

**THE LEGISLATIVE GOVERNMENT ADMINISTRATION COMMITTEE B MET
IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON TUESDAY
11 JUNE 2013**

INTEGRATED TRANSPORT OPTIONS

NORM McILFATRICK, SECRETARY, **BOB RUTHERFORD**, DEPUTY SECRETARY, REGULATORY AND CUSTOMER SERVICES AND **PETER KRUUP**, PRINCIPAL POLICY ANALYST, PASSENGER TRANSPORT POLICY, PASSENGER TRANSPORT FROM DIER WERE CALED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR (Ms Taylor) - Thank you for coming in today. We asked you in because of last week's release of the second business case study. We were pretty much on the way to writing the first draft of the report but because of that we thought we would wait until we saw the business case and discussed that with you. Thanks for making time to come in. I know it has been a busy time for you and for us with Estimates and this is the week when you might have put your feet up. No, never.

Norm, the report has been received with interest. You will be aware, as we are, of the many questions raised by it. We tried to talk about it in Estimates last week but this committee is better in delving deeper into it. Do you want to talk about it in the first place?

Mr McILFATRICK - We will probably talk most about the business case but you will recall what triggered it was the peer review of the original business case. There were a lot of questions in the community, particularly by the people who were advocating that the light rail original business case was flawed. We took that on board and had a peer review. The peer review generally found that the business case was sound. However, one of the things it highlighted was that there was a chance of optimising the model to look at it as a stage 1 shorter trip, which would potentially get the business-plus ratio above one. The original business case was a long way out of that. If you remember we went from Brighton to Claremont to see whether we could get the volume. It is a volume related to how many passengers are on the route.

Two things happened in the business case. One was that the parameters that came recommended, such as changing to some of the parameters in the model were incorporated in the second business case and then focused on taking the model - and just on that Glenorchy to Hobart corridor. My view is that if you can make it work on that, that does not close out the other extension but if you cannot make it work it on the higher population model route, then it would automatically make the whole thing unviable. So we did the business case on that basis.

If you take those two points - one, that the model has been reviewed, any changes to the model, such as things like assumption on parking, et cetera, that were raised to have been incorporated in the new model, and then we have modelled it on with Glenorchy in, with a number of variations around stops, but still essentially focused on the primary reason

being a commuter, a rapid transport commuter model. Some of the extra stops that have been incorporated later on are more towards the suburban commuting and even tourist commuting.

Some of the criticism, as we have seen, has been that it does not extend to MONA. That is not out of the question but it is certainly not in the model because the model is focused on getting a corridor to Glenorchy and Hobart.

We have had to stretch some of the rigorous assumptions in the Infrastructure Australia model because they do not allow some of the externalities to be incorporated. There are a couple of reasons for doing that. One to give the case the best chance but also recognising that this now probably falls below the Infrastructure Australia \$100 million project level. You could say that is a negative but it also might mean there are other potential funding areas that we may be able to go straight to the transport and infrastructure department, or in fact some of the regional development funding that may be around in the future.

I am not saying avoiding Infrastructure Australia was the aim but to take into account the feedback from the community advisory panel and other submissions we needed to include as much as possible into this to test the business case robustness. It is still optimistic. A lot of things would have to happen to make it work but in a couple of the models there is a likelihood we could get a business case above one. That is where we are at.

CHAIR - Thanks, Norm. Why is Infrastructure Australia not our best option for funding when it is funding railways around the rest of the country?

Mr McILFATRICK - Infrastructure Australia is not a funding body. It is the advisory body to the Australian Government on major, what they call, intergenerational and interstate projects. So it looks at projects with what they would say has a national perspective. It would look at gateways between port to port, intercity transport, or linkage for major transit corridors. They have supported a couple of light rail projects -

CHAIR - Canberra?

Mr McILFATRICK - Not so much Canberra but they have certainly supported the Gold Coast one. I am not sure they have supported Canberra. Canberra was a decision of local government with the federal transport department investing in it - I would have to check that.

CHAIR - It seems Canberra is potentially closer to us.

Mr McILFATRICK - Why not Infrastructure Australia - I am not saying we will not go there, the federal minister said we will. We have kept Infrastructure Australia informed but since their initial focus on right across Australia projects of any size, in the last couple of years they set parameters that they would look at projects over \$100 million. In fact, for our nation building submissions that went in, the Nation Building 2 projects, some went directly to Infrastructure Australia, everything went to the transport and infrastructure department, if that was the department that was responsible. What happens is that Infrastructure Australia includes in their projects of national significance,

a list of projects and they are usually above \$100 million. In fact when we submitted the light rail they said it was not within our ambit at the moment.

We have kept them informed, we have sent them an update of the business case, but I believe - I will use the project - that it did not go to Infrastructure Australia. Howard Road and Elwick Road projects went straight to the Department of Infrastructure and Transport, not to Infrastructure Australia, because they are more seen to be local projects.

With regard to Nation Building 2, those projects have been announced. There was to be annual projects around connecting people themes within the Department of Transport and I still expect there will be future looks at projects like this one. However, the gap between the budget and the federal election being only a few months away, it is unlikely that the Department of Infrastructure and Transport will focus on projects like this in the next few months. This is a long-term proposition.

Now we have a business case, it is a matter of whose attention we bring this to. The business case is very much a case that says we would require further work to design and develop the major project for funding but it is certainly a step in the right direction.

CHAIR - How will this business case progress now? What are you going to do with the comments that are being made, and I speak particularly about - you have raised MONA already. We raised this in Estimates with the Minister for Tourism and he said, 'Of course it has to go to MONA, we are looking at 300 000 visitors a year'. While, admittedly, we are looking at it being a commuter rail, why would you not also cater for the tourist market?

Mr McILFATRICK - I certainly believe MONA is a great asset for Tasmania. We were chartered by our minister to look at how to make a viable business case for light rail in Hobart. There is no point pushing an unviable business case and that is why we have taken out the Claremont to Glenorchy leg because the population centre is focused around Glenorchy. If you got the business case up on that basis, would it be a reasonably easy stretch to take MONA into it? Probably - but not in the initial stage because it would probably knock out the business case.

CHAIR - Did you look at the business case with MONA in view?

Mr RUTHERFORD - The report does make reference to MONA. It is not an in-depth analysis, it is a contextual analysis. It makes the point that because of the nature of the elasticity with the price responsiveness of tourists that they are much more likely to use either the existing ferry or car transport than rail. It is a numbers proposition. It is one of things, as Norm is saying, that you could imagine once you had established the service you would build a market to extend to MONA, but it is very difficult to make it part of the initial business case. The numbers they would look at do not seem to be there in terms of the people you can move between modes. You can to move them between existing modes to go to MONA and the writers of the report were very dubious.

Mr FARRELL - I was just comparing that to what has happened when you look at MONA. Before MONA was there, there was no ferry service - or a very limited one to Cadbury - but to see how that has grown and now there is a bigger boat. I was talking to one of the ministers who said it is unbelievable, that you wouldn't think within such a short time

you would see this ferry plying up and down the Derwent. He said it is hard to imagine that 12 months ago even and that has gone from no passengers to quite a large vessel now.

CHAIR - We have seen that everywhere we look.

Mr McILFATRICK - You are talking about close to nine kilometres for the original -

Mr KRUUP - To Glenorchy.

