

**LEGISLATIVE COUNCIL**

**GOVERNMENT BUSINESSES SCRUTINY COMMITTEE A**

**Thursday 2 December 2010**

**MEMBERS**

Ms Forrest  
Dr Goodwin  
Mr Hall (Chair)  
Mr Harriss  
Mr Wilkinson

**IN ATTENDANCE**

**Hon. Lara Giddings**, Minister for Infrastructure

**Ministerial Office**

**Ms Jessica Radford**, Adviser  
**Ms Denise McIntyre**, Adviser

**Tasmanian Railways Pty Ltd**

**Mr Robert Annells**, Executive Chairperson  
**Mr Damien White**, Chief Executive Officer  
**Mr Steven Dietrich**, Company Secretary

**The committee resumed at 3.03 p.m.**

**CHAIR** (Mr Hall) - Thank you and welcome, Minister. Please introduce the people at the table for the purposes of *Hansard*.

**Ms GIDDINGS** - There is Mr Robert Annells, Executive Chairperson; Mr Damien White, Chief Executive Officer; Ms Denise McIntyre and Ms Jess Radford, my advisers.

**CHAIR** - Minister, would you like to make some opening remarks?

**Ms GIDDINGS** - Yes, just very briefly and then I will hand over to the Chair to see if he would like to address the committee as well.

Yesterday was in fact the first anniversary of the State Government taking Tasrail back into public hands so it has been a very significant, momentous day in that respect. I would certainly pay tribute to the hard work of Bob and Damien, since Damien has come on board as well as our Chief Executive Officer, for helping to get what was virtually a broken business back on track, pun intended in many respects there.

*Laughter.*

**Ms GIDDINGS** - I have certainly enjoyed my time as the principal shareholder minister in meeting with the company and hearing what has been happening in relation to rebuilding this company from the ground up. A lot has been achieved but there is a long way to go with Tasrail and I think it is important that the community knows that this is going to take some years to rebuild a company up to a level where you can argue that it is sustainable in its own right.

There are certainly some positive trends that have been emerging and I think that the decision by the State Government to invest in this, of course in partnership with the Australian Government as well, has been the right decision to take for the State of Tasmania and has helped us to take trucks off our roads. We calculated that over a period of a year you are saving about 24 000 truck movements; that is trucks that are not on our roads because of rail carrying freight. So if you take that down, that is about 66 per day. We certainly noticed in that period of time when Tasrail was not operational that we did have increased truck traffic on our Midland Highway and that helped contribute to the deterioration of the Midland Highway as well as the heavy rain that we had at that time. Put the two together, the heavy rain plus increased truck movements on the Midland Highway, we have ended up with damage to our road system. That is just to give you some idea as to why it is important that we continue to build this business and help to ensure that we have sustainable road infrastructure as well as sustainable rail infrastructure.

I am sure if Mr Annells has anything that he would like to say, he will do so in his opening remarks.

**Mr ANNELLS** - Thank you, Minister. Mr Chairman and members of the committee, it has been a character-building 12 months, I think is the way I would describe it. I do not think anybody has any illusions that this would be an easy or a quick fix but I think 12 months on, those of us who have been on this journey for the full 12 months or thereabouts look forward to the future with a lot more confidence perhaps than we did 12 months ago where it was very uncertain really as to whether this was a business that could be brought back to life. I use the word business here in the sense of the customers and their confidence or the lack of confidence from the customers. The capital works are really just a question of money. It is complicated and it is expensive but everybody knew that if you put in sufficient money you could fix the capital side of it and you could fix the rolling stock. Can you fix the business? Can you get customers? Can you keep the existing customers? Can you grow them and can you attract new ones? Ultimately, I think that will be the test that this decision for the State to re-engage with rail will be very much, in years to come, about the customer base.

I think we have been fortunate that we have had customers who have been quite prepared to give us a go. Damien, I must say, and his predecessor, the Acting Chief Executive Officer, have done a really good job in re-engaging with our customers and, without counting chickens or anything else, there are some pretty pleasing improvements in the numbers in relation to this business but we need to go for at least one more summer to see whether that holds right through the summer. I think that is a reflection of the fact that, with the initial funding we were provided with by the State and the money that we have had from the Commonwealth as well, we have been able to do a range of things that have started to be reflected in a delivery of a service which is more predictable, more reliable and that has been met by some of our key customers saying, we will move more of our freight task from road onto rail. I do not think, for one moment, that is forever because if we go back to the bad old days then they will drop off again but in terms of one of the challenges that we set ourselves right at the very start which was to, firstly, flatten what was a downward trend in terms of the business, we have certainly done that. Now we are starting to kick it up a bit and I must pay tribute both to our staff but also to our customers who have really put up with a lot over many years and they have hung in there.

One of the things that really interested me when we started to engage with our customers was that for some of them of course there is no choice. Some of our customers have to use rail; their business would be gone without it. But many of our customers do have a choice. It is contestable by road and yet, in a number of cases we have had our customers come to us and say, we want to use rail. Why? We have a company-wide policy, sometimes world-wide, which says rail is our preferred means because of the environmental benefits. All over Australia, and in fact, all over the world, we are seeing the renaissance of freight rail. Some of that is driven by the huge demands of the coal industry and other things that we do not have here. But in intermodal freight all around the world, that side of the business is growing and it is growing here and we can grow it a lot more, in our view. Things like the Brighton hub will certainly help us in that regard.

But the overwhelming thing that will help us is better delivery of service, more reliability. We have some particular challenges in that regard. We inherited, as a company, a very unfortunate history in relation to derailments and dropping containers off trains. It happens particularly on narrow gauge railways. There is a whole range of reasons. So far we have managed to make quite substantial inroads into that even though we had a fairly spectacular failure the week before last out of Penguin. That was really the first problematic one we have had almost since we took over where we had a serious derailment coming out of Brighton. We investigate all of those very seriously. It is not always easy to determine what causes them. We are operating very old equipment, so sometimes it will be issues to do with bogies and various things of that nature. Sometimes it is the track itself. Sometimes it is just a narrow gauge railway doing its thing and that is part of the problem.

So I will conclude, Mr Chairman. The last 12 months has been extremely challenging. This company, as it sits today, was formed from two components. It was the Pacific National business and all of the rolling stock and equipment and the customer base. So that business came and the rail management branch from DIER came. It is worth noting that both those organisations which came together to form the company were embedded in much larger organisations that had around them, therefore, access to a whole range of facilities, IT, accounting, HR, computing, et cetera, that we did not have. We did inherit some systems and processes but basically we have had to start from scratch, everything from our procurement to our safety standards, to our engineering standards and to our maintenance standards. So we have been spending an inordinate amount of time trying to get all of those basic nuts and bolts in place, satisfying the requirements of the safety regulator and the act and, at the same time, try to provide a better service to ensure that the

bleeding of our customers stops. I think we have achieved that. A great deal of credit goes to the senior management team and to Damien for that.

**CHAIR** - Thank you. Obviously to start a new business off like that it has been, as you quite rightly point out, a very difficult proposition. Before the State agreed to take over the entity, was there ever a business case done?

**Ms GIDDINGS** - There was lots of work done around what would happen if we did not have rail and there were a number of economic impact studies that were done. I think Bob was referring to one back in 2004, for instance, that certainly provided the information to Government that we could not do without rail in this State, that the impact on business would cause great concern. So, yes, in that sense, there have been a number of these. In May 2004, there was the Maunsell study and then in November 2005 there was the Halcrow independent assessment of the commercial and financial viability of the rail system. That same year and the same month the Monash University Centre of Policy Studies looked at the economic effects of the partial closure of the PN rail system in Tasmania. In November 2005 there was another Maunsell report and then in May 2006 there was a Pitt and Sherry report. In June 2006 there was the TNG International Worley Parsons report. They just go on. There was a lot of work that was done about rail and what the impact would be if it was not operational in Tasmania.

[3.15 p.m.]

**CHAIR** - Yes. It has always been recognised the west coast line or the Melba line and the short haul bit between Railton and Devonport have been the profitable bits. The question is do you think it will ever be a profitable business, will it require ongoing public subsidies to keep it going and, if so, for how many years and how much? Is there some thought on that?

**Mr ANNELLS** - One of the difficulties in looking at this from the perspective of so-called profitable lines is that they are only profitable because you have all the rest of the business to amortise your fixed costs over, so if you closed the north-south line, close the Fingal line and close a range of other lines you do not actually save much of your fixed overhead because you still need an extremely expensive CEO -

*Laughter.*

**Mr ANNELLS** - a very modestly paid chairman - you need all this sort of stuff. You need workshops, you need all the things that make up a working railway, Mr Chairman. If you only have the west coast line and one or two others to amortise those costs over, then they all become seriously unprofitable.

There are serious economies of scale in this business. The equipment is all very expensive. A new wheel lathe, for goodness' sake, the current one we have was life expired in 1978 still being used. We were replacing that and it is \$4 million for a wheel lathe. We think we might do better than that but nevertheless it is that sort of number. It is frightening. All the equipment in a railway is expensive and all the costs are expensive and you need to be able to amortise that over as big a business as you can get. That is point one.

You asked the question about will it ever be profitable? We are required under our charter to establish this company with two sets of accounts, if you like, as a below rail business and an above rail business. I think that is a Treasury ploy to hope that one day we will be able to sell off the above rail business. If that is what happens, that is what happens but the two need to

be looked at very differently. We amortise our costs across both. We have in fact an access charge that the above rail side of the business will pay the below rail side of the business for competitive neutrality reasons.

