that allow us to develop these strategic plans.

CHAIR - Would you call what has just been spoken about a comprehensive transport plan? Would you say that that is really what it is, or is it just a framework at this stage?

Mr ADDIS - It is a policy and planning framework that articulates the elements of the planning process and articulates the way we go about the planning, the methodology.

CHAIR - Further questions whilst we are on rail, members.

Mr HARRISS - Minister, is there some risk that a new operator might seek to only operate on the profitable routes of the rail system? If that were to be the case, what challenges would you see that posing to the transport of freight around the State?

Mr STURGES - I have said before that the transportation of freight in Tasmania by road and by rail is open to commercial decision making of the business. The scenario that you have just predicated is possible, but not likely. It is possible now, but not happening because of the commercial nature of the operations above rail. What I can say - I repeat again - the Government's preference going forward is that we have a mix of road and rail freight. I have gone into the reasons about road safety and road infrastructure and the proposed doubling of freight over the next 20 years. We see that it is a very viable alternative through the planning processes that have been undertaken. We see that it is an attractive proposition to a rail operator who is more enthusiastic about operating in this State and who is more prepared to market the services that they have on offer than the current operator of rail. I do not wish to denigrate the current operator; that is certainly not intended. There is a very bright future going forward.

That is why I thought it was important that Ms Russell was given the opportunity to explain how the components of the equation come together to assist us in determining that. But, in answer to your question, that is a possibility, but it is not probable.

Mr HARRISS - But if it were to occur, what is your major concern as minister?

Mr STURGES - Road infrastructure would be the first thing that I would look at. Again, if we could give you a briefing in confidence, we could talk to you about a lot of things that would probably enlighten you a lot more in regard to freight movement in this State.

Mr ADDIS - Through you, chair, we have looked extensively at a whole range of permutations and computations that encompass the sort of thing you are talking about. We have looked at the implications of that, the risk associated with it and what we might face. But, beyond that, as the minister said, we are reluctant to go into detail in an open forum. But you can be assured that we understand the elements of the business, the PN business. We understand the implications of that on the transport task and other modes if that were to stop for any reason. We understand what we would need to do to accommodate that. The detail of that is not appropriate for open forum.

CHAIR - If additional funding was needed to get another rail operator up, where would the money come from? Have you had a chance to speak to the Treasurer about that?

Mr STURGES - I have met with the Premier and the Treasurer, and we have had some quite detailed and lengthy discussion regarding the situation with rail in this State. What I am about to say now is that I am not going to flag any of the Government's intended actions while Pacific National are negotiating with other prospective operators of rail in this State.

The Government stands ready to work with a new rail operator in this State. The Government's clear preference is to have a mix of road and rail freight in this State. But, with respect, Mr Chair, you are asking me to potentially compromise the outcome of commercial negotiations that are currently going on with regard to rail operation in this State. I do not wish to be disrespectful to this committee, but I think it would be totally inappropriate of me to give any commercial advantage or disadvantage, for that matter, into the negotiations.

Mr HARRISS - Have you considered commercial advantage to PN by negotiating with them and providing some sort of financial support to them, because you have indicated that you would provide financial support to a new operator?

Mr STURGES - I have not said that. I said we stand ready to work a new operator. We have not offered any specific financial incentive to PN, nor have they sought it. That is very important, too. My clear understanding is that the upshot of the board deliberation, which was subsequently validated by the KPMG review, is that it does not fit with their business mix and that they wish to sell their business in this State. What the Government is doing is that we are committed to the rail rescue package. We are committed to the further \$130 million, so we are talking now \$250 million of Federal and State money to invest in the rail track infrastructure. That, in itself, is about making rail more effective and more efficient and more attractive in this State. Pacific National have not sought any form of financial incentive to stay and run the business in this State.

Pacific National have advised the Government - I have read the media release of last week just to confirm that - that they intend to sell their business, that they have a number of interested

operators with whom they are currently talking, and that is the position we take. We stand ready to work with a new operator in this State.

[11.45 a.m.]

Ms FORREST - So if an interested party came forward, what I would imagine as part of their risk analysis and the business case they would be putting to their shareholders, whoever they are or, or to their company, would be that they would want to have some understanding of the Government's intentions with rail, otherwise they could not do a full analysis themselves.