Mr McILFATRICK - and another three kilometres out to MONA. In capital terms, the capex is around \$30 million. If you took the MONA one, you are probably going to be adding another \$10 million to \$12 million in capital for the project.

Mr KRUUP - Plus the need to buy more light rail.

Mr FARRELL - I have read through this report fairly thoroughly. There are a few assumptions - and I have not seen the evidence of it. Following up this committee's trips and study of other public transport options, statements such as 'light rail vehicles are more readily available with standard gauge bogeys' and 'it would cost less to construct standard gauge light rail compared to developing a narrow gauge version with bespoke bogeys'. In Wellington, they had no trouble at all sourcing 3' 6" gauge equipment. There are other assumptions - impact on existing rail users on the line to regauge it. I would have thought the whole value of looking at light rail is looking at using existing infrastructure.

Mr McILFATRICK - To put it in context, there is approximately a \$1 million difference between the standard gauge and the narrow gauge, in terms of capital.

CHAIR - What do you mean, \$1 million?

Mr McILFATRICK - If it was \$30 million to build the narrow gauge, it would be \$31 million to build the standard gauge.

CHAIR - Why would we build a different gauge from the rest of the system?

Mr McILFATRICK - Because there are a lot more of the standard gauge.

CHAIR - We don't need a lot.

Mr McILFATRICK - It is not critical to the business case; this is their preferred option. We could build a narrow gauge or a standard gauge. It is going to be swings and roundabouts. I would not get too carried away about that.

Mr FARRELL - There are some things here - it bases this whole gauge conversion - if this went ahead and they said, 'Gauge conversion is the best thing to do', it has not considered the impacts. It talks about heritage trains undergoing gauge conversion if they continue to run to Hobart: 'This is not a large cost given the small number of vehicles and potentially the use of volunteer labour'. I do not know why that would make it cheaper; they still have to buy the materials, say from the Tasmanian Transport Museum that

already does maintenance on these vehicles. 'Painting a rail vehicle is completely different to doing a gauge conversion and for this reason we suggest that the impact is slightly detrimental'. If there was a gauge conversion it would absolutely destroy any hope for tourist trains running on that line.

Mr McILFATRICK - This is a business case and we have asked them to look at all the options. You have to ask: what are the sensitivities? Whether you have narrow gauge or standard gauge is not going to be the differentiator that is going to get this up. What you would do if you take this forward is say, 'What do we actually want? What does the market look like? So we would start with the existing gauge - is there enough opportunity to get the vehicles at the existing gauge? One of the opportunities that we would have is to improve the ride and speed by going to standard gauge. If you are going to rebuild a railway you should be thinking about rebuilding it to give it the best outcome. In \$30 million, a million or so either way is not going to make or break the business case. The final figures are going to be what they are when you do the proper capital investment planning and the detailed design. This is to give us a number to put in the business case.

CHAIR - That was my original question. So, where does it progress from here? You are saying that the details in this business case, such as gauge and so forth and how many stops even, are not necessarily set in concrete.

Mr McILFATRICK - No, they give you a range. Where it would progress, and generally if we were progressing with the Australian Government, it would be: 'Here's the business case, we are going to be asking you' - potentially the state and federal governments - 'for up to \$80 million' - by the time this came it would have probably escalated to that number. They would generally give us some more money to do the detail design - the route plan, et cetera.

I will use a project you are all familiar with, the Bridgewater Bridge - that is a long-term project, likely to cost between \$300 million and \$600 million in today's dollars. I think we have been given \$3.3 million to do the initial plan; we have just been given some money to do the land acquisition. There is \$15 million in Nation Building 2 to do the detailed design of the bridge and also a down payment on the future building of the bridge at the end of NB2, and maybe the start of NB3, of \$200 million to start the construction. So they are committed to that project because they have given substantial progression money. The Bridgewater Bridge is a much longer-term project than this one but the next phase would be to find a target funder, whether that was a combination of the state and federal governments, and to then seek a few million dollars to do the detailed design. We have spent about \$400 000 on this project to date. That is not enough to get a detailed design; it is enough to do what we have done but it would need at least \$2 million.

The Launceston transport system is an example. We have spent a similar amount of money with Launceston and the councils in the north looking at what their Launceston traffic issues are. We have done traffic studies, we have done a strategic assessment, upwards of about \$400 000, but we need \$2 million to do the planning for the actual solution, not \$400 000. Once you start getting into engineering designs and options analysis it starts to soak up consulting engineering time.

I would say we are going to seek something like that in the next phase of development to get us to the starting point of being development ready. Development ready would be when the funds are available, to spend the \$80 million, then we would be ready to go. That process - generally, the planning and design - would typically take about 18 months.

CHAIR - How would you progress that, Norm, from this? The minister sounds like that he is committed to this?

Mr McILFATRICK - The minister will give us advice after a couple of events that he has this week, I think. There is a forum on Friday that he is attending and his advice to me is to keep Infrastructure Australia informed and depending on his advice later in the week, or early next week, we will take this into the federal agenda by whatever means.

CHAIR - So you will do that?

Mr McILFATRICK - We will, but we will have to take advice from the minister. There is an issue at the moment in that my colleagues in the federal department are not particularly focused on new projects. They have just announced their Nation Building 2 projects and they are approaching a federal election. I do not have the choice to take it into political sphere, but my minister does.

CHAIR - The role of the task force? We are told they are going to meet today for the first time. Who is on the task force? I know it has been announced, but apart from Damon Thomas who commented this morning.

Mr McILFATRICK - Again, that is something organised by the minister's office. He invited a number of people from across jurisdictions - councils, ministerial colleagues -

CHAIR - Who have declined to come - you told us in Estimates last week.

Mr McILFATRICK - I believe so. You would have to put that on notice.

Mr RUTHERFORD - The department will provide secretarial support. The task force is meant to be a level above the agency.

CHAIR - So between the agency and the minister?

Mr RUTHERFORD - The minister was looking to have a set of people on the task force to champion the project and the department would provide the technical support to questions raised by the task force process.

Mr McILFATRICK - So we do know.

CHAIR - Are you going, Peter.

Mr KRUUP - No, I am here.

Mr RUTHERFORD - The head of the branch, David Holt, will be attending today.

CHAIR - You were just saying the department will provide the expert advice, and you three are probably the top guys.

Mr KRUUP - I believe the attendees are the Mayor of Glenorchy, the Mayor of Hobart, the head of our planning commission, Greg Alomes, our minister and minister O'Connor.

Mr McILFATRICK - From my knowledge, minister Green was invited but nominated Greg Alomes to participate on his behalf in his role as Planning minister. The reason we are not attending is because we are here.

CHAIR - Otherwise you would be?

Mr McILFATRICK - Some of us maybe.

Dr GOODWIN - One of the matters that is raised in this business case is around the traffic disruption and the need for more information and evidence around that. Would that be part of this next stage, the \$2 million?

Mr McILFATRICK - Yes. In every business case there are things you could include and you may choose not to. A high-frequency rail service along that line will interrupt traffic in those cross routes - Albert Road, Hopkins Street and those sorts of routes. We cannot have a rapid transport train travelling every 15 minutes or so and not put rail crossing protection in. It cannot operate the way it does at the moment with a freight network. There are something like 17 rail crossings between Bridgewater and Hobart, so those rail crossings will have to be protected as part of the capital upgrade.