The only effective income the below rail side of the business has is the access charge that it charges the above rail side. At the moment that is \$2.8 million. In round terms, the below rail business, because you have to spend \$8 to \$10 to \$12 million on maintenance alone just to stop us going backwards will never make a dollar. No-one has ever suggested that the Midland Highway makes a dollar either. It is just part of the fabric and the infrastructure that you have to have if you want a railroad. The below rail business will always require an operating subsidy from the Government.

The above rail business, in some senses, is stand alone. It will, in our view, break even or better probably within the next two financial years. We are very hopeful at the end of next financial year it will break even, but again you have to put that in a context. That assumes that we have the funds for the purchase of new equipment, new rolling stock, et cetera, and that we do not have to service that money. We are not borrowing the money and servicing it and that is what the State has actually provided through the forward Estimates. Why did the State need to step in? Because the private enterprise could not both run it at a profit and invest in it. That was what was missing. There was no investment in rolling stock in this State for probably 10 years. You cannot operate like that in rail. Rail requires constant reinvestment, as does the road network. I am quite sure we will not require an operating subsidy but we do require the capital, the capex funding for new rolling stock to be provided free, and that is what the State has envisaged.

**CHAIR** - Through you, Minister, to Bob - within a couple of years do you think that the previously mentioned rail will be in the black?

**Mr ANNELLS** - Yes.

**CHAIR** - I presume you believe you will retain your existing customer base and build new customers.

**Mr ANNELLS** - Yes.

**CHAIR** - I am thinking outside the square here; the main north-south line, for example. I think one third of that is Norske Skog.

**Mr ANNELLS** - Yes.

**CHAIR** - If something happened to Norske Skog, and I hope it does not, it would leave a significant hole in the budget. That is hypothetical, I know.

**Mr ANNELLS** - Yes. We have had conversations with them. We have started negotiating a new contract with them. They have had very significant funds spent on their plant in Boyer. Nothing that we have seen from them would suggest that they are anything but a long-term proposition. Having said that, we know things change and markets change but if we were to wait for absolute certainty then this system would just deteriorate to a point where you could not get it back. Even without Norske Skog you are still looking at 15 000 truck movements from the south to the north in a year. Even without them, there is a huge amount of freight going north and some coming south, though usually lighter weight. There are companies such as Cadbury that rely very

heavily on rail. I have not had it confirmed so I can't really say this but it could be suggested that without rail Nyrstar would be in serious difficulty because it needs the rail's capacity to move very heavy weights. It is not time critical and it is not something they want to put on road. Nyrstar puts about 10 per cent on road; which is usually backfill on Toll trucks that are going up there anyway. The rest of it is on rail and we have been told that we may get an increase in that contract.

**Mr WILKINSON** - Looking at the business that you have spoken about; yesterday you spoke about Cadbury. The pulp mill, if it gets up and running, would add another entity which could be quite profitable. Is that linked to the forward budget at this stage?

**Mr ANNELLS** - It is not. We do not have anything in our forward projections for the carriage of wood or pulp mill products. We have not carried logs, believe it or not, on the Tasmanian rail system for a decade. This was more to do with safety concerns and loading problems on the narrow gauge railway. A lot of those safety concerns can now be dealt with using better technology. We have had many conversations with Forestry Tasmania about how we could work together. They are keen to get logs on rail and we are very keen to have them, but they recognise, and we recognise, that we must look after our existing customers first.

At the moment we do not have the rolling stock to cope with any forestry work but it can be organised reasonably quickly if the economic case is there.

**Mr WILKINSON** - That would seem to be a business willing to use rail if rail was able to take the logs.

**Mr ANNELLS** - Yes and as I say, we would need to acquire new rolling stock. It would increase our demand for new locomotives, which at the moment sits in our train plan at about 19. That could change, but at the moment there are 19 locomotives in our forward plan, excluding anything for logs. We have no locomotives, we have no drivers and no wagons for logs, but that is not stopping us talking to Forestry. However, one of the practical difficulties of logs is that the origin of these logs is well outside the current operating rail system. That is a big issue for Forestry to deal with, and for us as well. It looks as though we have some additional work for the loader at Burnie from a new customer; it looks as though we may have some more rail carriage work on the west coast for another customer. Our existing customers are growing. I am not trying to paint an unnecessarily rosy picture, but I am a lot happier sitting here telling you this than saying we have lost another 5 per cent or another 10 per cent because that is the way it was going.

**Mr WILKINSON** - It would seem to me that if there were an injection of cash, and I would say quite a significant injection, then you could really become competitive because you could put yourself in the market and get bigger suppliers than you can get at the moment. Is that right?

**Mr ANNELLS** - Yes, absolutely. Our current funding, which was sourced from the State and Commonwealth under the MOU that was entered into a couple of years ago and which we inherited, provides us with considerable funds for below rail. It will not do the total job but we are struggling to spend what we have on below rail. We are very happy with that. We will go back into negotiations, through the Government, with the Commonwealth in due course. At the moment our funding is out to \$13 million, \$14 million. The State provided us with an operating subsidy through the forward estimates, which I am very much hoping we will not have to avail ourselves 100 per cent of. The new Treasurer informed me today that she is very much hoping I

won't either. They have also provided us with the capex funding for all our rolling stock needs for the current freight task. If we get logs, we will have to go beyond that, but we will jump that hurdle when we come to it. At the moment we have the money to completely renew our locomotive fleet, to renew half of our wagon fleet and to upgrade the other half, and to do a whole lot of things that are desperately needed. We are replacing all of the high-rail vehicles used by our maintenance gangs. They were 25 years old, had done 400 000 kilometres and would not pass inspection by anybody. We have new equipment in our workshop and so on. We think we have been very well treated.

**Mr WILKINSON** - Minister, you were saying that the Brighton hub is going to improve your lot. Can I ask how and how it is going to improve profitability as well?

**Ms GIDDINGS** - The Brighton hub will be important because it will help get trucks off roads in the city of Hobart. Trains will terminate at the hub rather than come to the waterfront, where they now unload and then load onto trucks before sending a fair proportion of that load back out to the northern suburbs of Hobart. The hub itself has been a very important move to help get all our transport nodes together in the one place. It is going well and I think Tasrail has been involved in planning the hub to ensure that the infrastructure will cater for Tasrail's needs for shunting and the like. The move will help to free up the waterfront site for other development.

[3.30 p.m.]

**Mr WILKINSON** - Is the rail going to remain from Brighton into the waterfront area?

**Ms GIDDINGS** - Yes.

**Mr WILKINSON** - I would imagine they are open for business as far as plans for that are concerned and are you able to say if there has been any interest in that as yet?

**Ms GIDDINGS** - There is the feasibility study that is going on at the moment for light rail using that stretch of rail. Certainly we will not be pulling up the rail at all. It is important to keep that option open. It is not going to be of immediate need or use to Tasrail as a business. They will stop at the hub but I am certainly aware of tourist rail interest to be able to use rail. There are a whole lot of other issues around tourism and use of rail that need to be resolved before that would be possible. The Government is well aware of the interest in using that rail as light rail and that is why there is that feasibility study happening right now. It is too early to give you answers beyond what might come out of that study.

**Mr WILKINSON** - In relation to the maintenance of that rail and other costs involved with it, is that still to be Tasrail's responsibility? Even though they will not be using it, they will not have the -

**Ms GIDDINGS** - They are still responsible for the rail. There are elements that in the longer term will need resolution around that and what actual maintenance you need to put into an asset if it is not being used at all against if it were being used for tourism purposes or for light rail purposes. Then if it is used for light rail purposes, what funding has to be provided by the user of the rail to help maintain that. There are a whole lot of, I think, hypotheticals for the future that we could not possibly give you real answers to today.

**Mr WILKINSON** - I suppose one of the areas that you may be able to assist with though is the budget for the upkeep of the rail from Brighton into the waterfront. That would be part of Tasrail's forward planning over the next one to two years at any rate.

**Mr ANNELLS** - Once we stop using the track, basically our maintenance is really about vegetation maintenance. It is about making sure that it is not a fire hazard, it is not an eyesore. We already maintain 700 to 800 kilometres of rail track in that regard, so the existing line plus 700 kilometres of non-operable line. We just add that to it. It is only 20-odd kilometres so it is not a big deal, to be honest. We will not spend any money on the track itself or the sleepers or anything of that nature. Where this becomes problematic then is when people who are in heritage or tourist rail say they would like to use the track. The problem is then that you run into these requirements about having to re-maintain it, having to get it reaccredited and all sorts of things.

**Mr WILKINSON** - Insurance and all those other costs.

**Mr ANNELLS** - All those things which are real issues for them and they are real issues for us as well.

**CHAIR** - That is probably something that we will pursue a little later.

**Mr ANNELLS** - From our point of view, one of the key things the hub does amongst many things, is it enables us to substantially reduce the requirement for us to cut and shunt our trains. We will have a much longer loading face there. We are in discussion with TasPorts about the other end which is Burnie or to Bell Bay, and over time we will be looking to improve the loading face of both those localities as well. But from our point of view the problem with the Hobart terminal is there are very short loading faces, we have to split the train into four or five - a lot of shunting. It is dangerous, it is very labour intensive and it is costly. At the hub we do not have to do very much of that. There is some but not that much.

**CHAIR** - I suppose the downside of that, though, is that the railhead is effectively going to be at Brighton and you are going to put more pressure on the Brooker Highway, for example, with truck movements into Hobart.