Mr STURGES - That is right.

Ms FORREST - Are you willing to provide that information to those interested parties?

Mr STURGES - In answer to that, yes, but I will let the secretary answer that.

Mr ADDIS - We have already had a couple of those approaches, and the response we have given to them is to reassure prospective purchasers that the existing model will stay in place - that is, that the Government would retain ownership and maintenance of the infrastructure and leave the operations to business.

Ms FORREST - So providing information to them about what your future plans are for the rail lines, the various lines around the State, is that part of the information you are giving them, and what your forward thinking and vision is?

Mr ADDIS - Everything that is on the public record.

Ms FORREST - Sorry?

Mr ADDIS - Everything that is on the public record in respect of our future plans for the rail network.

Ms FORREST - So what is on the public record so far as your future planning is concerned? This is what I have been trying to get.

Mr ADDIS - What business wants is a reassurance that they are not going to get saddled with the cost of running and maintaining the infrastructure. We are able to give that reassurance. They want to understand whether the commitments that are being made by the State and the Commonwealth governments to maintaining and upgrading that infrastructure remain. We are able to give them that commitment. We are able to tell them what we are proposing. We are able to show them that, as a result of delivering on that commitment on the infrastructure, we will be able to halve the turnaround time of trains between Burnie and Hobart. We will be able to increase the pulling capacity of the trains by something in the order of 45 to 50 per cent. That is a massive increase in productivity and efficiency for the rail operator.

By taking on the task, taking on the cost and taking on the responsibility of track infrastructure and delivering on our commitments, which are on the record, we are doing an enormous amount to provide encouragement not just for PN but for any future buyer. That is one of the reasons why we are confident about the fundamentals of the sale process going ahead the way it is.

CHAIR - Have you been unhappy with the way that PN have conducted maintenance over time?

Mr ADDIS - It has not gone as well as we would have liked.

CHAIR - I ask the question in the context that I have been told - you might be able to verify this - that, in terms of microscrutiny, every time that PN had to replace a railway sleeper, they had to paint it a different colour so that one of your officers could go out and make sure that it had been replaced.

Mr ADDIS - I think the point that everyone needs to understand -

Mr WILKINSON - What colour were they painted?

Mr ADDIS - A very important question - two points. I referred earlier to the fact that the State has for the first time in decades taken back ownership and maintenance of the infrastructure. It is a fundamental change in the way rail has been operated in this State. That is new for us and it is new for PN. So, yes, there have been teething problems, of course there have. In terms of what we have required of PN to carry out that maintenance, there have been a few surprises in it for them. From our point of view, we are accountable for public money.

Mr STURGES - That is exactly right.

Mr ADDIS - That is the situation. We are not about to just hand over money to any operator, PN or anyone else, on their say-so or their assurance that what we expected to be done was done. We want evidence. We want to be able to go out and check. To the extent that we have asked for some marking of new sleepers so that we can check whether they have been replaced or not, yes, and we make no apology for that. None whatsoever. In fact, people would be having a go at us if we were just handing out payments without checking.

Mr STURGES - Can I just add to what the secretary has said there. In the many briefings I have had about rail - in fact, I have been dreaming about trains and somebody put a train set on my desk on Monday morning - I am satisfied that there is a very rigid quality assurance process used through the rail management unit to ensure that public funds pay for maintenance work undertaken is paid on the basis that that work has been satisfactory fulfilled. I think we would be abrogating our responsibility; we would be negligent if we did not have a rigorous quality assurance process in place.

Mr WILKINSON - It would seem to me that that is why the audit is being done, is that right?

Mr STURGES - Yes.

Mr WILKINSON - Just to make sure exactly what they say has been done has been done.

Mr STURGES - Yes.

Mr ADDIS - It is normal, prudent practice related to the expenditure of public moneys.

CHAIR - The halving of time between Burnie and Hobart is very significant, if that can be achieved. That is a huge difference. Does that mean the trains will travel at twice the speed that

they have been, or are there various sectors of the line which totally slow the whole operation down?

Mr ADDIS - It is a whole range of factors. The 48-hour turnaround between those two points is a long time in anyone's book. It is not just travelling time - loading, unloading at either end.