CHAIR - We are only talking about between Glenorchy and -

Dr GOODWIN - It intersects with 11 roads.

Mr FARRELL - How does that compare to the normal interruption of traffic lights with opposing road traffic? Is there any greater delay?

Mr McILFATRICK - Ms Goodwin is quite right, it will need to be modelled. We have not included in the business case any detrimental impact on traffic. We have not said it is going to cost the driver more. I would recognise my minister may not see that as a problem because he is the Sustainable Transport minister and wants to see public transport used. He may say a little bit of inconvenience may not be a bad thing.

Mr RUTHERFORD - It is difficult because in conventional cost-benefit analysis the lengthening of the car time is a cost. It would appear as an external cost in the project. On the other hand, one of the oddities of a study like this, because of the mixed of fixed and variable costs, is as the value of travel times rises in the current scenario this project is disadvantaged. That sounds counterintuitive until you realise that under the present scenario a car trip would nevertheless still be quicker, including car time. Light rail is never as fast as a car trip.

CHAIR - You are kidding me!

Mr RUTHERFORD - No, I am not. That is what the analysis says.

Mr McILFATRICK - In Melbourne, it would be different.

Mr RUTHERFORD - On this line, it is never as quick.

CHAIR - I drive from Glenorchy to Hobart frequently. I rarely can do it in the time you are telling the train is going to take.

Mr RUTHERFORD - You must understand, they add in the point to point. They treat a trip as where you start and where you want to end up. The current business case is saying there is a balance of advantage, and you have to keep that clear. If we were to put in an additional cost for the time lost in the car, you then have the added complication with the sensitivity to travel time will also change. Were it to be the case that it became marginally faster on the train than in a car trip end to end, as the value of travel time rises, the cost benefit analysis of the light rail would improve. The trouble with all these things is minor changes can make differences to the project outcome. What we have before us is a benefit cost of over one on at least two of the options. A lot of people were very sceptical that that could be achieved.

Mr McILFATRICK - As to your technology question, most of those routes where the train crosses are not major thoroughfares. They are people taking a route, say from the Brooker into Moonah. But there is not a lot of cross-flow traffic; it is journey traffic.

You can coordinate traffic lights, for instance Hopkins Street traffic lights could be coordinated with the rail crossing. That would not be a big issue. It will cause some disruption to those cross-routes on a 15-minute basis. That is something I think would have been too complicated to put into the business case and on the current figures it may have been a bit detrimental, but the sensitivity would need to be worked on. Once you get into the detail design, you can look at how that sequencing may work, or you could put it into the modelling that you have probably seen on traffic modelling around the Brooker Highway. There are models which allow the user then to look at whether it would cause back-up of traffic, what the standard intersection traffic may be. That would be in the next phase.

Again, I do not think it would be the major concern of the project. The major concern will be if you can get enough people who are going to make the choice to go from a car trip to a bus and a train trip. Generally it will be a bus and train trip unless you are in very close proximity - and are you able to get the bus services to operate in an integrated way with the train that makes it a valued journey for the people. This business case says there is a strong hope of that for the shorter case. If the shorter case works, then you have a lot more capability of attracting funding for the extension. That is why we have looked at the most likely case to be viable.

Mr MULDER - I haven't read the report in full but I am wondering about Moonah and Glenorchy. Has any thought been given for the need for parking for people who want to park and ride? Has there been any thought given to remodelling MTT's approach to feeder services to these particular locations, and perhaps the replacement of express-type service that runs down the Brooker Highway, which would be in direct competition to this? What are the impacts of those?

Mr McILFATRICK - The answer is that it has not been fully modelled but this project would not be viable unless there was an integration of Metro with the train travel. It talks about the future of transport-orientated development, which is a longer-term thing which says once you get a service like this you will get economic benefits along the route.

The case of parking in those areas is a matter of finding the land and being able to provide the large-scale parking, particularly at Glenorchy and Moonah, which is a restricted site. That would be a possibility but it is not a strong indicator that it is a requirement to get this up. It would be a benefit down the track to get growth but to put large-scale parking investment in this as a criterion of it getting up might be another killer to the project.

Mr MULDER - The thinking of this committee has formed a view a number of times that the greatest impediment, particularly for the northern suburbs, to taking people out of cars is that there is unlimited free parking, virtually, on the Domain. I know there are some moves to change that. If you are going to do business models about usages, surely you have to look at the disincentives to move people away from cars. That is one of the problems of taking buses off the road and putting them on the rail - it creates an even greater incentive to go down the roads. I wonder whether you have looked at those types of things?

Mr McILFATRICK - This report looks in a positive way. It is not diminishing the bus travel; it is trying to add bums on seats, if you like.

Mr MULDER - I am asking this in a sense that what your minister said was that he wanted us to have a look at a business case that looked at different options to find one that would work, that the cost-benefit case would work. As part of that retrofitting, if you like, the project to suit the business case, surely these are important elements of that workable business case.

Mr McILFATRICK - There are elements that are in my minister's control, and some that aren't. It is not in his control to limit parking on the Domain.

Mr MULDER - But you would surely look at that as an option to firm up your business case, if you want it to work?

Mr McILFATRICK - If parking rates went up in the city to double what they are now, it would improve the business case. But the business case does go into sensitivity issues.

Mr MULDER - Norm, you are in a business here with this review of retrofitting the project to make a business case, and I am trying to say these are important elements that should be included in your retrofitted business case if you are going to make it work. 'This is a viable option if', is what you are saying - 'we shorten the route' -

Mr McILFATRICK - Yes, sure.

Mr RUTHERFORD - I need to say on behalf of the modellers that they have modelled the parking cost at the commercial rate. So they have assumed that people are paying a commercial rate for parking.

Mr MULDER - That factor has been taken in, so you would have to put a commercial rate on the Domain?

Mr RUTHERFORD - They have basically done it at \$8 a day - I am just trying to remember -

Mr McILFATRICK - Yes, \$8 a day.

Mr KRUUP - Eight dollars as a total cost.

Mr MULDER - Thank you. So the answer was yes, you have modelled that -

Mr McILFATRICK - That was a criticism of the earlier business case, that it included average cost of parking which took into account that a lot of people were getting free parking. This business case, the change in the model, has been to take it to the actual commercial cost. So at \$8, the sensitivity to me would be that if it went to \$16 it would only improve the business case. We are assuming that it will not go below \$8 because that would take the business case downwards. It goes to some of your questions about: could this work better if parking was restricted? Yes, but we have assumed that parking will be restricted.

Mr MULDER - The business case has assumed that there will be commercial constraints at this time?

Mr McILFATRICK - No, it hasn't made assumptions about building large-scale park-and-ride facilities, particularly in Glenorchy and Moonah, because initially they would be high cost.

Mr MULDER - That is why I asked the question about the parking, because it counter-balances it. What it is going to cost you commercially to park on the Domain is now counteracted by what it is going to cost you to commercially park at Moonah or Glenorchy. So perhaps we need to be more restrictive than that.

The other area I am interested in, which you probably cannot answer just yet - is the focus on Metro running a 10-minute express service down the corridor.

Mr McILFATRICK - The work we have done with Metro has been a response to customer surveys which show they want reliability and frequency and to get door-to-door as quickly as possible.