**Mr ANNELLS** - I think, Chairman, it seems to be that the people who looked at this, and it was looked at, suggested that it is pretty much equidistant. Nyrstar bring all of their zinc from Risdon down the Brooker Highway to the terminal at Hobart, repack it, stick it on the train and out it goes. They will use the same trucks and they will go straight out the Brooker Highway to Brighton and it will be unpacked, reloaded onto the train and away it goes. A lot of the freight task that is going out of the Hobart terminal that is not zinc, and most of it is zinc, most of it is coming from the northern suburbs all the way on the Brooker Highway into the centre of the city. So I reverse it and go back out. I have no proof of this but my suggestion is that in fact it is, at least, best line ball and, at worst, line ball, and at best may improve it.

**Dr GOODWIN** - I want to start by congratulating you on your annual report which was very frank and informative as well as having some great pictures which I think highlight why tourist rail operators think there is enormous potential in Tasmania. I want to ask about your rolling stock replacement because obviously reliability issues are key for your customers and you have mentioned some issues with your locomotives as well as your wagons.



**Mr ANNELLS** - When I was first taken into our yard in Launceston, the person who took me said, 'If you looked at this you would wonder which part of Marley you are in.' This was just a terrible yard full of locomotives and other rolling stock at the absolute end of its usable life. Some of this was just poor housekeeping but some of it reflected the fact that the people in our workshops were expected to go out and cannibalise bits off our old locomotives because, in many cases, you cannot buy spares for our locomotives. So you either find something you can cannibalise or you make it yourself. I would have to say that I think this company has been very well served by its workshop staff because they are old school, very competent and non-complaining.

We did a study of all our locomotives. We have three different sorts of locomotives. They are in vastly different stages of repair. We have those locomotives that we think are worth doing up and there is a limited number of them and we are refurbishing them to get us through the next couple of years until we can bring new locomotives online. It is expensive to do up these old locomotives but in the end we have no choice because they would simply break down too often.

We have a serious problem here in that we need three or sometimes four locomotives operating in tandem to run the trailing loads we need to bring out of Hobart to be in any way economic, and that is not a very efficient way to run a railroad, I must say. We will certainly not require three or four new locomotives.

When you look at our wagon fleet, if anything they are as bad, if not worse. We have hundred of wagons but many of them were simply not operable anymore. When you have 11 different types of wagons it is extraordinarily difficult for your loadmaster to get you a train that is properly balanced. Each wagon in the consist ends up being a different axle weight and you are running the risk all the time that you will get it wrong and that leads to derailments if you have the wrong weights.

So we need new wagons. We do not need a total fleet renewal but we do want a range of new wagons. We want and we sought and we bought some ballast wagons from QR that were here and we have done them up and we have automated the unloading process with them. So we are very pleased to have that, it is much safer. We are looking at new wagons for the cement trip. I think everyone would like to see us buy them but, economically, can we justify it? They have been a very good customer and we are in serious negotiations there. We would like to invest in some low-floor wagons that have the benefit for us in moving the centre of gravity down by having the containers lower. We have very heavy containers such as fishmeal containers, and one went off the other day, and zinc is very heavy. If we can get some dropped-floor wagons that would really help us in that regard.

So it is easy to say you want them and then the Government gives you the money. It falls into this category of being careful what you wish for really because now you have to procure them. Procuring a narrow gauge wagon is difficult enough but getting locomotives is very tricky for us. You can buy them in China for, let's say pluck a figure of \$3 million, you can buy them in Australia or from America for \$6 million. There is a huge difference in price. There are big issues about maintenance requirements, the degree to which you can get the provider and the manufacturer to guarantee maintenance. We are about to embark on a very complex journey in terms of coming to government eventually with a recommendation about what, where and over what time frame we should buy new locomotives. New Zealand has just bought 10 and I think they have an option to buy another 10. There are some in north Queensland, narrow gauge. You can talk to six experts in this field and they will all give you different advice about where to go.

**Dr GOODWIN** - That is helpful.

**Mr ANNELLS** - This is the rail business, no matter who you talk to in this business everybody is an expert. We are embarking on a very difficult journey. We are a small company and we need some really good consulting advice on this because this is an \$80-odd million decision that we must not get wrong. We are not rushing it; we don't need to rush it. We can handle our current freight task with the current locomotives and reinvesting in them for a while. It is a big decision for us.

**Dr GOODWIN** - Where did New Zealand get their new locomotives from?

**Mr ANNELLS** - China.

**Dr GOODWIN** - Are the Chinese ones proven to be quite reliable and have a long life?

**Mr ANNELLS** - Unfortunately nobody has that. You would really like to be making this decision after somebody has had seven years of experience with these locomotives because then you could see what happens, and we don't have that luxury. Nobody is going to have much experience, from a maintenance point of view. There are wildly different views. There are those locomotives out of China and there are about four different suppliers there. You can buy them out of Malaysia, South Africa, England and America. They are all in this \$3 million to \$6 million range. You can get AC and DC motors - all sorts of stuff, but what we are more concerned about is not what they look like coming out of the shed, it is how they are operating in five years' time, but unfortunately no-one is going to have a track record.

**Ms GIDDINGS** - You are recruiting a project manager, though, aren't you, to have that specific task?

**Mr ANNELLS** - Damien has gone out and we have found the oldest, gnarliest, crankiest rolling stock person we can find to help us.

**Ms FORREST** - What's his name?

*Laughter.*

**Mr ANNELLS** - Michael O'Rourke - I have described him to his face. We have recruited a very experienced railway person who has just decided he wants to come to Tasmania. That is fantastic because we now have in the company somebody who really understands the track geometry and the track engineering that we need. You do not want to rush putting brand-new locomotives on very old track; you would just knock your locomotives around. We are going to phase them in as we get more general improvements to the track, and they are coming. I know it would not seem like it from outside but our drivers tell us the track is dramatically better than it was. We are still having rail buckles and I think we will have them for years to come, but that is more to do with the fact that our predecessors, and then we, have gone in and disturbed sleepers and track formations that have been in place for 50 years. Once you do that, you pick it up, no matter what you do it will move around. We have had endless studies into how we should try to address that. The principal way, however, in practice we are addressing it through our operations, is by having serious speed restrictions; 18 per cent of our track is a temporary speed restriction at the present time and you would be aiming for 3 to 5 per cent. Eighteen per cent reflects the fact that

we believe in 'safety first' here. Unlike my previous experience in carting passengers, the beautiful thing about boxes of zinc is they neither complain nor vote.

*Laughter.*

[3.45 p.m.]

**CHAIR** - Bob, after spending all this capex on, say, the north-south line and the western line which goes out past me towards Burnie, what time difference will it make once you are able to lift the speed restrictions? Obviously there will still be restrictions, but can we justify spending all that money if we save only about 15 minutes in time? Is that correct?

**Mr ANNELLS** - No, I don't think that is correct at all. If you removed 18 per cent or even if you removed 10 per cent of the speed restrictions, you would have significant savings in time. But, again, I am not convinced that time saved is necessarily the primary issue. It is reliability - when you say to somebody, 'You entrust us with your container then we will get it there in one piece'. Most of them, if they are really time-sensitive, will put it on a truck anyway. They will never come to us - that is fine, there is plenty of business. People who use us want us to be able to virtually guarantee them that, other than the most exceptional circumstances, we will get their freight there.

**Ms FORREST** - I hear what you are saying. I think reliability is certainly an issue but I think there has been a degree of evidence provided to us that time is an issue. If you have a turnaround of less than 12 hours from north to south then you would have better utilisation of your line and thus a greater capacity to make it a profitable line. If you cannot actually get a turnaround in less than 12 hours, you cannot use your rail to its full capacity. Wouldn't you agree that time is important on -

**Mr ANNELLS** - Well, what is really important, with respect, is when the ships go.

**Ms FORREST** - That is what I mean; that is the time that I am talking about; getting to the ships.

**Mr ANNELLS** - Toll tell us when they want their ships to go, they give us a window of opportunity to deliver onto the wharf. Whether it takes us 12 hours to get there or 15 hours to get there, in a sense is irrelevant to Toll.

**Ms FORREST** - It is irrelevant to Toll but I am talking about maximising the use of the line. If you want it to end up being, as you or someone said earlier, sustainable in its own right then surely that means maximising its use.

**Mr ANNELLS** - Yes, if you have the rolling stock and if you have the demand. At the moment we are a long way away from needing additional capacity. We have plenty of capacity in the line. One of the issues for us is the extent - it is a single track; there are no passing lanes so there are some issues about whether you can reduce. That is a bold statement; would I like and prefer to be able to run on a 12-hour, north-south schedule? Absolutely and that is where we hope to get to. We are talking about a 24-hour turnaround from Brighton to -

**Ms FORREST** - Is this the aim of the below-line work?

**Mr ANNELLS** - Yes, absolutely. Well, it is a combination of all of the things that we are working on; they are designed to get us a much quicker turnaround from Brighton to Burnie and the objective has always been 24-hour turnaround. We think we will get there.

**Ms FORREST** - Going to the Chairman's question then, how much time will the work take off that trip?

**Mr ANNELLS** - There is no answer to that question that I can give you with any certainty because it depends on doing the work and then having the track settle down over time so that you can remove both temporary and permanent speed restrictions. Those speed restrictions are there for a whole range of reasons. They are to do with the standard of bridges, culverts, landslips; it goes on and on. The objective of the company, undoubtedly, is to try to get a 24-hour turnaround to Burnie.

**Ms GIDDINGS** - The Brighton hub will help the north-to-south line.

**Mr ANNELLS** - That will help a lot. That picks up a couple of hours in the south.

**Ms GIDDINGS** - Not having to break the trains that were shunting and all the rest. That is a time improvement so it is not all just about the rail track itself but there are other elements that improve the efficiency.

