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Ms Natasha Exel
Committee Secretary
Legislative Council
Parliament House
HOBART TAS 7000

Dear Inquiry Chair

Written Submission - North-East Railway Corridor

At the City of Launceston Council meeting on Monday 24, September, 2018 the Council considered its position in respect to the future use of the non-operational North-East Rail Line.

The Council determined to:

1. ***note the recommendations of the Tasmania's North-East Rail Corridor Assessment of Launceston and North-East Railway and Rail Trail Proposals Report prepared by the Department of Treasury and Finance and dated July 2018; and***
2. ***agree to write to both the Dorset Council and the Launceston and the North-East Railway organisation to urge them to work together to develop an agreed outcome whereby both the rail trail and heritage railway can successfully co-exist. This correspondence will also outline the Council's preferred outcomes of:***
 - a. ***the heritage railway running from Turners Marsh to Wyena rather than ending at Lilydale; and***
 - b. ***the rail trail project be extended from its current end at Lilydale Falls to the Lilydale Township and that the Dorset Council be urged to request additional funding from the State Government for this to occur.***

The following information was provided in the above mentioned Council report.

"For some time the Council has been monitoring the progress of two projects which have been proposed for the non-operational North-East Rail Line, which runs for approximately 64 kilometres from Coldwater Creek to Scottsdale (refer

blue hatched line in Figure 1). Pacific National closed the line to rail traffic in 2004, with TasRail taking over responsibility for the line in 2007. Since this point, the rail line has been retained on a care and maintenance basis.



Figure 1

The two projects for the rail corridor are as follows:

North-East Rail Trail

Proposed by Dorset Council, the North-East Rail Trail project involves converting the railway line to a multi-recreational trail for bike riding and walking. The rail trail would link to an existing rail trail between Scottsdale and Billycock Hill.

Launceston and North-East Railway

Launceston and North-East Railway (L&NER) is a volunteer organisation that has proposed a tourist railway to run on the North-East rail line from Turners Marsh to Scottsdale. L&NER is operating in conjunction with the north-east residents and farmers.

The Council has elected to maintain a watching brief on the proposed future use of the North-East Rail Line as there has been, and remains, little ability for the Council to influence the progression of either project as the State Government (TasRail) is the rail corridor manager and the majority of the line is located within the Dorset Municipal Area. The section of line between Lilydale and Turners Marsh is located within the City of Launceston and therefore, the Council does have an interest in the L&NER proposal and a small section of the Rail Trail to Lilydale. However, it is very clear that the State Government is the ultimate decision maker for the future use of the rail corridor, not the Council.

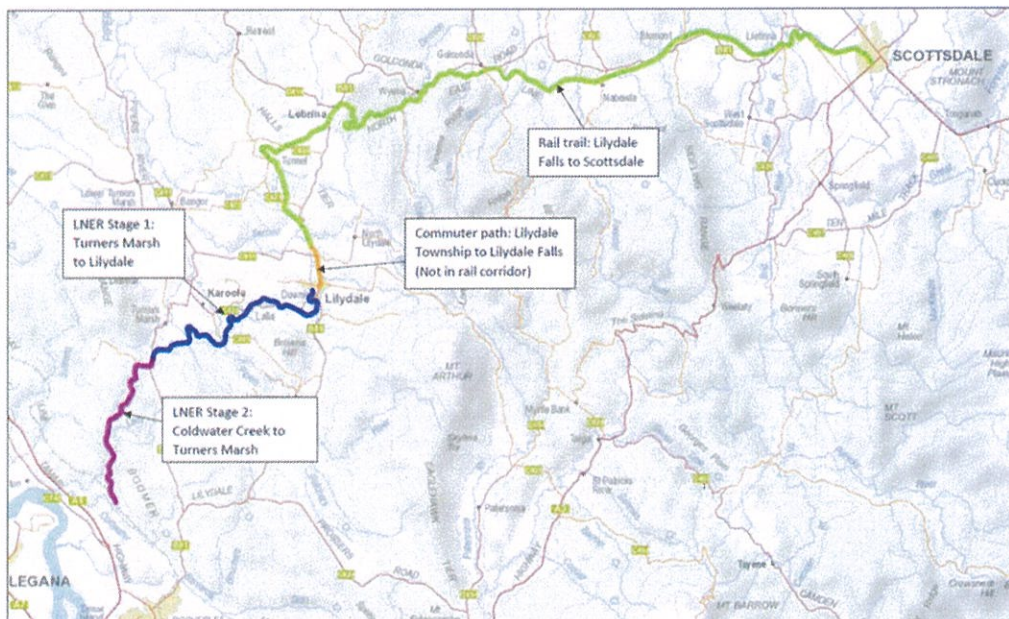
State Government Position on the Projects