The Moonah main road corridor is an existing route we have chosen to pilot the high-frequency and high-reliability route. Given this business case is not about taking something away from people and giving them something else, it is about adding a new service and the viability of the business case is based on going from about 10 million Hobart-wide passengers a year on buses and keeping it at about that level and adding another four or five million onto the rail.

I believe the improvement in the main road corridor will be of benefit to the light rail because it should get more people onto public transport. The biggest hurdle we have is

not the mode of public transport that people use; it is getting them to move from the car to the mode. If they can move to the main road corridor and then later there is a light rail option available and it is closer and better for them, it will be a simpler move from bus to rail than it is to move from car to rail.

CHAIR - So you would not be looking at running those two in competition with each other?

Mr McILFATRICK - They should be complementary.

Mr MULDER - That has been the experience around the world, Perth in particular. It grew but not to the detriment of other public services.

Mr McILFATRICK - People look at Melbourne as being the international model for light rail and trams but the bus services are just as important. They are complementary. They do not normally run on the same route.

Mr MULDER - The other area of this trial, did I pick up there was going to be something down Macquarie Street?

Mr McILFATRICK - We did put in a Nation Building proposal with Macquarie as an extension of the Kingston park and ride and getting people in from Kingston down Macquarie Street. There was a proposal put in to Nation Building for improvement along Macquarie. It was probably a bit early to get it into the Nation Building program but it is there as a potential future development to improve, particularly at the end of Macquarie Street towards the city, access for buses, to provide a bus lane in that area. However, it is not a current project that has been funded.

Mr MULDER - Are we ever going to see a two three lane or a two four lane across the Tasman Bridge?

Mr McILFATRICK - Possibly, but there are longer-term future issues. Macquarie Street is one area that has been very seriously looked at, as has Main Road. Main Road was the one we believed could be done with less significant impact on the community but a large impact on the travelling public.

CHAIR - The Metro contract - and I am talking about the one operated by Metro for urban services - does that go through a competitive tendering process? If not, why? How do you know Metro gives you the best value for money?

Mr McILFATRICK - The government has made a decision that its services for urban services will be provided by a state-owned corporation called Metro. The way those contracts are designed they are payment for services required by government. Where they are competitive, and there are swings between private and public sector at the urban fringe areas where Metro does not have a mortgage on the -

CHAIR - [inaudible] to see Metro hand in some of those contracts.

Mr McILFATRICK - Mr Farrell would remember the New Norfolk service was handed back to O'Driscoll's, so there have been some changes. There is not a philosophical position at the moment to privatise Metro and in the urban areas it is seen to be that the

scale advantage lies with the large corporation. To have competitive services in the urban network is not envisaged at the moment.

CHAIR - I suppose that is what I asking: have you ever done or recently done an investigation into whether the state-owned-operation model is the most cost effective one?

Mr McILFATRICK - No, we have not done that.

CHAIR - I believe in a previous conversation where we have said Metro has handed back contracts on the urban fringes, one presumes it has been because it was not a viable service, but a private operator has been able to make it a private service.

Mr McILFATRICK - We would only do that if asked by government. This is a policy position of government. I would liken it to the policy decision government has recently to consider selling the Aurora retail business. It is a significant political decision. The departments are asked to investigate how best to make that happen. It would be a significant political decision to open the Metro network to private competition. That would be something you may ask my minister, as to his position on it.

CHAIR - If we could get the minister to come, we would.

Mr RUTHERFORD - There are a number of technical issues with it. The judgment of this sort of operation around the world is that they are natural monopolies. There are scale and scope economics in having one operator run a network. The problem you run into if you start looking at competition on individual routes is that the private operators cherry-pick. They try to bid for those routes which are profitable, leaving the incumbent operator with an adverse selection. It is possible to question, philosophically, the issue of ownership but that is where we have no direction. I do not think the department would support opening up sections of the network to competition because of that.

CHAIR - I am certainly not talking about that.

Mr RUTHERFORD - It is important to have that careful distinction between competition over routes and whether you tender out a whole operation.

CHAIR - Absolutely, and I am not asking or even suggesting there should be competition over individual routes. You are right, and anybody can see that. However, this committee has had some experience in looking at South Australia, Western Australia and Brisbane where government retains control. It puts out a tendering contract for the whole of the service and says, 'This is what we require', and there is competition in tendering for that. That is the sort of model, I suppose. Because we have seen it now in many other places, that is why we are asking if that has been considered here. I hear your answer, Norm, that this is not a question for you; it is a question for the minister.

Mr McILFATRICK - The last time we were asked to look at the whole system of metropolitan and rural transport was the core passenger services review that was carried out and completed around 2008, which informed government where we were heading for the next 10 years. It is that review we used, and endorsed by cabinet, to inform us as to

what the contract framework should be going forward. The date might be a bit wrong, but it was around that period - about five years ago - that was completed and endorsed.

At that time the government signed off to significant changes in the way bus contracts, et cetera, were organised, including a recognition that we have discussed before at this committee about how we could drive down the age of bus fleets in Tasmania. That passenger services review has been very successful in doing that. At that stage there was not even a consideration of changing the natural monopoly framework.

CHAIR - And there was no consideration in that review either of alternate methods of public transport, whether by water or rail?

Mr McILFATRICK - No, it was super clear about the bus -

CHAIR - Bus services only, yes.

Mr MULDER - I think it is well recognised that public transport is a question of public subsidy. I wonder why we have private ferry operators who are trying to deliver public transport, encouraged to deliver public transport and everyone wants them to put their ferries on the river, but there is no subsidy available. You can travel to work in 20 minutes from Geilston Bay or Lindisfarne on the bus and pay \$3, and you can travel from Lindisfarne to the city in 15 minutes and it will cost \$8 to \$10.

Mr McILFATRICK - And you can travel by taxi, so where do you stop?

Mr MULDER - You would travel by taxi for \$20. The social benefit of this is getting cars off the road so that you do not have to build six extra lanes on the Tasman Bridge and that is what you pay the subsidy for. You do not pay it to taxi drivers because you are not taking cars off the road; you are putting them on the road. So in terms of the ferries, to get the social benefit, I wonder why you have never gone down the path of saying, 'We subsidise this to make the cost per kilometre to be the same whether you go by water, road or rail'.

Mr McILFATRICK - We have had some ongoing discussions about ferries, and I think you have had similar approaches from ferry operators. I am certainly attracted to keeping on the agenda the most obvious and shortest route, which we have talked about before, which is Bellerive to Hobart. I have recently had discussions with the general managers of Hobart and Clarence about taking a different approach and looking at whether there would be viable services there. I included Metro in those discussions because if you are going to have something like that work it would need, the same as the light rail, seamless operation with the bus services.

Mr MULDER - But also you have the question of the subsidy.

Mr McILFATRICK - Then it is the matter of 'Is that viable?', and if you are talking about an integrated transport system that is viable, then I would agree with you, you would provide a subsidy similar to the ferry as you would to the bus. But you cannot extend that to any possible transport mode because it has to be viable and integrated with the core system.

We are exploring ways we can look at that at the moment between the general managers and myself. One of the things we have considered, and I have talked to the minister about it, is doing a value engineering study which brings in the community and the thinking around it. But it would be, to be clear, just on that route itself because if we can make that work, we may make others work but if we can't make that one work, others may struggle.