**Ms FORREST** - Yes, that is the question. As the Chairman alluded to, we are spending a lot of money, and we obviously need to, on the below-rail infrastructure. There is demand for the rolling stock so how do we spend the money that is available? We know that it is not a bottomless pit, which I am sure the new Treasurer will remind you of at some stage -

*Laughter.*

**Mr ANNELLS** - Regularly already, I must say.

**Ms FORREST** - It is about, if you are going to spend a lot of money below rail and not actually achieve those changes then would you be better off putting it into the locomotives and that sort of thing?

**Mr ANNELLS** - With respect, it does not work that way. The money for below-rail works is Commonwealth money and only to be spent on below-rail works and the State provides above-rail money for rolling stock and for our operating subsidy. We cannot mix and match the two.

**Ms FORREST** - Right.

**Ms GIDDINGS** - And it is about the safety elements, of making sure the track is maintained and safe; not just about improving speeds and times but that we limit any derailments and the like.

**Ms FORREST** - With the upgrade then, are there differences, as I understand it, in nationally accredited standards for freight as opposed to passenger rail?

**Mr ANNELLS** - Undoubtedly, yes.

**Ms FORREST** - Are we just aiming for a freight standard?

**Mr ANNELLS** - Yes.

**Ms FORREST** - So that would practically exclude passenger transport forever and a day.

**Mr ANNELLS** - Well, the governments can always decide to put money in. If you throw more money at it, you can increase the standard. We will be building a track to a freight standard that is safe - narrow gauge but safe. If somebody comes along later on and says that they want to upgrade that even further to passenger, there is nothing to stop that happening. It is not mutually exclusive but we are not going anywhere near passenger standard. If it takes you seven hours to get from Launceston to Hobart, there is not a big passenger demand. Seriously, I have run passenger railways and you are dealing with such a different standard.

**Ms GIDDINGS** - You would really want to have a straight and high-speed service for passengers.

**Ms FORREST** - But if you wanted to allow access to the main lines for tourism rail, then you cannot do it unless you have a standard?

**Mr ANNELLS** - No, I do not believe that to be correct. I think you can, as long as the operating regime is approved by the Safety Regulator. There is no reason that our track standard would not meet slow-speed tourism or heritage rail requirements. A passenger rail, a scheduled service backwards and forwards, is different.

**Ms FORREST** - The question is that upgrading it to freight standard will not necessarily exclude low-speed passenger tourism operations on the main lines?

**Mr ANNELLS** - No. There are many other things that make it very difficult -

**Ms FORREST** - I accept that.

**Mr ANNELLS** - but the standard of the track and the signals and all that stuff will be perfectly adequate for intermittent tourist and heritage services at slow speeds. As I said, there are a whole range of other issues that need to be addressed but the track will not prevent that.

**Ms GIDDINGS** - I should just make the point that we are working with the heritage railways across the State to try to address some of those issues. I think all of you, like me, have been lobbied and have a lot of sympathy for the Don River Railway, for instance, the Derwent Valley Railway and there is the Transport Museum at Glenorchy. You name it, they are everywhere around the State and they are all facing the same problem in terms of public liability insurance particularly. But there is a whole lot of other issues as well. Tasrail has already met with a number of them, I believe, and has another round-table meeting before the end of this year to continue to look at those issues. Tourism Tasmania is also trying to help by investigating how it is that the Puffing Billies of the world are able to operate tourism railways and not be killed off by the huge public liability insurance. There might be opportunities that we can pursue that we can pick up from Victoria, for instance.

There is a want to see what we can do to work with heritage tourism railways. Obviously if it gets to a point where it is a huge cost burden for the State, then that has to be considered within

the normal budget processes as to whether or not we can assist. But Tasrail are doing their bit as the company that owns and runs the rail services in this State.

**Dr GOODWIN** - Is public liability the main issue?

**Ms GIDDINGS** - It is huge. Bob would know from running passenger railways what that is.

**CHAIR** - If I could, Minister, we have spoken to Don and the Derwent people and recognise the public liability issues but there is a model. I think we had that emailed to us just recently. The Victorian and New South Wales governments use it to mitigate that very big impost. It is worth looking at in that respect.

**Mr ANNELLS** - It is not just public liability.

**CHAIR** - I know; there are other factors as well.

**Mr ANNELLS** - We spend over \$2 million a year in insurance and this year in our full year we have saved about \$450 000. We hope to save more but it is still probably our biggest, apart from salaries, operational expense. I have spent many hours with the underwriters trying to get a better deal and they are understanding our business better and have more confidence but they are still very nervous. Introduce another component into that of people running trains up and down our lines, using our assets, it increases dramatically the underwriters' concerns about risk so it is not just about the issue of one type of insurance. It is a total insurance package. Puffing Billy does not operate on a main line. It operates on its own line and it gets a lot of government support to pay those costs. It is a terrific facility.

What we are trying to do in the first place is ensure that if we have assets that can assist these people, those renovating tourist or heritage or whatever, we have equipment. We could help by using the wheel lathe or providing our old wheel lathe to somebody if they do not have one. We have quite a bit of surplus equipment like sleepers and rail. There is not a lot of it, a lot of the surplus sleepers for example had creosote in them and were not suitable for use under the rail management branch. But we are having this round table. We are about to have our second meeting. Damien and his team are genuinely trying to help here but I must stress the task confronting Tasrail just to get its freight business up is mammoth.

We are diverting resources to try to help because we recognise the interest and people want us to help but there is a limit here because we have own statutory and other responsibilities.

**Mr WILKINSON** - In relation to insurance. I suppose that with the upgrade of the track, it has become a safer track. The argument would be to the insurers that it is a safer track, therefore there is less risk, therefore there should be less moneys paid. That is no doubt going on.

Can I ask, and I was not aware, so excuse my ignorance, that the Commonwealth paid below rail, so what do the Commonwealth need to bring the track up to a standard that you believe is appropriate to cater for the freight tasks at hand? What do you believe it will be in five or 10 years' time?

**Ms GIDDINGS** - Meaning funding?

**Mr WILKINSON** - Yes, what do they need? Funding would depend on the market as well out there.

**Ms GIDDINGS** - It comes down to roughly \$400 million that has now been invested in Tasrail of which about half is Federal funding and half is State. I suspect that once that \$400 million is spent and used that Tasrail will be knocking on the door of government to require further investment to do further work. It is not going to stop at that point. But for the time being they are going to struggle to spend that money in the time that they have got it. It is working with Tasrail around how we get the money out the door and get as much work done both below rail and above rail.

**Mr WILKINSON** - So in relation to below rail you believe that the money that you have got from the Commonwealth at the moment is enough to suit your needs at the moment? Everybody can normally say I want more but you are saying, 'No, I do not want more at the moment'.

**Mr ANNELLS** - Not in front of the Treasurer I am not, no.

**Mr WILKINSON** - This is Commonwealth money, not State.

**Mr ANNELLS** - There is a balance here between what we can responsibly spend and what we need. We are juggling that all the time. I use the words responsibly spend advisedly. We are part of government. We are subject to scrutiny by the Auditor-General quite appropriately. We are subject to the scrutiny of groups like this quite appropriately. We need to ensure that firstly we can substantiate what we are spending based on sound engineering assessment of what we need, what our priorities are and we have done all that. We need a procurement process that stands up to scrutiny and that is difficult in this area. Why? Because there are not many contractors in Tasmania who are able to do the heavy rail stuff. There are some but there are no big heavy rail contractors that are beating on our door. So the Rail Management branch before we started had to bring in Queensland Rail to do a major resleepering. A sum of \$1 million in and out for that contract alone. That is Commonwealth money. Commonwealth happily paid it but you do not want to be bringing people in for small contracts because the bump in bump out costs are just too great. Equally we want to see if we can grow local engineering and construction. Another reason that we are not rushing out in relation to our wagons is that we have not given up hope that some of these can be built in Tasmania. I think that it is a stretch to think that the locomotives could be but the wagons might well.

But when we look at all the work that we are doing on the track, it is very specialised stuff. Rail buckles come because the track is either not anchored properly or is not stressed properly. Stressing continuous weld rail is a damn difficult thing to do. Not many people know how to do it. I think we are learning. We have very good advice. I am hoping that what we are doing now will have fewer problems. It will not stop all the problems but it will make it a lot fewer.

[4.00 p.m.]

The Commonwealth had an MOU with the State entered into in 2007-08, I think. It is both a road and a rail funding. The cashflow that the Commonwealth have indicated in their forward Estimates is for specific projects and they have been quite firm about, 'That's what you have it for and that is what you spend it on.' We are saying, 'Well, if we think there are better ways to do this, then we reserve the right to come back through DIER' - because we had no interface with the Commonwealth directly - 'and DIER will take us in front of the Commonwealth and we will give them reasons.'

We are now in a so much better position in terms of the engineering assessment. It has been slow and it is painful but we now have an assessment of every length of rail, every sleeper and every bridge - we know exactly what its condition is. We have 5 000 issues we want to deal with and they are prioritised. We have a works program and we have all these systems now in place that we did not have before. It is why, in a sense, we have been spinning our wheels a bit because, as a board, we did not want to go out and start throwing money around. We are still spending money, but we not going to spend large lumps of money on big contracts until we have our engineering standards absolutely right and we think we are very close to that now.

**Mr WILKINSON** - That is what I was getting at. Once you have the base right, you can then build on that base. The base here is getting your underground rail in order and then you can start building on that as far as your above-ground infrastructure is concerned - and, hopefully, your profit. Is that a fair summary?