Mr STURGES - The hubs are going to play a big part in it, I am advised.

Mr ADDIS - It a combination of things. There will be upgrades of track on the main north-south line. It is a whole range of maintenance and upgrade activity which brings about that combination of time and tonnage improvements. The end result, though, is, as we have said, a very significant improvement.

Mr STURGES - That is why I said before about a large business that has relocated out in the Brighton area. The CEO made that comment to me just late last year at the opening of that business that it was the turnaround of stock that attracted them to the area and also provided them with an opportunity to invest in new equipment for their business. All the advice I have got is that, whilst I do not want to appear to be looking at life through rose-coloured glasses and we must be realistic and pragmatic in our approach to this matter, the future of rail is certainly brighter looking into the future than it is looking back into the past.

There is significant planning around upgrades and maintenance to infrastructure. That includes the hub. Here in Hobart there will be upgrades to Bell Bay port facilities and the hub there. The point I make again - I say this ever so respectfully - there have been some that have chosen to play populist politics 101 with this and get out and get a cheap headline grab without getting a proper appreciation of the full picture. That is why I say that I understand that members are very busy, but if you would like a full briefing in relation to the planning process, the analysis of data on a commercial-in-confidence basis, I am certainly prepared to make that available.

CHAIR - That is something the committee will consider. I think at this stage with rail that we might move on to a related issue, and that is the Brighton transport hub.

Mr WILKINSON - Can you provide an update? If I was in government, I would not be embarrassed at saying there needs to be a lot of work done on the infrastructure. For my mind, to get a proper rail infrastructure up and running is highly important to Tasmania and, therefore, they should not be shy in coming forward and saying that that is what is happening. That is my view, for what it is worth. Part of that, obviously, is the Brighton transport hub. If you can provide an update on what is being done this year and into the future in relation to funding at that Brighton, I would appreciate that.

Mr STURGES - Let me go through the brief I have, but then I would like to give you a bit more information.

CHAIR - Is the brief brief?

Mr STURGES - It is a brief brief. Let me just go through this. You understand the concept of the hub and that it is an intermodal facility, that it is a truck-to-truck, truck-to-train, train-to-truck facility. The Government is certainly committed to the transport hub. We believe it is going to underpin productivity with flow-on economic benefits not just in the southern part of the State but statewide. The key element of the strategy is for freight transport. It links in with the Brighton

bypass project and rail infrastructure upgrades planned for the main line. Funding of \$56 million was committed in the Federal election campaign. State funding of \$23 million was committed in our State Budget this year. What we are doing, though, is we are seeking Commonwealth agreement for the project to be fully funded by the State with earmarked Commonwealth funds to replace State funding on other projects, because we want to get this up and running. We do not want to be drip fed to that extent by the Federal Government. The need to expedite and get moving with the hub forms part of the plans to vacate Macquarie Point by the end of June 2010 in order that we can meet the possible redevelopment time lines.

Now, I make this point too: regardless of possible changes to rail operations, the hub is needed. It is needed as an integral part of the transport plan going forward. The hub certainly is going to be designed so that it can accommodate rail. There are currently two sites that are being looked at, one on the east side and one on the west side in the Brighton industrial site, out the back there at the Brighton industrial site. There is a site selection panel that will be making a recommendation this week. In fact, I think they are meeting today, that involves key stakeholders include senior representation from local council.

Mr WILKINSON - And also owners of the land?

Mr STURGES - I have actually been out there and I have met with one particular business operator. I am certainly very much aware of the issues that have been raised. That is why I have requested the site selection panel revisit certain elements and aspects of the previous assessment. That is all being done, but it is being based on evidence, not necessarily emotion. So, they are meeting this afternoon, I understand. They will be making a recommendation that will go to the infrastructure committee, which I hope I will be in a position to announce. I am just not sure when the meeting of the infrastructure committee is going to be, but I want to expedite this matter. I have given commitments that that is the position I am taking.

Mr WILKINSON - When is the first sod of soil going to be turned for it?

Mr STURGES - We have to choose a site, but we are very keen to get things moving.

Mr ADDIS - We are hopeful at the latest, depending on the site, early next year.