Mr MULDER - I am wondering about this intermodal thing. I have spent enough time in Melbourne and places like that that and have used them, and my experience was that most people did not do the intermodal thing. They did not jump on a bus to get to a train station to get to the tram network in the city. They would drive their car to a railway station and get off in the city loop somewhere where it suited them. Or if they lived on a light rail service they would walk or drive to the railway station and use one service. I wonder whether we are putting an awful lot of energy into the intermodal side of things when people want to park and ride. They do not want to park and ride and change and ride and change and walk to work.

Mr McILFATRICK - It has changed, particularly in the corridor routes in Melbourne, where the parking at some rail stations is not as available as it used to be as property values have increased. Each system has its own network. Our network does not lend itself to - the volume that is required to make things viable - walking or using a car - because once people are in the car in Hobart, they are unlikely to change because the difference -

Mr MULDER - That gets back to the ability to park cheaply and closely to where they are going to go.

Mr McILFATRICK - Even for an \$8 average that is unlikely to change. It is not going to be a big category changer but if you can get them into public transport as close as possible to their home they have the choice of not hopping into the car and then they can find that there is an integrated way of getting there. That is the best solution. I am not saying that park and ride is not a solution.

Mr MULDER - They are human beings, and they do not always take the best solution. They take the most convenient one.

Ms RATTRAY - I just want to follow up on the task force. We have talked about how important integrating the transport would be for the city of Hobart. Is there a Metro representative on that task force?

Mr KRUUP - I do not believe so.

Ms RATTRAY - Would you consider that would be important if we are going to try to link the modes together?

MR McILFATRICK - The minister, Mr McKim, is the minister for Metro so he is the portfolio minister. So he would certainly have Metro advice coming into that task force and it has our advice, so I do not think there would be a problem at this point. He was trying to make it a more high level above the departmental level approach in

terms particularly looking at political stakeholders along the route - political both local government and state political representatives.

Ms RATTRAY - I have never had a feeling that Metro is looking to embrace an integrated transport mode. That may be wrong but that is my feeling when we have spoken to Metro in this forum and outside this forum under Metro scrutiny. It has been suggested that there are other modes of transport but they have never been excited or have never given me the impression that it is something that they are really keen to explore or even looking to complement their business.

CHAIR - Or integrate into their business.

Ms RATTRAY - That is right.

Mr McILFATRICK - Certainly that was why I took the Chairman of Metro along with me when I was discussing with the GMs about the ferry, and this is very early days and Ron Ward was very supportive of looking at Metro being part of the solution if it did go in that direction, very early days with those GMs. If ferries are going to get up or light rail is going to get up we will need Metro to be a willing and able partner. There will be integration. In fact, we have tried to get the transfer time down as close to zero as we can. That is another positive about the business case: it assumes that you will be able to transfer from the bus to the train in a very minimal time, not that you will be standing waiting for 10 minutes at the train when you have just hopped off a bus or there is no integration at timetables. It has to work in a way that would not encourage people to just hop in the car because it was easier.

Mr MULDER - The problem with the eastern shore taking that thing though is once you are on the bus why the hell would you get off it? It is going into town anyway. This is about how you structure the thing.

Mr McILFATRICK - That may come down to, as you say, some incentivising around the subsidies.

Ms RATTRAY - Norm, I did not ask the minister last week when we talked about sustainable transport in his portfolio, but the inducements or the trying to get people to share carpooling - do you know if there has been any more success than what we have which was very minimal in the beginning.

Mr McILFATRICK - We have not had a lot of success. Again, it is part of the culture of Hobart that -

Ms RATTRAY - Everyone goes by themselves

Mr MCILFATRICK - They do and everyone has different sort of time constraints and priorities. Some people have school children they need to drop off. We have even tried it internally at DIER as well and it has been a difficult thing. But we encourage it, we encourage matching through a program in peoples diaries. It is a difficult thing - to get Hobartians in particular, I guess Tasmanians in general - to move away from the comfort and the individual flexibility of a car.

Ms RATTRAY - And be able to do what they need to do at any given time. It seemed like a really proactive sort of program but it just has never seemed to have hit the mark, from the feedback I have had.

CHAIR - Following on from that, Norm, in Estimates last year I remember seeing that internally you were going to offer some public transport incentives to the department and members of staff of the department for subsidised bus travel. Did you do that? Did it work?

Mr McILFATRICK - We did. There has been a take-up by those people who are public transport devotees. I would have to get the numbers for you. Through a tax ruling we were able to give our employees a salary sacrifice Metro card - not give it to them, they purchased the Metro card. But because Metro was owned by their employer, we were able to get a tax ruling and that has been successful. The last time I looked we had 30 or 40 users.

Mr KRUUP - I think it is up to 60 now.

Mr McILFATRICK - Given that most public transport is in Hobart, inner Hobart employees would be around 10-15 per cent who have taken it up.

Mr MULDER - So you save about 20 cents on a \$3 ticket.

Mr McILFATRICK - If you buy a Metro card anyway, you get a volume discount. Say you are on a tax rate of 30 cents in the dollar, you are saving another 30 per cent on that card because you are able to salary sacrifice and pay for it tax free. You are saving approximately \$1 for every \$3 you spend and the Metro card gives you that additional bonus anyway.

Mr MULDER - I will look forward to you doing a similar deal for me on the ferry then.

Mr McILFATRICK - Possibly.

CHAIR - Are you extending that to the rest of the government departments?

Mr McILFATRICK - Like all good things, they sometimes come to an end. I believe the tax department is changing the rules. I have had a bit of a heads-up that the ability to get salary sacrifice benefits for what is own products, which has been previously endorsed by the tax department, may be under review. Before we took it to the whole state service, we had to make sure. We only have a tax ruling for DIER. It should be applicable to the rest of the state servants but there is no point going through all that - there are administrative issues - for a small department such as ours they are not large, but for a large department they would be - and then have the tax department pull out.

We are actively looking at that at the moment but I do not want to promise something I cannot deliver. It would be a great thing.

We just did it on trial. It has been running approximately 12 months, but I have this small inkling that maybe someone might be going to pull the rug out from under us. If the tax ruling was applied for the broad state service, I would definitely recommend to other departments that they take it up. The administration is within the normal human

resources payroll and many people have deductions for lots of other things. It is not a huge task but we have to make sure it is a long-term thing. We will take that on notice and take it up with the tax department.

CHAIR - Norm, just broadening the ferries a little - and I hear what you said and what Bob said in Estimates last week about the direct, short route - I was astonished last week in Estimates when I asked about what had happened to the transit systems proposal, which both minister O'Byrne and minister McKim have. It was handed to minister O'Byrne on 1 March and, despite the fact that transit systems have a number of times asked what has happened to it, they had had no response at all.

When I asked about this in Estimates last week, Bob gave us a list of eight or 10 reasons why this proposals absolutely would not work. I was surprised because I had had no feedback and neither had transit systems. We asked the minister if he had met with them and he said no, he hadn't. I was surprised at that because I would like - and I am not advocating here by any means for a transit system - but I am advocating for the potential of a ferry service on the Derwent.

Mr McILFATRICK - When I mentioned the cross-Derwent I was approached by the Clarence and Hobart Councils so I met them. I was not trying to say that was an alternative to anything else.

CHAIR - I wanted to know why that had not been looked at except by the department?