**Mr ANNELLS** - Absolutely, and we will invest a great deal of money over the next few years in getting that foundation right, up to and including the rail itself. There are 300 kilometres of light rail in Tasmania which needs to be upgraded to a heavier gauge. It does not all have to be done at once. We are on the case of some 47 kg rail, which we think we might be able to get at a good price. It is just a matter of grabbing your opportunities when they are there. But once you get the rail, you still have to get somebody to lay it and laying rail in large slices is not something that you can do by going to your local guy with a couple of backhoes; it is serious equipment. So, by and large, you are looking probably at best at a joint venture between a local company and one of the big mainland guys.

**CHAIR** - The Auditor-General noted in his report that a company had held discussions with the Government over concerns relating to possible environmental liabilities and responsibilities that you have been asked to assume and that 'this matter requires resolution' - those are his words. Has there been any resolution of this matter and where are those discussions at?

**Mr ANNELLS** - It has been resolved. We are not exactly dancing on the table, but it has been resolved. Our concern was that in the master lease for the corridor, the responsibility for all contamination, whenever or whoever may have created it and whenever it might have been created, vested back on Tasrail. We said we would much prefer a situation where we would take responsibility for contamination that related just to our activities from when we started. This liability has to sit somewhere - we understand that. We did not particularly want it to sit with us. The negotiated settlement that we reached at an officer level was that, if in the statement of expectation from our shareholders, this was recognised as an issue and should this create problems for us, then the Government would deal with it as and when it arose. My board took the view that that was satisfactory and we have that undertaking in our letter of expectation from the shareholders. I have therefore gone ahead and signed the lease. Really, this is just a question of interpretation as to where the Government wants this liability, in the first instance, to reside. We are part of government and if government says, 'That is where we want it to reside', that is fine.

Our biggest concern was that under the accounting rules - and I certainly will not pretend to be an expert - if we were to identify an obligation, we have to take it into account and we have to bring it up in our accounts. There is no such obligation identified at this point. So it is not in our accounts and there is no provision for it. If we get a problem, we will go to government and say to our shareholders, 'Right, this is beyond our resources and the letter of expectation says that the Government will deal with it at that point.'



**Ms FORREST** - So are you saying that it hasn't been quantified?

**Mr ANNELLS** - I am just jumping at shadows. I was concerned about what we don't know, we don't know, but there is nothing that we can point to at this point and say, 'This is a liability that came from the past'. When and if it does, then we will sit down with the Government and say, 'This is how we intend to remediate it, this is what the costs are' and the Government will say, 'Deal with it from within your own resources' or 'We'll give you additional funds'.

**Ms FORREST** - It is certainly a risk; it is like this nebulous liability that is sitting out there somewhere and we do not know where it is going to land. That's what you are saying.

**Mr ANNELLS** - It will land on us in the first instance, but if it became an issue for us then what the letter of expectation says is, 'Come to us and we'll deal with it'.

**Ms FORREST** - Shouldn't it appear somewhere in someone's books then?

**Mr ANNELLS** - No, our advice from the Auditor-General is that until you can quantify it you do not have to take it into account.

**Mr WHITE** - It is not just a matter of quantifying it; it is not even actually identified.

**Ms FORREST** - It has not been identified?

**Mr WHITE** - No, there are not any environmental liabilities that are causing us concern, so we are jumping at shadows here.

**Ms FORREST** - The Wiltshire line is sitting there looking quite forlorn at the moment. A section of it has been pulled up, beyond Wiltshire through to Smithton - most of the rest of it is still there but in a forlorn state. If that were to be pulled up, obviously it would attract an environmental legacy and there would have to be some sort of requirement to rehabilitate it. Is that not part of the picture?

**Mr ANNELLS** - I think this is a hypothetical. It is not being pulled up. We have no intention of pulling it up at all. I am not sure who pulled up the other bit, but it certainly was not us. We are talking here about environmental issues that relate more to spills of oil or other materials. From our perspective, as Damien said, we do not have anything in mind that we can quantify. If we did, we would have to put it in our accounts.

**Ms FORREST** - The trucks at the bottom of the Que River - you probably know that there are a few down there. They are a bit hard to get to. Is there no quantifiable amount of -

**Mr ANNELLS** - No, no-one is forcing us to move them. If they do, we will quantify it and if we can handle it within our resources we will, and if not we will go to government.

**Dr GOODWIN** - I wanted to ask about your train control system, which you are going to upgrade to a modern computer-based system with obviously less human interaction, or less reliance on human interaction.

**Mr ANNELLS** - Less reliance on a bloke with a long ruler and a pencil, yes.

**Dr GOODWIN** - So it is fairly basic at the moment then?

**Mr ANNELLS** - They are very dedicated people doing a very difficult job, but in this day and age you want GPS-based real time - where your train is, what speed it is travelling at. It gives you a whole range of upside, not just in terms of train control but you can also monitor drivers' performance and safety issues, you can do a range of things. It is long overdue.

**Dr GOODWIN** - What is the cost associated with that?

**Mr ANNELLS** - We have \$4 million in our budget.

**Mr WHITE** - We have started looking at some systems and that is what the basis of the estimate was. It is not just improving the safety, it is allowing us more capacity on the track for trains and allowing more capacity for track work to take place. Currently, because it is so manual and convoluted, it is quite difficult to give people the track warrants to get out on track to do the track work.

**Dr GOODWIN** - Why is that - because you are not quite sure where the trains are?

**Mr WHITE** - Not so much that, there are just lots of checks and balances and they are all manual. It is akin to an old telegraph-type system.

**Mr ANNELLS** - One of the real challenges we have here is that we have so many work gangs out on the track and when we go into this program we will have a lot more. Many of our safety incidents are related to work gangs, not our own employees - contractors' work gangs going out fixing a bridge or whatever. This system will not take all that risk away but it will give us much better management control.

**Dr GOODWIN** - So the systems go in the trains themselves?

**Mr ANNELLS** - In the trains and back to head office.

**Dr GOODWIN** - So you do not need the new trains to be able to do that, you can install them in your existing locomotives?

**Mr WHITE** - There will be equipment that is transferable between locomotives and there will also be equipment potentially that people might wear.

**Mr ANNELLS** - That track gangs might have in their cars or hi-rail vehicles. Our problem is that with a manual system relying on radio, it just increases the risk, particularly for people operating on their own in hi-rail vehicles doing track inspections. We need to know where they are in real time.

**Dr GOODWIN** - Yes, okay.

**Ms FORREST** - The Auditor-General's report has a preliminary summary of what was purchased and taken over when you bought the train set.

*Laughter.*

**Ms FORREST** - It included the rail and the Melba line, which I didn't know. It is interesting to note Pacific National's assets. The values that are recorded here are higher than what was paid so you have a book profit base here of \$1.8 million. If the assets of below rail, particularly, can't generate any income then doesn't that have a value of nil or -

**Mr ANNELLS** - It has a value and it had a value when it was valued by Ernst & Young, I think, at the time we depreciated. We depreciated it in a direct line basis. As far as the purchase price is concerned, I wasn't around but -

**Ms GIDDINGS** - I have just been advised that we purchased most of the rail for \$1 in 2007 so when we came to this part we were actually -

**Ms FORREST** - It was only the Melba you had to purchase.

**Ms GIDDINGS** - We had to purchase the Melba line and the business so that was the difference there in the rolling stock.

**Ms FORREST** - But the below rail has a value of nil?

**Mr ANNELLS** - We bought it for \$1.

**Ms FORREST** - It could have been shown as a negative value because it costs money, it doesn't bring any in.

**Mr ANNELLS** - In our books, I think it is just south of \$10 million and most of that would be the Melba line because, as the minister said, the State purchased all the rest for \$1 and that was all transferred to us on start-up.

**Ms FORREST** - You mentioned earlier that you kept two sets of accounts for above rail and below rail, and I believe that is right. I think that potentially you can still sell off but you'd never sell the Melba line again.

**Mr ANNELLS** - I hope not.

**Ms FORREST** - Has the lease payment arrangement been put in place?

**Mr ANNELLS** - You mean the track access?

**Ms FORREST** - Yes, the below rail?

**Mr ANNELLS** - It is not in these accounts but it will be from now on.

**Ms FORREST** - I couldn't find it anywhere.

**Mr ANNELLS** - No, it is not there. It will be from then on and we have an amount, \$2.8 million, which was set for us by DIER when we took over. We have to review that and go back. There is a process for determining what that should be. It is run by DIER and we have to satisfy them as to what the number is.

**Ms FORREST** - So, \$2.8 million per annum.

**Mr ANNELLS** - Per annum, yes.

**Ms FORREST** - That was set. Is that what you expect to pay this year?

**Mr ANNELLS** - That is what we will pay this year.

**Ms FORREST** - Then it will be reviewed by DIER.

**Mr ANNELLS** - It will be readjusted. We will have to go to DIER, which is really the regulator in this respect. We have to prove to them, in a formula that would put a man on the moon, what we propose because it has got to be contestable. So, if somebody else comes along and wants to run on the tracks then they have to be given an access charge which is comparable to what we charge our above rail business.

**Ms FORREST** - So if a consortium of west coast mines, for example, wanted to -

**Mr ANNELLS** - They could use the Melba line; it's allowed. Well, nothing is simple in this business. The Melba line is not a designated open access at this point in time. All of the rest of the network is. There is a debate about whether the Melba line will be or should be proclaimed open access. We have some concerns. They are theoretical concerns, because no-one is actually knocking on the door, about whether declaring the open access to this point was wise or not.

**Ms FORREST** - Is that historical?

**Mr ANNELLS** - No, it was probably done three years ago.

[4.15 p.m.]

**Mr WHITE** - At least. As I understand, it was part of Federal Government policy across all States about making critical infrastructure open access.