The Department of Treasury and Finance recently completed an assessment of the two projects, to evaluate the costs, benefits and risks of the two proposals that

would allow the Government to make a decision on the future of the rail corridor. A copy of the assessment report is included as Attachment 1. It is noted that this assessment did not examine the option of a co-location of a rail trail and the L&NER proposal along the full length of the corridor. The Department stated that this would require widening of the cuttings and embankments, a deviation around the tunnel for the rail trail and the need for separate bridges or cantilevers by the existing bridges. The cost of this option has been estimated by Raylink Consulting at approximately \$50 million and therefore the co-location option was assessed as unviable.

The State Government believes that both projects have the capacity to generate economic and employment benefits, both directly and indirectly and therefore, the Government has decided both parties deserve the opportunity to develop the North-East Rail Line to maximise the chances of both projects becoming viable tourist attractions. The State Government position is outlined below:

- The Scottsdale to Lilydale Falls section of the North East Rail Line will be used to establish a cycle trail with a walking and cycle pathway to be created adjacent to the road between Lilydale Falls and Lilydale township (refer green line in Figure 2);
- The section from Lilydale to Turners Marsh will be offered as stage one to L&NER to gain accreditation and operate a heritage rail service. Subject to successful completion of the first stage, the section from Turners Marsh to Coldwater Creek will be made available and subject to accreditation and scheduling access to the main Launceston to Georgetown line will be considered as well (refer blue and purple line in Figure 2).



Source: The List, Tasmanian Government

North-East Rail Corridor (Indicative)

Figure 2

The Government believes that this compromise proposal will provide a Heritage rail experience over a total of 21.5 kilometres of non-operational line between Coldwater Creek and Lilydale, as well as access to the 52 kilometre TasRail operational line between Launceston and Bell Bay subject to accreditation and scheduling. In terms of cycling, the proposal allows the Dorset Council to continue what they have started with the existing rail trail between Scottsdale and Billycock Hill being extended to Lilydale, providing around 70 kilometres of cycle ways in total.

The Government believe further that allowing both parties to develop their projects will both minimise the costs and risks involved to each party and maximise the chances of both projects becoming viable tourist attractions servicing the State's north east.

Drawing on information from the State Government's Treasury report the following section of this report considers both of the proposed projects in more detail.

Rail Trail Proposal

The Dorset Council successfully applied to the Australian Government's National Stronger Regions Fund (NSRF) and received \$1.47 million in matching funding for the total project cost of \$2.94 million in early 2015.

A Steering Committee comprising members of Dorset Council, the local business community, the Rotary Clubs of Central Launceston and Scottsdale, and the Lilydale community and Progress Association has formed an Incorporated Association to manage the project.

The Dorset Council has advised that it would seek to be appointed as corridor manager for the relevant areas of the North-East rail corridor. Part of the rail trail to Lilydale Falls is located with City of Launceston and Dorset Council would need to apply for a Planning Permit for this section of the corridor. The Council has not been approached to assist in the funding of this section of the project and at this stage it is not proposed to financially support the project. However, it is noted that the project currently concludes at Lilydale Falls and it is considered essential for the successful operation of the project that the trail be extended to the Lilydale township. It is recommended that further funding be sought from the State Government for this to occur as part of this project.