Mr McILFATRICK - Again, you asked the minister last week; I was not there unfortunately. We have looked at it.

CHAIR - You obviously have because you have all these good reasons why it will not work.

Mr McILFATRICK - We have analysed the proposal but there has not been another step in the process where we have come back together with a transit system or other. Often these things are about someone putting up a proposal and us commenting on it and then them going away and refining their thinking because it never ends up being a one step.

CHAIR - They have had no reply from you, from anybody.

Mr RUTHERFORD - The remarks made at the previous estimates, and my memory may be faulty, but I remember the minister going through those points rather than me.

CHAIR - He may have read them out but he said they had come - sorry, Bob.

Mr RUTHERFORD - No, it is important. The reason it is important is that -

CHAIR - It may not be you.

Mr RUTHERFORD - No, no it is more the sequence of where we are. The department read what was given; the department comes up with a list of issues with it. The next step would normally be some progress with someone who made a proposal to test the reaction. And I think what was intended from the minister was to say that is where we are up to rather than - because that is all that we have done. We raised a number of

issues and I do not have the materials with me today, Chair, but one of the key issues is likely to be the level of subsidy required on the operation as I understand it.

CHAIR - There could be any number of issues that is not the point. The point I am making is that they put a proposal which DIER has obviously been asked to look at and you have made some comments on. I cannot see that there have been any further steps. It may be that you only completed this recently. I have no idea and I am sure you are right in your memory that it was the minister who read them out but I did then ask the minister, 'So have you met with these people?'. He said no, they have not asked me for a meeting, and I am not quoting exactly here, and he saw no reason for having a meeting with them unless they asked him for a meeting. I said what about a response to the proposal and he said we get proposals all the time and look at them but I see no reason why we need to respond to every proposal we get.

So it sounded to me very much like this was: here was a proposal, we have looked at it and said no this is wanting and there will be no further action. So are you telling me that indeed there will be further action?

Mr McILFATRICK - No, I am not, but if I could put it in context. Normally where government would respond to proposals is if they have a strategy which says we think there is a viable service of such and we would either call for expressions of interest or we would engage with someone who is proposing. If the strategy was we think there is a viable cross-Derwent or multi-Derwent ferry operation then we would probably need to go to tender, or to call for submissions. But, in my view, they put an unsolicited proposal to government. We have looked at it from the department's point of view and said it has some deficiencies but we have not been asked by the minister to re-engage and develop it into a full proposal because it is not currently the government's view that ferry services on the Derwent are viable.

CHAIR - But the government does not know. Nobody knows if it is viable if you have not tested it, surely? That is the whole point isn't it and isn't that the point about innovative transport and looking for public transport solutions that you would look at ideas.

Mr McILFATRICK - That is right. That idea has been looked at but what I am saying is if we were confident that there was a viable ferry service, that there was a demand and a possibility of a ferry service being viable for the Derwent, we would probably seek expressions of interest and build it up. We would not just respond to one proposal.

CHAIR - Absolutely not. But you say that 'if' we were confident that ferry service would be viable. If you were confident that something was viable, any time, then no new things would every happen because you were not confident that the business, that a rail line would be viable.

Mr McILFATRICK - I am not being negative about this proposal. I am just saying that at the moment there is no government agenda to develop ferry services right across the Derwent.

CHAIR - Or even to investigate them?

Mr McILFATRICK - We have investigated the viability previously under the studies that we have done over the last five years and it does not -

CHAIR - Ten studies over the last 12 years.

Mr McILFATRICK - They have not come up with what we see as a viable service where we would take it to the government and say, this is worth investing your capital and operating subsidy in. But this one has come since and we have had a look at it and we will take advice from the minister. But I do not think it is the last contact we will have with this organisation. It is our initial assessment and if they want to engage, we would engage. It is not our job to respond to everyone who has an idea.

CHAIR - Absolutely. But you would have to say that ferry services and this type of ferry service is more than an idea, and it was not a half page proposal they sent to you. In fact, you have done a very detailed response to it, I thought. All of the comments you made, that the department made, were negative. There was not one thing that said this might be a good idea, that the minister read out - they were all negatives.

Mr RUTHERFORD - The context is, the department starts from the position that we would like more modes and more activity.

CHAIR - Does it?

Mr RUTHERFORD - Of course and ferries, I think most people living in Hobart remember ferries -

CHAIR - That is the first time I have heard from the department in this integrated transport committee that the department would like to have more modes of public transport.

Mr RUTHERFORD - Over many years we have tried to look at different options and push them. We always come to some fundamental obstacles. We come down to the critical mass of Hobart and its long linear dispersal. We come to the difficulty that often to trial some of these options requires an upfront and unavoidable, large investment in infrastructure. Ferries, in particular, cause you big problems like that. In this case, and it is the moving feast with these things, we also face the serious issue of DDA in dealing with new operations because there is no evidence that we would get an exemption from the application of the -

CHAIR - You would not seek one, surely.

Mr RUTHERFORD - But then it does take you into significant higher upfront costs. The problem with things where one is innovative and tries is that it is a big bet upfront essentially.

CHAIR - It could be.

Mr RUTHERFORD - It could be. Perhaps it is in the heart and soul of an infrastructure department that because we are used to making big bets upfront, that is what we do, but we are also very aware of the risks of spending an awful lot of public money on infrastructure and finding that it is stranded when the experiment fails.

CHAIR - Absolutely. I am just saying that there has seemed to me to be a reluctance, certainly in my time in this parliament, which is not very long, and my time in local government, to be proactive in looking at potential. I hear what you say about the size of Hobart and the linear structure but it is not the only city in the world where that has happened or where that is the case.

Dr GOODWIN - There must be some prospect here because you said you are going to look at the value management study -

Mr McILFATRICK - I did preface that by saying I was approached by those two councils and I believe that ferry services are potentially viable in Hobart. But if you are trying to look for a viable ferry service in Hobart, it would probably require subsidy but may be worth investing in, you would start with Bellerive to Hobart or close proximity where there are commuters. You would not start with Bridgewater to Kettering to get a viable service.

CHAIR - No, but you might start with Geilston Bay rather than just Bellerive to Hobart.

Mr MULDER - Or some of the other options. I will give you my journey to work if I chose to do the ferry, Norm, on public transport. It would be to go the Shoreline Shopping Centre, jump on that node which is a 10-15 minute bus services and in peak hours there are express ones running. What you are suggesting to me is that I would make the decision to walk to the Shoreline, get on a bus, get off at Kangaroo Bay, then walk down to the ferry terminal and get on a ferry, which would drop me further away from my work than if I had stayed on the bus.

The point with the ferry issue is it is not necessarily the wharf - and this is why Bellerive is the worst place you want to do because there is no park and ride there - but you could, for example, do something underneath the bridge where there is a massive amount of park and ride. The access to the old floating bridge is there, the abutments are there, you would not have to do much to put a floating pontoon onto somewhere like there where people could drive to the base of the bridge and catch the ferry.

Mr McILFATRICK - Certainly the eastern shore solution isn't about Bellerive. It could be about Rosny or Lindisfarne.

CHAIR - Yes, Lindisfarne, where you already have some infrastructure.

Mr McILFATRICK - By using the cross Derwent rather than the long Derwent - my view is if you can make ferries work there you may extend it, but you will not start with making it on the transitional service right up and down the river. That is unfortunately what the proposal we were commenting on for the minister was.