**Ms FORREST** - Would you not consider that critical infrastructure?

**Mr ANNELLS** - That is what they have done; because the Melba line was owned by Pacific National that was not caught up under that. We now own it -

**Ms FORREST** - That was the reason it could not be?

**Mr ANNELLS** - Yes. The State had no capacity to force a private owner to have open access.

**Ms FORREST** - Is that being reviewed now?

**Mr ANNELLS** - It is being reviewed as we speak. We are saying let's not get carried away here because it is a bit like heritage and tourist matters. There are real issues for us if a third party wanted to come along now and start running all wagons up and down on our line. It has all sorts of implications for us in terms of our insurance, in terms of our train control - you name it - it becomes incredibly more difficult.

**Ms FORREST** - What I am hearing you saying - and correct me if I am wrong - is that it is in Tasrail's best interests not to have the Melba line as an open access at this stage?

**Mr ANNELLS** - Yes, in the short term. But if somebody came along tomorrow we would not have a choice. They are entitled to have -

**Ms FORREST** - That is why you need a commercial leasing arrangement then.

**Mr ANNELLS** - A commercial leasing arrangement?

**Ms FORREST** - For the below rail costs for access.

**Mr ANNELLS** - Yes, you need that access charging and it needs to be set and if somebody wants to utilise it they can.

**Ms FORREST** - And then Tasrail will pay that commercially set price to itself -

**Mr ANNELLS** - And a third party would pay it to us as well and it would go to the bottom line of our below rail business. It is paid to our below rail -

**Ms FORREST** - Yes, and then the below rail would have some value.

**Mr ANNELLS** - We are talking literally very small amounts of money here because really you can only charge an incremental cost, you cannot go back and charge a new entrant a complete from the bottom up. It just does not work that way. That is why we have to satisfy the regulator as to what our regime is at the moment. They have set \$2.8 million across all the rest of the network excluding the Melba line and now that is back under us. At some point we are going to have to -

**Ms FORREST** - So you are not paying any lease on the Melba line?

**Mr ANNELLS** - We have not in those numbers paid any access charge for the 2009-10 year, but from 2010-11 we will.

**Ms FORREST** - For everything excluding the Melba line?

**Mr ANNELLS** - No, we will make a judgment on the Melba line and we will pay that as well.

**Ms FORREST** - And that will appear in next year's accounts?

**Mr ANNELLS** - Yes.

**Ms FORREST** - We talked about the challenges facing the business and that you do not intend to be a profitable business in the short term, so how long are operating cash deficits expected and of what size are we talking about? On the back of that obviously, what sort of future equity injections will you be seeking?

**Ms GIDDINGS** - It is probably too soon to say what future equity injections they would be seeking because right now it is \$400 million that has been put on the table and there are some

years for that to be expended. In fact, as Bob mentioned earlier, he will need to come back to Treasury to talk about how we cash flow that to ensure that he is able to spend it in the time frames that we have given him. We might need to readjust some of that to make sure that we are working off the same page.

I know people would love to know what the future asks might be but at this point I think it is too early to be saying this is what they will be knocking on the door of government for in two, three or four years' time.

**Ms FORREST** - How long do you reasonably expect cash deficits to be the norm?

**Mr ANNELLS** - In the forward Estimates we have four years. It is \$19.4 million this year and I think in the last year it was \$16.3 million. I suspect, based on what is happening today, we will be able to do better than that but I think the below rail business will be in deficit for the foreseeable future. Why? Because we are spending \$8 million to \$10 million on maintenance alone.

**Ms GIDDINGS** - And it is no different to the road network, as the analogy was drawn before; you just provide it as a service.

**Ms FORREST** - The above rail?

**Mr ANNELLS** - Not that I am putting Damien under any pressure, but the board is set actually at the end of next year to be cash positive in that sense, and we definitely expect to meet that. This, however, is a very volatile business and small changes in fuel costs can make enormous differences to our bottom line. We had a serious derailment a week after we took over and it cost \$850 000. If everything continues on then we expect to meet that objective, but I cannot guarantee it. It is a very volatile business.

**Mr HARRISS** - I do not know a great deal about the rail industry but it seems you have several major customers; there is the cement line, the minerals line, and the north-south line with Norske Skog. Have those major customers suggested ways to improve the service, are they intending to invest in upgrades for their businesses, is it contingent upon Tasrail encouraging them to further invest and then stay with you and upgrade their contribution?

**Mr ANNELLS** - I cannot say that anybody has put it as bluntly as that, 'You need to do this and we will do that'. It has not been like that. They have said that rail is an essential part of their freight mix and that without rail it would be very difficult, in some cases, for them to continue to operate. Freight rail works best when you have large weights over long distances. Well, we have only 600 kilometres here. It is not a very long distance, but we do have some very heavy weights.

What our customers want to see is a real commitment to rail by the State and Federal governments, which they can now see through the budget process. Secondly you bought back the business and you have established Tasrail. That is another sign that you are serious. And thirdly they look to Tasrail to provide a better service.

That means providing a service that is more reliable at a cost that is reasonable compared with alternatives, and that we have a customer focus culture that tries to work with them instead of working against them. And we do. We are starting out on a very long journey with each of our major customers to see how can we best make their business more viable. We cannot do that by

offering subsidies on rates, we do not do that; we are competing with road in the marketplace so we cannot be silly. We cannot put rates too high, nor can we put them too low to win business. We have to meet the market.

We are finding that it is not so much the rate, in most cases it is when the train goes. Is it reliable? Are we prepared to assist by operating the railway in a way that meets their business needs? It is just having someone to talk to who cares. I know that sounds soft and fluffy, but that is true. They have had a very tough decade of dealing with people who are very tough operators.

**Mr HARRISS** - Are there any deficiencies or inefficiencies concerning the rolling stock that need to be upgraded?

**Mr ANNELLS** - Absolutely. We have to get away from having up to seven or nine different wagon types, we need consistency in the number of wagons, our axle-weight restrictions have to be uniform, our centre of gravity issues have to be addressed. There is a range of inefficiencies that we are working through. There is a range of employment issues. We are starting our EA process. We have five different EAs and we are just going through the character-building process of starting negotiations there. There are a number of efficiencies that we think we can get there. So there is no shortage of efficiencies to be gained.

**Mr HARRISS** - Can I jump back to matters that Bob mentioned regarding open access. We started to talk a bit about the tourist operators, the Don River Railway, the Derwent Valley and so on. What impediments are there, in terms of open access, for these operators to be on the rail now?

**Mr WHITE** - Probably the largest one is in their control and that is getting rail safety accreditation to operate on the main line. Each of the tourist operators in the past went to Pacific National wanting to get on the railway. Pacific National, politely or otherwise, did not do much about that. Instead of a scattergun approach, we have said, 'Let's get everyone together so we can put a consistent framework together and resolve this'. A big hurdle for a tourist operator is to get rail safety accreditation to go on the main line. We are happy to assist, without diverting resources from the very important things we have to do. In addition, there needs to be an internal framework to allow us to handle all those requests and schedule trains around our trains. We must decide whether we provide additional resources to assist in maintenance or assist in recovery - heaven forbid if there is an incident. There are a number of steps that need to be worked through before we can allow a tourist operator onto the railway.

**Mr ANNELLS** - But if they had rail accreditation, and part of that would be if they had insurance, then they could ask for access to the main line and we would give it to them.

**Mr HARRISS** - Wouldn't that be difficult for the Don River railway, given that the access points have been removed?

**Mr ANNELLS** - Pacific National took away several points that they claimed were unsafe, so there is a bill of \$150 000 to put them back. We do not have \$150 000 to put in a set of points for the Don Railway, much as we might want to. Many of these railways run on their own lines and some want to run on the main line. If they want to run on the main line, it is not us being difficult, there are accreditation requirements which they must meet to the satisfaction of the rail regulator. We have some issues as well. Damien is absolutely right, one of the last things we need is to have our commercial operations halted for 24 hours because something has broken down on a single

track and we can't move it. It is not straightforward. We want to be helpful, I would love to see it, but you have to be realistic here. This is a company, a freight railway, teetering on the brink of collapse and we have to be very careful we do not add unnecessary hurdles to making it work.

**Mr HARRISS** - You mentioned, Bob, that Pacific National determined lack of safety and therefore removed the access point. Was that their own unilateral assessment or was that an assessment by a rail safety regulator?

**Mr ANNELLS** - I do not know when it occurred. If it occurred prior to the State taking back the rail, which I assume it did, it would be entirely up to Pacific National. Pacific National owned and operated the track and they were responsible for the safety of the track. If their engineers had determined that the set of points was unsafe, that would be their decision.

**Mr WHITE** - Having said that, they would have had track standards that were part of their accreditation. There are pre-existing track standards, Australasian Railway Association standards, that by and large each operator models their own standards on.

**Ms GIDDINGS** - Those points were removed in 2006, so they have been gone for some time. It was a decision by Pacific National, and I understand they were removed for safety reasons.

**Mr HARRISS** - And given that the State still owned the below rail -

**Mr ANNELLS** - They didn't in 2006.

**Ms GIDDINGS** - We bought that back in 2007 for \$1.

[4.30 p.m.]

**Ms FORREST** - There was a commitment made, I am not sure by whom, that the points would be put back in and replaced when the Brighton Hub ones were. Are you aware of that at all?

**Ms GIDDINGS** - That was raised with me at a meeting I had with representatives of Don River Railway but I am not aware of a commitment having been made.