Mr WILKINSON - Early next year, early 2009.

Mr STURGES - Bearing in mind that I have actually been out on site and inspected the areas, I do not have any engineering qualifications, but certainly I am advised that we need to go through appropriate planning, scoping and development work. That is why early 2009 is the answer. I asked why we could not get the dozers out there now operating. But there is due process that we must go through.

CHAIR - Is the main rationale to move from Macquarie Point, as you pointed out earlier, Minister, to clear the decks for the Royal Hobart Hospital?

Mr STURGES - No.

CHAIR - It is not?

Mr STURGES - It is part of it. It is certainly a significant part.

Mr HILL - If freight is going to increase by 80 per cent over coming years and you are going to continue to use the existing site, where are you going to put all the freight, because there is just not enough room within that existing site to deal with that volume?

[12.00 p.m.]

Mr STURGES - All the planning and analysis that has been undertaken through the very extensive work of the department has indicated that the capacity of the current arrangements that we have will not meet the needs going forward. Certainly, by establishing this intermodal hub out at Brighton, it is going to improve the turnaround of goods. It is certainly going to make rail a brighter option. It is going to be a more effective and a more efficient operation going forward.

Mr WILKINSON - How many people is it going to employ? Are you able to say how many people it is going to employ?

Mr STURGES - Not at this stage.

Mr WILKINSON - What about when it is up and running?

CHAIR - It depends very much on the operator. Could I put it to you, is it not a fact that the main focus, the main quantum of freight, is in the north of the State, not in the south. There is a limited amount of freight here in the south. Did you look at the options of looking at Perth; for example, as being the freight hub rather than Brighton?

Mr STURGES - I will just defer to the secretary or the manager of planning. There has been a lot of analysis around that.

Mr ADDIS - I think the point is that this is not a statewide transport hub. It is the southern transport hub. It is providing two functions: one is the collection point for so much of the freight that is generated in the south and being moved north for export -

Mr STURGES - By road.

Mr ADDIS - Road and rail.

Mr STURGES - It is intermodal.

Mr ADDIS - Similarly, freight coming into the north coming down to the south needs to be broken down and distributed to various points in the south. So, the intermodal hub serves two functions: rail to road, but also road to road. That is a critical part.

Mr STURGES - Small tracks to big tracks, big tracks to small tracks.

Mr ADDIS - One of the things that we have identified in our transport policy that we were talking about earlier and the strategic planning is the increase in freight volumes that are moving north-south. Much of that is south to north for export, but a good deal of it is also coming into the northern ports and being moved south.

CHAIR - Consumer goods.

Mr ADDIS - What we are looking at is intermodals at either end of the State. The key one for the south will be Brighton. There are two drivers for that: one, the existing site out at Macquarie Wharf, Evans Street, is getting progressively constrained; two, we want to build a hospital there, so it is about moving existing operations to a strategically sensible site, which is Brighton. We have been looking at this for the best part of five to six years now and looking at a range of options and what will work best.

Having put in place an intermodal down south, the idea is also to upgrade the intermodal up north. The intermodal up north we are talking about is Bell Bay. In effect, the intermodals are our ports. It does not matter whether it is Burnie, Devonport, Long Reach, Bell Bay or Macquarie Wharf, they are the points where road and rail and sea intersect. The idea is to get those intermodal points functioning as efficiently as possible and then ensure that the road and rail connections between them are delivering as efficiently as possible.

CHAIR - By having a transport hub at Brighton, obviously that means you are going to put a lot more vehicles on the Brooker Highway, which is one of the most congested roads in the State with 40 000 vehicles a day. That is going to increase.

Mr STURGES - There is some analysis, so maybe Ms Russell can answer that.

CHAIR - I was quoting from Auslink there, so if you have something different, that is fine.