CHAIR - I don't think that is quite fair. I have read the proposal and it gives a number of options. It says it could be extended to this or it could be small; they are not saying this is the only option. You are absolutely right, it would need to be targeted, but the ferry service that started earlier in the year - and I am not sure whether it is still running - from Bellerive to Wrest Point -

Mr MULDER - The Ron Howard one - I think he is still running the Wrest Point one but that is a specific one targeted to the school.

CHAIR - I know, but again that is one of those things. The university and schools are there and it is much quicker for the students to come across the river straight to there and walk to the university and the schools.

Mr MULDER - There is an example there. Rod got no traction and he has pulled the service from Lindisfarne Bay, despite the fact there is plenty of room for park and ride there, because people were just not coming there. Why would they bother with that when they can jump on the bus and get into town a lot cheaper? That is this subsidy thing. We are always doing this value case but we need to have a look at it and ask, 'What does it cost us today to move people from one avenue to the other?'

Mr McILFATRICK - The value case looks at subsidy as well.

CHAIR - I suppose that leads to that other question: road projects under DIER subject to the same cost benefit analysis modelling as has occurred with the northern light rail or would occur with, say, ferries.

Mr McILFATRICK - Yes, because we are required to do PCR costings for all our projects.

Mr FARRELL - Following on from that, when you look at the various projects, I think the rail has a few advantages over buses and ferries that I see - and I am not sure what the annual Metro bill is for diesel, but I suppose we could find that out - the light rail corridor, if that was to run on overhead or ground electrics, that money that would be going outside the state to oil companies would be paid back into a government-owned body, which I think would be a very attractive thing for -

Mr McILFATRICK - The future retailers that we are about to -

CHAIR - Until we sell the Aurora customer list.

Mr FARRELL - Hopefully, it all goes back through to the generator but that is an advantage that ferries cannot provide and buses cannot provide. I do not know if that is taken into account when you look at the energy costs and where it actually goes to. There is also, as mentioned before, the DDA compliance and we have seen this in New Zealand with their new 3'6" electric trains are all compliant - you go straight in off a level area that has wheelchair areas and that can adapt to bicycles and that is something that the rail has over the ferries and over the buses.

The other thing that should be taken into consideration is many years ago a government made a decision to put our most socially disadvantaged people a long way away from the services that they rely on for their -

Mr MULDER - Do you mean New Norfolk?

Mr FARRELL - No, I am talking about Bridgewater and Gagebrook people. These people are really reliant on it. These are the real users of public transport because many of them have disabilities and find buses awkward, and they do not have the frequency that they

require to get into doctor's appointments and these type of things they have to go to in the city. I believe if they had better access to other parts it would help address some of the social issues.

CHAIR - They do not have to go all the way into the city, if it is commuting. You can commute from Bridgewater to Glenorchy or wherever you work.

Mr FARRELL - All our universities are in town. It would open up a whole lot of areas that currently we do not just because - I think as far as a timetabled service goes a rail system is not subject to other traffic and delays and these types of things. I wonder if they are taken into consideration when these studies are looked at because even the energy costs should almost come off the top to say -

Mr McILFATRICK - Certainly the environmental impact of a light rail is lower than the environmental impact of a bus service, and that is generally the case for trains. Even diesel trains are more efficient than diesel buses. Certainly the social inclusion element has been tried to be modelled in here. In the original business case the reason that it did stretch out at least to Claremont was to pick up your issues. But it became a financial consideration about whether the investment would generate the amount of traffic that was justified. So that is why we have moved back to the Glenorchy one, not because we want to further socially disadvantage people but we are trying to make a viable business case here.

Mr FARRELL - The other issue with that, too, I would have thought that somewhere out further like Claremont, that sort of area, there would be more available land to build a depot that has to go somewhere. If it is just Glenorchy into Hobart then I imagine you would have to construct your service facilities and depot probably at Glenorchy. I thought that it might open options even if it operates from the new Brighton area.

Mr McILFATRICK - The real multipliers here are the capital expense and the per kilometre looks like to me about \$3 million a kilometre to improve the track, and then the cost per vehicle, if you like, that is on the track. So the way this business case has been structured is around about a \$30 million capital investment and around about a \$15 million investment in the vehicles.

The longer you go you have to add more vehicles to get the frequency, and the longer you go you have to have the capital. So every kilometre adds \$3 million and probably every three or four kilometres adds another \$5 million. That is the basis of the thing. The further we go out you can use those rough numbers and you start to get into way north of \$100 million. Whether you go with the standard gauge or the narrow gauge, if you assume you want to have the frequency that we are talking about, all this modelling comes down to that. Can we afford \$70 million to \$80 million? This business case says there is a good chance that would have a good business case. Can we afford \$120 million to \$150 million? The previous business case said that would be not a viable option. In fact, the peer review said that.

So we have been guided by both the original business case and the peer review, but one paragraph in the peer review that gave us some confidence was to say that it may, it may, be viable if we looked at the shorter route and that is what we have done with the

business case. We did not just use the peer review to change the parameters of the model. We used it to say where is the next step we might look at.

Everything you have said is correct but we are talking about the possibility of getting \$70 million to \$80 million project up versus the unlikely event of getting \$120 million to \$150 million up.

Mr FARRELL - The thought behind the whole process would be to look at this as an extendable option?

Mr McILFATRICK - Yes, to me, this is a stage one that would say, yes, it could be extended if you had this up and running. To get this up and running, and to make the investment work, and I think the operating costs are around about \$2.5 million to \$3 million a year, but for operating costs of that much and the capital investment if we could move 5 million or 6 million passengers a year that would be a very good public transport system and then give you the ability to extend it.

The extension is not rocket science because it is about adding carriages and adding track. The corridor would be maintained so therefore we have the ability and obviously the first one you would want to look at and may even look at it as an option B if you like in the first stage development would be the main option but it would have to be done on a different set of parameters. Maybe if we had just invested a huge amount in the ferry you might be the first people to come up and say maybe you should wait a while before you put the train in to make sure our ferry service is viable. All these things do -

Mr MULDER - Are you suggesting we take the ferry service half way across the river to see if it is viable and if it is we will extend it?

Laughter.

Mr McILFATRICK - No, I am talking about the MONA ferry. The MONA ferry, if you have been on it, is a fantastic new service. I am saying if we were lucky enough to have tram -

Mr MULDER - There are infrastructure problems with that too. Everyone says oh yes, just point to the river. You can get in there a lot faster than you can get out because of the shallowness of the bay and it actually spends 15 minutes chugging into the centre of the bay because it cannot fire up in the shallow water. It cannot get up on the plane so there are all sorts of little issues there. Everyone says it is wonderful to see it going up there and people are using it but the time constraints is this little hidden thing. To get from MONA back to the city yes, you can drive faster than a car because it has to go out into the river, it cannot get up on the plane -

Dr GOODWIN - There are bus services they can catch back as well, or they can cycle back. There are so many options.

Mr MULDER - So why do we need a train for?

CHAIR - That is the point though, isn't it? When the MONA ferry started it had far fewer passengers than it does now. What it has done is taken people off the road which is what

we are talking about in terms of public transport but it is expensive and it takes a long time.

Mr FARRELL - It is a different market.

Mr MULDER - We are not talking about commuting.