The reality is that at this point Tasrail does not have the funding to do that work and it is not their highest priority. We would not expect it to be either. There is more that they need to do in rebuilding this company. It gets back to the fact that this is a company that has only been back in government hands for 12 months. So there is a lot of work that needs to be done. But we have certainly and will continue to have a lot of sympathy with the Tourist Railway Society. As Bob indicated, that is why they are doing some work with them. We have asked for that work to occur. I do not know a person who does not love trains, to be honest. I think that is also why it can be a very difficult area. Everybody is an expert on the rail system.

So for us it is going to be managing the expectations of these heritage railways while seeing through the work that is being undertaken if there is a way through the various issues. But finding the \$150 000 for the points work is not something that is easy for Government, out of our consolidated fund budget when we are having to deal with the \$200 million black hole of GST funding. At the moment we are not ready for it anyway. There are so many other issues that need to be addressed before that even becomes an issue. As to whether or not these groups actually are



allowed to do anything on these tracks is an independent Rail Regulator decision, nothing to do with Government or Tasrail, whether or not we can deal with the insurance issue.

**Ms FORREST** - You are not shutting the door?

**Ms GIDDINGS** - We are not shutting the door. The door is open, absolutely open, but there are a lot of issues that need to be resolved.

**CHAIR** - Minister, you said very early in the piece that rail had, I think, an environmental perhaps -

**Ms GIDDINGS** - Benefit.

**CHAIR** - social licence ahead of road transport. Obviously you are aware of the new LNG plant which is going in up at Westbury?

**Ms GIDDINGS** - Yes.

**CHAIR** - And several of your competitors in that respect, the Chas Kellys of this world, will probably be doing conversion to LNG which will give them, could I suggest, an environmental advantage in terms of emission and everything else. As Bob was saying, you do not know what sort of Chinaman he might buy or not buy. I have seen some of the old Chinamen. I had an irrigation pump with them and the pump had a lot of black smoke but we will not go down that track. They might have improved that. I suppose the question is that there are going to be, even if it takes a while to do those fleet conversions for road transport, some challenges there?

**Ms GIDDINGS** - An important point to remember here is that there will always be a role for trucks on our roads and there will, hopefully, always be a role for rail as well. To some extent they are complementary and to some extent they are competitors. I think Toll will use rail, so one of their biggest competitors use trains at times to move their own stock or their containers, the goods they have to look after. So they are complementary and competitive. It is fantastic what is happening in the truck world and I commend Chas Kelly very much for the work of converting semi-trailers to LNG. It is fantastic but it does not mean that you do not need rail. Rail themselves, through the new locomotives, might be improving their environmental outcome as well.

**CHAIR** - As Chair Bob quite rightly pointed out, a major derailment or some other factor may arise which can tip the balance sheet the wrong way. Fuel, of course, is always a volatile factor. Would it be that you might hedge your fuel liability? Is there any way that you can do that? Have you thought about that situation? If fuel went up 40 or 50 per cent that might be a bad day out.

**Mr ANNELLS** - It would be a bad day out.

**Ms GIDDINGS** - That is for trucks as well as trains, though, if it went up that much.

**CHAIR** - Of course, but we are talking about a fledgling company here.

**Mr ANNELLS** - I feel that there are much smarter people than I who have died in a ditch over fuel hedging - I think Qantas or Virgin for the matter.

We have at the present time a very good fuel arrangement. We have it hedged in a way through our contracts with our customers who in fact bear a fair amount of the pain when our fuel price changes and there is a formula built into these contracts. I do not think we will be hedging, Mr Chairman. I think we will rely upon the fact that we can move some of that pain to our customers. I suspect the moment we go down the hedging route we will hedge wrongly and we would all end up in more trouble than we have fixed.

**Ms FORREST** - A lesson for another GBE we had earlier that could do that.

**Mr ANNELLS** - We have a big fuel bill, but we have a very good relationship with our supplier. We have just changed the arrangement under which we buy our fuel. We have offsetting arrangements which take a fair bit of the pain away should it go against us.

**CHAIR** - If I could just go back to the other matter, too, with the infrastructure upgrades. Still the biggest issue is that Rhyndaston tunnel area. Is that the biggest challenge at this stage, that southern midlands area?

**Mr ANNELLS** - It is a very big challenge. I would not say it is our biggest challenge. I think our biggest challenge is to take the degraded state of the system as a whole. Rhyndaston tunnel is an issue for us. We think that there are some ways for us to dramatically improve our performance through the Rhyndaston tunnel for relatively small amounts of money. The Rhyndaston tunnel problem is a ventilation problem due to the fact that the engines are so big now that they are pushing all the air out into the tunnel and so the flow back across the inlets on the diesels is just not good enough to maintain full power. That is the fundamental problem. There is nothing wrong with the tunnel per se. Yes, it has a gradient in it but fine, plenty of places have gradients.

We have been looking at engineering solutions for how best to deal with this ventilation issue for the locomotives. We are also very concerned about the ventilation issue for our drivers who in fact go through there with oxygen masks and goodness knows what else.

**CHAIR** - Sorry to interrupt. On the old Tasman Limited I remember going through it but that was not an issue then. Was it because the engines were smaller or was I poisoned on the way through?

**Mr ANNELLS** - That may explain a lot.

*Laughter.*

**Mr ANNELLS** - All I know is if you put four locomotives in tandem through that tunnel dragging 1 500 tonnes or whatever it is, it is a big ask and the big problem is ventilation. We are looking at various ways to solve that problem and we think we have found one. It has been modelled, it looks good and we are going back to the Commonwealth and saying this is your money we are spending and we want to spend it in this way. I think that will solve that problem. If we have a plan B if that does not work neither of them are huge amounts of money.

The actual lead-up to the tunnel from the Colebrook hill is an issue. It is an issue which our new locomotives will largely address so you have to look at the cost benefit of new alignment up there and you get much improvement in grade and therefore trailing load. We are reviewing all of

that as we are reviewing everything else. We are not far away from forming a view and coming back, firstly to the minister and then to the Commonwealth, with a holistic view over the whole network. When we have done the study and we know every rail link, every sleeper, every bridge has been assessed and we know where our priorities are, we want to go back and say, 'Against these priorities this is how we would like to spend the money'.

**Mr WILKINSON** - Page 18 of the annual report mentions that a safety action plan was developed to fill some safety gaps. Can you elaborate on the nature of the gaps and what you have done to fill them? We have spoken about Rhyndaston and the hill leading up from Colebrook; what are the other gaps?

**Mr ANNELLS** - The first thing that the board did at its meeting - there were three of us on the board then, it was just before we took over - we commissioned two studies. We commissioned a safety study from Michael O'Rourke, who was the head of Alstom in Australia who had just retired.

**Mr WILKINSON** - Wasn't he the gnarled fellow that you spoke about?

*Laughter.*

**Mr ANNELLS** - Yes, gnarled, grizzled, miserable, cussed old goat. He is a terrific bloke.

**Mr HARRISS** - We will send him a copy of *Hansard*.

**Mr ANNELLS** - I will send him a copy of *Hansard*, and he would be delighted.

*Laughter.*

**Mr ANNELLS** - He would think it was a compliment. We worked together for many years. As well, we got an occupational health and safety report done by Tony McKinley. They did, in very quick order, two parallel pieces of work on OH&S and safety. Flowing from those two reports, which the board at its first full meeting had as presentations - it was fairly character-building, I would have to say, because they found a range of issues, as you would have expected - we had our safety action plan - and Damien can elaborate on that - and it had a large number of issues and we are working our way through that. The management reports to the board each month on progress. We have knocked off, I think, all the really big issues and we are now dealing with the staff - that is perhaps more difficult. Based on those plans we went to Government and said, 'We need some initial funding' and they gave us \$11 million at the end of 2008-09 specifically so we could make a start on the safety issues. I can assure you that the board is - paranoid is probably too strong a word, but not too far from it. Once you ask for that report and get it, you had better do something about it and we are.

**Mr WILKINSON** - There were 17 safe working breaches. Is that a significant number?

**Mr ANNELLS** - It is 17 too many.

**Mr WILKINSON** - Do you have targets to reduce this going forward and can you help us with those targets?

**Mr WHITE** - Yes. The targets are progressive and on things like lost-time injuries, medically treated injuries - and these are things that were not previously reported in the old organisation - in most of those cases we are at least halving those targets. It is not about simply picking a number and saying, 'Let's halve it'. As an example, the track buckles and the rail breaks are based around real actions we are taking in the field now that we understand the condition of the asset and the condition of the safety management system.

**Mr ANNELLS** - As for the safe working breaches, the target is zero. Our biggest problem has been that we have a lot of contractors working on the track. It is not that our own people do not have difficulty at times, they do, and we deal with them very firmly, but we have a lot of contractors. There is a process and training that has to be gone through if you are a contractor. It is one of the added difficulties of doing work on rail, there is a whole safety and accreditation regime for anybody who forms part of a works gang. It is not the same on a road or whatever. Every one of those safe working breaches is investigated and we take a very dim view. As well, we have drug and alcohol testing and I think we have had four failures and we have terminated each of those four employees within 24 hours.

**Ms FORREST** - What is your tolerance, zero?

**Mr ANNELLS** - Zero.

**Mr WILKINSON** - I understand there are 120 level crossings in Tasmania. The Federal Government funded 13 advance-warning systems. Are any others needed and, if so, how many more?

**Mr WHITE** - We do not know the exact number of how many more but what we are doing with the Rail Safety Regulator is forming a committee - similar committees exist in other States - and there is a model that is used to assess each and every level crossing to determine whether the right treatment is in place. Our understanding, based on all the work that we have done and there are some Australian standards around level crossing treatment, is that all the existing level crossings satisfy the standards.