It is reported that some landowners adjacent to the corridor do not support the rail trail proposal. For much of the rail corridor, there is no fencing separating the corridor from adjacent farmland. The concerns of landowners relates to riders and walkers entering their land and potential damage to crops or disturbance to livestock, threats to biosecurity, fire and the loss of privacy. There are also concerns that the trail would be used by motorised transport, particularly motorbikes. However, it is noted that the State Government Treasury assessment was unable to find evidence that significant adverse outcomes have occurred on existing rail trails.

The North-East Rail Trail Preliminary Demand and Economic Benefit Assessment, prepared for Northern Tasmania Development (now Northern Tasmania Development Corporation) in 2014, estimates the annual demand for the rail trail at 22,800 users after five years, with around 58 per cent local users, 24 per cent from interstate and 18 per cent international visitors. The demand is projected to increase to 35,300 users after 15 years. The State Government's Treasury report stated that 'Several studies have found that successful rail trails can provide very significant economic benefits to local communities. For example, a recent New Zealand study by the Ministry of Business, Innovation and Employment estimated that, for the 22 Great Rides in New Zealand, the annual economic benefits were \$NZ 37.4 million. Key businesses to benefit were tourism accommodation, shops and cafés, guided tours, cycle shops and bike hire companies, and shuttle providers.'

Launceston and North-East Rail Proposal

L&NER proposes to develop the line in several stages. The business model prepared for the group is predicated on L&NER relying heavily on volunteer labour to restore the railway line and associated infrastructure, section by section, and also to contribute to the operation of the service and undertake regular maintenance. It is also proposed that labour under the Work for the Dole employment program is utilised on this project.

L&NER's Business and Strategic Plan, produced by On Track Consulting in October 2017, sets out a four stage approach comprising:

- Stage 1: Lilydale to Wyena;*
- Stage 2: Lilydale to Turners Marsh;*
- Stage 3: Wyena to Scottsdale; and*
- Stage 4: Turners Marsh to Coldwater Creek.*

It is intended that the service would initially be offered at weekends and public and school holidays, comprising around 150 days per year, increasing to almost 290 days per year once the line is complete. L&NER has stated that the product offering could grow to include wine and food trains, or event-based services. A private sponsor is restoring a diesel railcar on private ground at Karoola adjacent to the rail line. L&NER holds the rail car under a signed loan agreement with the owner. L&NER advises that it has access to other locomotives and passenger carriages.

OnTrack Consulting sets the target number of passengers at 22,500 after four years of operation, increasing to just under 60,000 after 20 years. Total consolidated annual revenue of L&NER is projected to increase from just over \$200,000 in the first year of operation to \$1.8 million after 20 years. The Treasury report point out that L&NER has not undertaken market research to support this level of projected demand and that the estimates are significantly above the initial estimates in the report by Sarah Lebski & Associates of just under 5,500 in the first year rising to just under 11,000 by the third year.

The OnTrack Consulting report contains estimates of the economic impact of the L&NER project. This includes an estimated total economic benefit of \$9.8 million after the first five years, including indirect effects and the value of volunteer labour. However, the Treasury report concludes that the level of economic benefits "are unlikely to be achieved if they rely on the levels of patronage, and therefore tourism expenditure, in the Business and Strategic Plan".