Ms RUSSELL - What we are showing at the moment is that in terms of the Brooker Highway, there is some work that is articulated in the Auslink corridor strategy, but, effectively, the analysis of the major commuter routes in Hobart are actually showing that, in terms of delays, that is going to be minimal. Also, in terms of the volumes, the establishment of the hub will actually improve traffic flows, because there are a number of components related to the overall impact on the network. Some of that would be around timing, and that is also around freight movement. I think it is fair to say that the work on the Brooker Highway is also about improving -

Mr STURGES - Yes, I was going to touch on that. Just to support what Ms Russell is saying, we are also committed to a \$10 million spend on the Brooker Highway at the intersection of Howard Road and Elwick Road. We believe that that will significantly improve traffic flow. Again, in this Budget there is \$2 million for pavement improvement on part of the Brooker Highway from the Derwent Entertainment Centre and Berriedale and, of course, we look forward to the Federal Government commitment of taking on that part of the national highway under their umbrella. Does that answer your question?

CHAIR - Yes. In terms of a transport strategy for the southern region, is there actually a transport strategy for the southern region?

Mr STURGES - Almost.

CHAIR - It is not there yet, is that what you are saying?

Ms RUSSELL - We have done extensive work with the southern councils on the development of a southern integrated transport plan. We had a forum in March or April this year to develop the components of the strategy. We hope that we will be able to release the draft plan later in the year for public comment.

Mr STURGES - In fact, the advice I am getting is that it is progressing very well. I want to make the point quite clear that, in the development of these sorts of strategic plans, where local government is involved, it is certainly my intention to work cooperatively and collaboratively with local government. The advice I have - as I say, four weeks in the job, three weeks of that has been in Parliament and I am here in Estimates, and I have tried to get myself up to speed - is that the local councils are quite content with the progress that is being made.

Mr WILKINSON - Is the advice around the Brighton hub that there is going to be an increase of activity? It would seem on the face of it, without any real knowledge of it, that that would be the case. If that is the case, how are the roads going to cope around Brighton, especially considering the main arterial route from Launceston-Hobart, Hobart-Launceston is through that Brighton area?

Mr HILL - That is why we are doing the Brighton bypass.

Mr WILKINSON - I was going to say, is that the answer, the Brighton bypass? That is going to take away the volume?

Mr STURGES - It will assist. There is future planning, too.

Mr ADDIS - I indicated earlier that we have been looking at this alternative site to the Macquarie Wharf operations for some years. We have looked at Moonah, Glenorchy, Brighton and a range of areas. The reason we have fixed on Brighton is because of its proximity to rail, proximity to the Midland Highway and how that sits alongside the major upgrades being proposed for the Midland Highway. That broad site has been selected for its proximity to commercial and industrial development that is already significant in the Brighton industrial estate. It is matter of trying to harmonise a number of key transport factors and bring them together in the one spot. The end result is that by locating where we are proposing on either of the sites - they are within a short distance of each other - we capitalise on the growth areas for industrial development, particularly the warehousing function, we capitalise on the proximity to the main north-south line for rail, we capitalise on the developments of the Midland Highway, and we minimise the traffic congestion that is already occurring on the Brooker Highway leading into Macquarie Wharf. We will shift the volume of traffic that is coagulating around that area to the Brooker Highway at the Brighton end where we will be a lot better able to cope with that additional traffic.

Mr WILKINSON - With progress there is always some dislocation. How long will that dislocation be for, because we have got quite an amount of work being done on the Brighton bypass, quite an amount of work being done on the hub, so it would seem that around that area, there is going to be some dislocation of traffic for a significant period? If so, how long?

Mr ADDIS - Minimal.

Mr STURGES - Very minimal, is the advice I have.

Mr ADDIS - We will be building the hub and maintaining the operations down there at Macquarie Wharf. It will be a changeover. The hub itself will be off the Midland Highway and just off from the main north-south rail line. Depending on the site we go for, there will be some access work to the Midland Highway that needs to be done, but the current design work that we have got going on should enable any of that access work to be incorporated in the more substantial design for the Brighton bypass. So, it will be minimal. At this stage, what the public would notice is the possibility of a roundabout on the Midland Highway just south of Brighton.

Mr WILKINSON - What extra traffic should the public expect after it is up and running?

Mr ADDIS - After it is up and running, there will be extra traffic volumes using the Brooker Highway between Rosetta, Glenorchy area through to Brighton, but that is the best part of the Brooker Highway anyway.

Mr STURGES - Basically, I am advised from the industrial area of the city of Glenorchy heading out to Brighton.

Mr WILKINSON - So, therefore, does there any work need to be done on that roadway leading from Glenorchy to Brighton?