That is not to say that we do not want to continue to improve that. We want to work with the Government, with the police and communities around what other things can be done around level crossings. There is a national strategy, they call it the three Es - education, engineering and enforcement. We are focusing on the engineering stuff and we think that we have our house in order. We have been doing a lot of community engagement but again it has been a bit of a scatter-gun approach.

Likewise, in working with police to help them do the enforcement, we believe the way forward is to do it in a much more collaborative manner.

**Mr WILKINSON** - How many crossing incidents were there last year?

**Mr ANNELLS** - I just happen to have that in front of me. Seven months from when we started to the end of the financial year there was one collision, there were six near misses, one 'fail, unsafe' and 51 'fails, safe'. The system is designed so that when there is a failure it goes red. A 'fail, unsafe' is when it doesn't and they are the ones that you really worry about. From the beginning of this financial year, four months, we have had eight level-crossing collisions; no-one would be surprised that we have had people run into the side of our train 300 metres behind the

cabin of the lead locomotive, so they have driven straight into the side of the train. We have had eight of them. We were going through a very bad patch.

We have had 20 near misses. I think the reason that is up is we are now requiring our drivers to report them. Even if it is somebody who drives through 200 yards away, that is a near miss as far as we are concerned. Some of this is just a different reporting standard but it is totally unacceptable and there is a culture in some parts of Tasmania where people just ignore trains; they can see the train but they just drive across regardless of the bells and whistles. We have had no 'fail, unsafe's so far this year and we have had 29 'fails, safe' for the four months.

What are we doing? We have these Commonwealth-funded upgrades. We have gone through and funded new batteries, new battery chargers in every crossing in the State; we have changed them all now, that is done.

We have a much-increased maintenance program. But nothing will stop people vandalising railway crossings. Sometimes they are kids and sometimes they are people who ought to know better. A lot of this is people playing with the level crossing equipment and shorting it out and failing it. At least now it seems we have a system where it fails 'safe' rather than fails 'unsafe'.

**Dr GOODWIN** - Have you caught any of these people who have been tampering with the equipment?

**Mr ANNELLS** - We are not a police force. By the time we get our maintenance people out there they are long gone.

**Dr GOODWIN** - It is pretty appalling that people are doing that because the consequences are very dire, potentially.

**Mr WILKINSON** - What do you class as a 'near miss'?

**Mr ANNELLS** - Anybody who does not obey the appropriate signs. If we have bells and the driver uses his horn and then somebody ignores it, does not stop but keeps coming, that is a near miss.

**Mr WILKINSON** - Even though it could be a couple of hundred metres away?

**Mr ANNELLS** - It could be hundreds of metres away but it is somebody ignoring the rules.

**CHAIR** - Just before Vanessa asks another question, in regard to concrete sleepers: I understand that any curvature under 300 metres requires concrete sleepers as opposed to steel ones and I believe that they are much more expensive, so can you give us a quantum of how many you might need of those?

**Mr ANNELLS** - The issue of 300-metre radius curves requiring concrete rather than steel happens to be the standard we have now adopted. I might say, again, that you could talk to six people in this business -

**CHAIR** - Is that a national standard?

**Mr WHITE** - There is no standard.

**Mr ANNELLS** - A lot of it depends on issues to do with the gradient that the curvature is on. If it is absolutely flat it is a different issue than if it is on a 1 in 40 gradient, or whatever. One of the issues here is what trailing weight are you trying to carry up and around these curves and is it all in one direction; that has an impact on the whole range of issues. I am not trying to avoid the question; I am just trying to say that this is not an easy issue to resolve. We have decided that, subject to being able to source concrete sleepers in Tasmania at a realistic price, because there is currently no concrete sleeper batching plant in Tasmania - people say they will want to build one; we have got expressions of interest which have now closed and I am hoping we will get a reasonable price. Even then you have arguments about are they high or low profile concrete, what weight are they; it just goes on and on. Then what sort of face do you want to lay them in; how many in a row are you prepared to do? We have said 300 metres is where we would like to be but I cannot say that is what we are going to do until we see what the price is.

Again, there is no point putting in concrete sleepers in any section of the track unless you ensure that the foundation on which you are putting those sleepers is solid, there are no draining issues, there is no whatever and that the rail you put on top - no point taking, if you'll pardon the expression, crappy 31 kg rail off old sleepers, putting new concrete ones in and putting the old rail back on top of it. It is not just about concrete sleepers. If you start off on this path thinking it's going to be easy you end up having to redo the whole lot.

**CHAIR** - Yes, but you would have a rough idea from interstate or other jurisdictions of a cost comparison of the ratio between steel and concrete.

**Mr ANNELLS** - We do not know what the cost of our concrete sleeper will be.

**CHAIR** - No.

**Mr ANNELLS** - That is the problem. We seriously do not have a clue. To bring them across on a ship in a container in the numbers that we would need, which would be in the thousands, is just not possible. So we need to get them manufactured in Tasmania. My big fear is that we probably won't have a big enough order to warrant somebody setting up an expensive batching plant to build them, so we will have to deal with that when we come to it.

**Dr GOODWIN** - A couple of quick questions. With your infrastructure work vehicles, you've also had to look at replacing all of them. How far advanced is that?

**Mr ANNELLS** - Well advanced. We are starting to take delivery.

**Mr WHITE** - We take delivery of the first units in January.

**Mr ANNELLS** - It is a major undertaking for us. Quite frankly, when we walked in and saw the standard of the vehicles that we were asking our work gang to operate in and the standard of the vehicles we were asking our drivers to drive when they finish their shift, we, from an OH & S sense and every other sort of sense, said that this could not continue. So part of our request to Government was to enable us to start that program of replacement. You cannot go out and buy hi-rail vehicles, you have to design them and get them built and we have done all that. We have worked with our workforce, we have got the designs, we have bought the chassis and we have put them into the workshop and the first of them come in January.

**Dr GOODWIN** - Then when is the rollout program over?

**Mr ANNELLS** - There will be a six months' rollout.

**Dr GOODWIN** - You'll have them all replaced by then.

**Mr ANNELLS** - We will have them all replaced and then our staff will not live in fear for the transport inspector stopping them on the Midland Highway.

**Dr GOODWIN** - The other question I had was around attracting and retaining the skills base, which was mentioned in the annual report as a challenge because it is a highly competitive market. Are you experiencing any difficulties retaining or attracting people at the moment or is it stable?

**Mr ANNELLS** - We have a very stable workforce, I must say. The turnover is less than 0.2 per cent. However, we have a problem keeping our train drivers. It is a very competitive market in Australia for train drivers. You can get substantially more money than we are able to pay by driving a coal train or a Pilbara train or whatever. We are intent on training some more train drivers. We have some IR issues we are working our way through because, in order to train the drivers you have to have existing train drivers qualified to train. A lot of trains in all of that but I think you know what I mean.

*Laughter.*

**Mr ANNELLS** - That is an imposition on them and we need to work through it. We are working through with them and their union. We want to bring through some new people in terms of apprentices in our workshop. We have two started already and we have two more who will come on and if we need more we will take more. We are very lucky with the quality of the people we inherited who decided they were going to make this work almost to spite the owners. I think things have got better for them, there is no doubt they have got a lot better, but we still have a way to go. Our drivers in particular, in my view, are unsung heroes. I think they are people who have very difficult jobs and this is difficult terrain, very old equipment, heavy loads, middle of the night often, on their own.

**Ms FORREST** - But they do love the trains.

**Mr ANNELLS** - They do love the trains and they love their job but I do not think we should take advantage of that. We need to work with them and try to do what we can. We are upgrading all the cabs and putting in better this and better that, but what we really need are new locomotives.

**Dr GOODWIN** - I suppose they operate year round and in the snow.

**Mr WILKINSON** - Do you have a survey of employee satisfaction so far as jobs are concerned? It would seem to me you have had a very hard task over the last 12 months, extremely hard. When you look at the freight increase over the last 12 months it is significant and obviously it is trending upwards, therefore it would seem that the employees would be saying, 'We're onto something here, hopefully we can build a business from nowhere'. Is that the case with the employees?

**Mr WHITE** - We have not done an employee survey but it is part of our employee engagement plan. A new lady has come on to help us do that. I get out on the track a lot talking with people on trains and working out on the track. I think, as Bob said, they have continued on to spite the owners because generally railway people get a lot of job satisfaction. I think we are now trying to create an organisation they can be proud of by not just being seen in the community as some sort of drain on the taxpayers' purse, that we are growing a business and getting newly-painted locomotives and new uniforms and, as I said, creating an organisation they can be proud of. The challenge for us is, as we want to grow the business we need more staff and we need to be in a position to retain the existing staff and attract new staff, in particular locomotive drivers.

**CHAIR** - Minister, I would like to thank you and your people at the table today for the frank discussion we have had. I think the committee probably appreciates now what a difficult and complex task there is ahead of you. I am a bit cut to the quick about the fact that I might have been poisoned in the Rhyndaston tunnel. You will also notice today that I did not raise the matter of the Midland four-lane highway compared to rail. It is like 'don't mention the war'.

**Ms GIDDINGS** - It is just a matter of timing and promises that can be fulfilled, Greg.

**CHAIR** - I know.

**Ms GIDDINGS** - I thank the committee, too. I would also take the opportunity to reiterate a couple of the points that Bob made there around the workforce. I had the pleasure of meeting some of the workforce on the day we launched the new livery on the train. They are amazing people who cannot get half of their spare parts any longer and they make their own. It is down to that level with the ageing equipment they are working on. They are very dedicated people to this company. I would also commend the board and Damien White and his team for doing a tremendous job over this last 12 months. Signs are looking good for Tasrail, but we also temper that by saying there is a long way to go yet.

**The committee adjourned at 5 p.m.**