L&NER has also engaged BobV Rail to examine the condition of the line and estimate the rehabilitation costs. The only cost estimate available is for the line from Lilydale to Wyena, which is \$110,388 and includes a contingency of 20 per cent. However, the State Government's Treasury report points out that in its report to Infrastructure Tasmania, Raylink Consulting estimated the following rehabilitation costs, assuming zero cost for rails and sleepers:

Stage of Line	Cost (\$)
Turners Marsh to Lilydale Falls	\$5,560,314
Lilydale Falls to Wyena	\$3,974,968
Wyena to Scottsdale	\$6,334,427
Total	\$15,869,709

The significant difference between Raylink and BobV Rail for the Lilydale to Wyena section is partly due to Raylink using commercial rates for labour, as Raylink was not able to assess how much labour would be available from volunteers or under the Work for the Dole employment program. The Department of Treasury and Finance was not in a position to comment on the robustness of the different cost estimates, but pointed out that the National Rail Safety Regulator will assess whether the L&NER's proposed approach to a range of issues is consistent with the relevant safety standards, such as for crossings, and this may have a significant bearing on the initial capital costs. They further state that, 'notwithstanding the technical advice and support L&NER has received to date, there may be a gap between the safety standards that L&NER has been assuming, and the requirements that the National Rail Safety Regulator may impose. This is assessed as a significant financial risk to the project'. For instance, insurance broker Jardine Lloyd Thompson has assessed the proposed operation and has recommended a public liability coverage level that is ten times the level to which the L&NER quotation applies. This represents a further significant financial risk to the project costs.

Discussion

The Council has been aware of the Dorset Council's Rail Trail project since the successful application to the Australian Government's National Stronger Regions Fund (NSRF) in 2015. Since this time the Launceston and North-East heritage rail project proposal has developed and has been presented to the Council on several occasions.

The Council has elected to maintain a watching brief on both proposals as there has been, and remains, little ability for the Council to influence the progression of either project as the State Government (TasRail) is the rail corridor manager and the majority of the line is located within the Dorset Municipal Area. The section of line between Lilydale and Turners Marsh is located within the City of Launceston and therefore, the Council does have an interest in the L&NER proposal and a small section of the Rail Trail to Lilydale. However, it is very clear that the State Government is the ultimate decision maker for the future use of the rail corridor, not the Council.

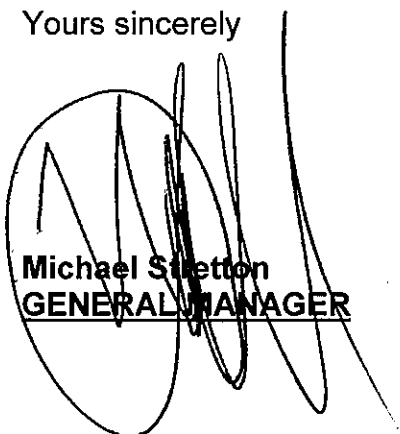
Whilst the Council is generally supportive of a heritage rail project for the line, the current L&NER proposal does not categorically demonstrate that it should be favoured to the exclusion of the rail trail project. For instance, valid questions around the cost of rehabilitation of the line and public liability insurance create significant uncertainty around the robustness of the business case, which has been prepared as a basis for decision making in this matter.

It is considered that the State Government has completed a competent and balanced assessment of the two projects and developed a course of action by which both proposals can be developed in a complementary manner. There are successful examples of tourism rail and rail trails operating in tandem around the world and an opportunity exists here for a similarly successful operation to be established here.

The Council agrees with the State Government conclusion that both projects have the capacity to generate economic and employment's benefits, both directly and indirectly for the Northern Region. This said, however, it is noted that the rail trail project currently concludes at Lilydale Falls and it is considered essential for the successful operation of the project that the trail be extended to the Lilydale Township and it is recommended that further funding be sought from the State Government for this to occur as part of this project. Further, the Council believes that a successful heritage rail operation should run through to Wyena to provide maximise scenic value and appeal and to provide linkages to nearby tourism attractions. It is recommended that these alterations form part of an agreed outcome between the Dorset Council and the Launceston and the North-East Railway organisation...."

We thank you for the opportunity to provide feedback into the inquiry on the North-East railway corridor.

Yours sincerely



Michael Stetton
GENERAL MANAGER