Mr ADDIS - A four-lane divided carriageway - it is one of our highest quality freight routes.

Mr STURGES - It is four-lane divided at the moment, but we are also committed - this is not just as part of the Brighton transport hub - to improve the intersection arrangements at Howard Road and Elwick Road. That will facilitate the flow of traffic, too.

Mr MARTIN - I imagine there would be a lot of extra pressure put on the Lampton Avenue and Derwent Avenue intersections, with traffic from the industrial areas getting on.

Mr ADDIS - Not a lot. Instead of turning right towards Macquarie Wharf, they turn left.

Mr MARTIN - Fair enough.

Mr WILKINSON - If we start the Brighton hub from 2009, hopefully, it is due to finish approximately when? I just wonder if, in answering that question, you can let us know when the Brighton bypass is going to be commenced and finished? I am not going to tie you down exactly to dates, but can you give approximate dates?

Mr ADDIS - We are shooting for mid-2010 for completion.

Mr WILKINSON - Of the Brighton hub?

Mr ADDIS - Yes, and the shift and relocation of Evans Street to enable work to commence on the hospital.

Mr STURGES - The Brighton bypass is scheduled for commencement in late 2009, anticipated completion by mid-2012.

Ms FORREST - The Brighton hub is a significant capital expenditure. So far as ownership of the assets at the end of the day, who will own the roads, the buildings, the land? Who will have ownership of and responsibility for?

Mr ADDIS - We are yet to come to a final landing, but since the funding of the entire development is coming from the Government, ownership will be in government hands. Whether it is my department, for instance, or whether it is a GBE or State-owned company, has not been finally settled. We are certainly looking very closely at the idea of ownership and certainly management and operation of the hub being vested in a State-owned company, GBE.

[12.15 p.m.]

Ms FORREST - Which company? Would be looking after that?

Mr ADDIS - It is the obvious one to be looking at in this context, but, I repeat, the Government has not come to a final landing on that.

Mr STURGES - Clearly, that is our understanding that, at this point in time, TasPorts has certainly expressed keenness to want to be involved in the operation of the hub. That is not, as far as I am concerned, posing a major problem. As the secretary has said, we have not finalised or determined finally how it is going to be run. Certainly, it will be owned by the Government.

Ms FORREST - That is all the infrastructure, the building, land and everything, it will be owned by the Government, is that what you are saying?

Mr STURGES - That which we pay for, yes. At the moment, there is a strong leaning from the Government and a strong acceptance from TasPorts that they would be the operator?

Ms FORREST - When would that be decided, a rough time frame for that decision?

Mr STURGES - Again, certainly well before the hub is constructed. We are in discussion. We have had quite significant discussions with the department and TasPorts, and my clear understanding is that they are very willing and very keen to want to participate in the operation or running of the hub. I am confident that we will be able to negotiate a suitable arrangement.

Mr ADDIS - This needs to operate on a commercial basis. Regardless in whose hands it finally is in, we anticipate commercial arrangements with a number of operators, so that could extend to leasing land and buildings. It could enable people, private operators, to establish their own facilities there. There will be a range of commercial arrangements.

Mr STURGES - As an umbrella, having oversight of running of the hub, we would like it to be TasPorts at this point in time, subject to negotiations going ahead in the manner that they are.

Mr HARRISS - Is it conceivable, given that you have equivocated a little about TasPorts, that you might establish a new government business?

Mr STURGES - No. I pretty well want to discount that. Again, we need to understand, as the member does, I am sure, how TasPorts operates. We need to give them due courtesy of negotiation and continue discussions with them rather than have me sit here today and say firmly that this is the way it is going to go. We are having some very constructive dialogue with TasPorts. TasPorts are very keen and very willing to come to the table and talk about this. As I said before, they do not want to run rail, but they certainly have an interest in the connectivity of transport with their port facilities, particularly in the northern part of the State.

I am confident that we will get a satisfactory resolution through ongoing dialogue and discussion with TasPorts on this matter. It would be wrong of me to firmly say that an arrangement has been struck at this point in time, because talks are still going on.