CHAIR - Yes, that is right, but if you wanted as a tourist to get from the city out to MONA to have a look, the train would be a very viable option as well. People catch the bus now which is road transport so if it replaced anything it might replace the bus.

Mr FARRELL - I would suggest, Norm, if you were looking at going to MONA it would make more sense to go to the Claremont area anyway.

Mr McILFATRICK - What I am saying is this is a case that is supported by the business case that we have, an opportunity to take this forward for funding. If we try to take forward the whole project for funding we might as well give up today.

CHAIR -Okay.

Mr McILFATRICK - This is the business case that should be acceptable to future funders providing we do a bit more work on it. But who those future funders are - it might be the federal and state governments, obviously - we have an opportunity to promote this project through our minister, and that is what I presume he is looking to do.

CHAIR - Norm, can I take you back to the original business case that was done because you will remember I think, I think I remember, that it was targeted towards IA. Do you remember that we said in the end it is probably to be Infrastructure Australia so the parameters will be, which is why the reason that all the social factors were not taken into account, social inclusion and the potential for economic development and all those kind of things were not taken into account -

Mr McILFATRICK - Because the parameters did not allow it.

CHAIR - Yes. So if you are now saying that it is possibly not going to be Infrastructure Australia that this project will be going to but rather to say the Department of Infrastructure and Transport, do they have the same parameters?

Mr McILFATRICK - They have the same parameters but they are probably a little bit wider in their social and environmental impact. So this has been stretched.

CHAIR - Yes, obviously -

Mr McILFATRICK - The second one if we refit this back into the previous business case it would not make a huge amount of difference. So it does make a difference to this case at the margins but it has some stretch beyond the IA parameters because we felt that there would be multiple opportunities to take this funding forward.

CHAIR - I did feel that you had not gone terribly far in this second case.

Mr McILFATRICK - We have gone as far as we can.

CHAIR - Health - I do not recall seeing anything about it.

Mr McILFATRICK - No, we have gone as far as we can to support what we know people look to in business cases like this for transport. If we put a whole lot of blue sky in there, and things that may or may not be included in assessments, then we are probably tripping ourselves up and kidding ourselves. I think this is supportable whereas I know that the other benefits but they are not going to be assessed by funding bodies.

CHAIR - I suppose that is where I am getting to. There are so many other benefits too. Tony is right in terms of car park availability but, basically, whether it is for a ferry terminal or whether it is a rail a large proportion of your passengers are going to be people who can actually walk there, within 500 metres or 800 metres or whatever. So they will not actually be using their cars and apart from the fact that that gets them off the road it also means that they are then walking a kilometre a day.

Mr McILFATRICK - It is not as large as you might think. It is a proportion but it is not half - most people are going to use another mode of transport to connect to the system, probably buses.

CHAIR - That is certainly not what they have found in Brisbane in terms of the ferry terminals. I know that there are more people living around the ferry terminals in Brisbane but that was not the case when they started 16 years ago. It is the case now because the suburbs have actually - there are two main transit ferry terminals have developed since.

Mr McILFATRICK - This report does take into account that in the future there would be transit-oriented development. But that is not there now so there would be infill and those things. In terms of getting the business case up you have to deal with what you have at the moment and the services you have at the moment, and at the moment it looks like the Glenorchy to Hobart is something that can be taken forward which is a positive.

Mr FARRELL - Just further on that there are quite a few different plans of where to have a terminal in Hobart. I know that this is all Option A, Option B, Option C. Would it be considered currently where the alignment looks a natural fit towards the end of Mawson Place. I am wondering what the extra costing is on the other options to take them up through the city streets. That appears to me that it would require extensive modifications to the current plan would.

Mr McILFATRICK - We have looked at a couple of terminations and certainly once you start getting into the main thoroughfare corridors it becomes difficult. Would you talk about that, Peter.

Mr KRUUP - On page 6 of the operational appendix, we go through a lot of criteria and the idea was to try to get a terminus that was as close as possible to the centroid of the CBD. That is very important because that minimises walking distance between the light rail service and people's places of work and retail, and also good access to bus services. There was not precise costings but the further you go it is going to cost a prohibitive amount of money to get right into the middle because you are disrupting all sorts of

different services. We found that an optimal compromise was to get into Elizabeth Street between Macquarie and Davey Street. That was very central and it was relatively cost effective to do so.

But there are many different options there but that, on balance, seemed to fit with all the different points.

Mr McILFATRICK - That is the areas that currently [inaudible] adjacent to the Town Hall.

CHAIR - You just have to cross Davey Street.

Mr FARRELL - The alignment through the old rail yards, through Macquarie Point, I imagine that is being looked at being retained?

Mr McILFATRICK - Yes, but again, the alignment can change depending on what happens with the Macquarie Point development. One of the options in the business case is to have a dedicated stop at Macquarie Point. You build up from a three stop option to a six stop option, and in the six stop option it is Macquarie Point. But that would probably be most viable when Macquarie develops into what it could be in the future rather than what it is today.

Mr FARRELL - The initial stage you would be looking at Glenorchy into the Mawson's Place area?

Mr KRUUP - No. The business case proposes the terminus is adjacent to Franklin Square between Macquarie and Davey.

Mr McILFATRICK - Coming up a bit further where the bus stop is.

CHAIR - Is that going to be uphill?

Mr KRUUP - The engineers are confident that light rail vehicles can go up hill.

CHAIR - I understand what you are saying about encouraging people, as close as possible. But I have the fantastic advantage of having a parking space here at Parliament House and it is five minute's walk to anywhere in the CBD. If you stop at Mawson Place, it is basically the same thing.

Mr McILFATRICK - Mawson Place and just around the corner is the place. If you wanted to go further -

Mr MULDER - This is the whole problem with the transport thing. It is only five minutes to anywhere in the city and it is only 20 minutes from one end of the greater city in a car, and that is what you are facing. That is why the car is so convenient.

CHAIR - But most people cannot park at their work. They park in a parking place and then they still have to walk to work. I would suggest that many of them would walk that five minutes, except for us.

Mr MULDER - There is a health benefit we would lose, or have you factored that into the business case?

CHAIR - Exactly.

Dr GOODWIN - Throw in a hill and it is even better for them.

Mr MULDER - Sorry, we should not be arguing against the Chair, we should be supporting her.

CHAIR - No, you are supporting me.

Mr KRUUP - We did do the analysis in the previous case that optimal terminus does generate a higher benefit cost ratio and that is why it is part of this business case. Benefits exceeding the costs involved.

Mr McILFATRICK - There are photographs of those options in the report but we would not see a huge value in going further than that. Once you are into Mawson or close to Franklin Square, you can walk anywhere.

We will confer with the minister about the next steps in this but seeking funding options from the federal and state options, and in particular keeping Infrastructure Australia informed. I have said that this is likely to fall below their threshold, which gave us the opportunity to extend the parameters a bit towards those that you would say are not strictly financial benefits but the social and environmental benefits which were not allowable in the original case.

CHAIR - Exactly. Thank you very much for your time. I am sorry if we seemed to be grilling you a little about this before but it is important to inform our committee report.

Mr McILFATRICK - This is the most positive report we have had, so let's give it the best chance.

CHAIR - Absolutely, and the minister is obviously supporting this as he said in Estimates last week. That is really good. Thank you.

THE WITNESSES WITHDREW.