Ms FORREST - If TasPorts is the most likely company in the mix at the moment, is there a risk that TasPorts' major operation, which is now based in Devonport, could be shifted south to the Brighton hub? Do you see that as a risk and an issue for TasPorts as a whole?

Mr STURGES - It is not an issue that has been put on the table at all. It is not something that has been contemplated at all.

Ms FORREST - It cannot be contemplated yet, because they are not actually -

Mr STURGES - There have been discussions, and certainly TasPorts have not indicated an inkling that that is in their consideration.

Mr ADDIS - I am not sure what you mean by saying TasPorts' major operation is in Devonport.

Ms FORREST - That is where their head office is. That is where they operate out of.

Mr ADDIS - The head office is there, yes.

Ms FORREST - That is what I am talking about.

Mr ADDIS - There has been no discussion of changing that.

Mr STURGES - No, no.

Mr ADDIS - Their major operation is probably a toss up between Bell Bay and Burnie.

Ms FORREST - The head office, I meant.

Mr STURGES - Certainly that is not something that the chair or the CEO has raised with me.

CHAIR - Minister, heaven forbid that this would ever become a north-south argument, but can you unequivocally say that locating the State's transport hub at Brighton strategically and economically and everything else is in the best interests for the State rather than in the north of the State?

Mr STURGES - Again, I think the Chair is having a bit of fun with me. This is not the State's transport hub. It is a transport hub that will be situated south of the forty-second parallel in the Brighton area. There will be a transport hub, which we are tipping \$5.2 million into upgrades at Bell Bay. The ports operate Burnie, Devonport, and Bell Bay. This is a southern component of the overall transport operations. It is a southern component that we believe is very necessary to enhance the prospect of rail going forward to facilitate truck transport or the on forwarding of freight via truck. The intermodal hub not only will connect with rail, but it will be small trucks to big trucks, big trucks to small trucks. Let me put on record again, it is not the State hub; it is a transport hub situated south of the forty-second parallel in the Brighton area that will connect with other transport arrangements, rail, ship, road, in the northern part of the State. The northern part of the State certainly is a significant player in transportation of freight around our State.

Mr HARRISS - In simple dollar terms, a \$79 million investment in a transport hub is a heck of a lot more than a \$9 million investment in another transport hub at Bell Bay. This is the significant transport hub, is it not?

Mr STURGES - It forms a significant part of the transport structure going forward. The secretary makes a very valid point that this is a greenfield establishment; it is relocation. We are literally turning the first sod to create the hub. I would assume that if we were to relocate - which I am not speculating on at all now - Bell Bay to another site in the Tamar area, that, too, would involve a lot more expense and a lot more infrastructure work. This is the establishment of a greenfield site. We believe that, from a Tasmanian perspective, north, south, east and west, it is going to make transportation of freight in our State a lot more efficient, a lot more effective, and a lot more attractive for business operators.

Mr HARRISS - As the chairman challenged you earlier, is it unequivocally the most strategic location, given the other matters that the Chair has already advanced?

Mr STURGES - Based on the analysis undertaken and the very sound advice that I have been given by experts into my department, we believe that it is the most appropriate site to situate the southern transport hub.

CHAIR - Given that most of the freight goes out of the northern ports.

Mr STURGES - It has got to get there.

Mr HILL - The hubs become the magnet for distribution. Basically, what you are saying is that if you put your State hub in Perth, all the freight would be transferred to small vehicles there. This is the point - that you have a concentration of freight in one point where it attracts the distribution industries and they break that freight up and then put it on to smaller vehicles. That is why you are locating it in the northern suburbs of Hobart, so those distribution vehicles smaller than B-doubles can then distribute that freight around. You are not going to do that in Perth. There is no logical place in the north of the State to do that for the south of the State.

Mr STURGES - Let me say, Mr Chair, we would never bring parochialism to this table. We believe that it fits nicely with the facilitation of making the transportation of goods in this State more effective, more efficient and more commercially attractive for the business community. We are about supporting the business community in Tasmania through a more effective and a more efficient and improved transport arrangement in this State. That is the infrastructure role.

CHAIR - If there is nothing else on the Brighton transport hub, it is probably an appropriate time to break. We will resume at 2 o'clock.

The committee suspended from 12.30 p.m. to 2 p.m.