



PARLIAMENT OF TASMANIA

TRANSCRIPT

LEGISLATIVE COUNCIL

GOVERNMENT BUSINESSES SCRUTINY COMMITTEE B

Tasmanian Railways Pty Ltd

Wednesday 4 December 2024

MEMBERS

Hon Tania Rattray MLC (Chair);
Hon Rosemary Armitage MLC;
Hon Luke Edmunds MLC;
Hon Mike Gaffney MLC; and
Hon Meg Webb MLC

WITNESSES IN ATTENDANCE

Hon. Kerry Vincent MLC, Minister for Infrastructure, Minister for Local Government

Stephen Cantwell, Chair

Steven Dietrich, Chief Executive Officer

Josh Bradshaw, Corporate Affairs Manager

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The committee met at 9 a.m.

CHAIR - Welcome everyone here for this year's GBE scrutiny, and we start today's with Tasmanian Railways, which we usually abbreviate to TasRail. Thank you all for being here. I will introduce the people who we have on our side of the table. Then, minister, I'll ask that everyone either introduces themselves or you introduce them.

First of all, Luke Edmunds, Rosemary Armitage, Tania Rattray, Meg Webb and Mike Gaffney. Our secretariat support is Simon Scott and we also have James Reynolds, who will be joining the Legislative Council next year and we're pleased to welcome him today. And we have Henry on *Hansard*.

Minister, I know you have a brief overview and we'd be happy to have you provide that to the committee and then we'll launch into questions. Thank you.

Mr VINCENT - Thank you, Chair. I have my Chief of Staff, Tim Lovibond; on my right; I have Stephen Cantwell, the Chairman of TasRail; next to him, the CEO, Steven Dietrich; and Josh Bradshaw; and in support behind we have Stephen Kerrison; Kirsten Woolley and Joe Tidey.

CHAIR - And Richard Wilson.

Mr VINCENT - Richard from my office with Al as well. You'll notice the theme of today is 'Stephens' in the room, so if you say 'Stephen' -

CHAIR - Somebody will answer.

Mr VINCENT - Somebody will answer.

CHAIR - Thank you, minister. Also, congratulations on this area of responsibility that you have as a minister for Infrastructure.

Mr VINCENT - Yes. Having been out and about, it is exciting. Although I'm very new to the role and limited exposure to some parts of it, every aspect I am enjoying and have an opening statement if that's okay?

CHAIR - It certainly is.

Mr VINCENT - TasRail has produced another strong result for 2023-24 with growing and sustained volumes across various markets.

This position is reflected in a 6.3 per cent increase in net tonne-kilometres.

It can also be seen in the near-record volumes of 20-foot equivalent units with 85,163 TEU on rail for the financial year. This is a huge amount of freight not being carried on our roads. Further sustained growth was also achieved in ship-loading services out of the Port of Burnie. TasRail owns the state's only open access bulk mineral ship loader providing 500,000 to 600,000 tonnes per annum of export materials, minerals, ship-loading services to the industry.

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When I was at the Burnie port a few weeks ago, I was impressed to see the new shipload was installed on the port in September this year and it's when you get down alongside of it, it is an enormous project in all aspects. Since installation, the new asset has loaded over 100,000 tonnes of the product for the mining sector.

The 2023-24 financial year also saw the successful completion of tranche 3 of the Tasmanian Freight Rail Revitalisation Program. This \$96 million program saw the delivery and installation of 11 level crossing upgrades, five new turnouts and nearly 45,000 metres of new rail and an enormous just-under 26,000 new sleepers. During 2023-24, work also continued on the Locomotive Life Extension Project that involves the refurbishment of critical 2050 and 2000 class locomotives. This \$15 million program will see eight of these legacy locomotives overhauled, providing an additional five to 10 years of operational life. The first refurbished 2050 class locomotive is now in service.

TasRail will also continue to focus on community behaviour and safety in and around level crossings during 2023-24.

TasRail recorded eight collisions and 311 near misses at level crossings over a six-year period between July 2018 and June 2024.

More than \$2 million funding from tranche 4 of the Tasmanian Freight Rail Revitalised Program has been allocated to level-crossing safety improvements and upgrades across Tasmania. Since the program began more than a decade ago, more than \$20 million has been spent in this area.

In conjunction with Rail Safety Week this year, TasRail launched an online video campaign, what's it going to take? - a simple question, but very effective. This initiative aims to heighten awareness of level-crossing safety and encourage responsible behaviour among road users through the personal stories of TasRail team members. It is an area we all want to see improve.

In my short time here, I've been very impressed with the work of TasRail, Chair, and I welcome questions.

CHAIR - Thank you very much and minister, we will go straight to the level crossings. There have been 11 upgrades in the last financial year that we're looking at and yet we've got a significant increase. Can we have some understanding of whether it's just driver attitude or whether those upgrades are not meeting their expectations on safety?

Mr VINCENT - I'll certainly do a summary and then pass over to the executive to answer.

CHAIR - We've gone from 2022-23 of 39 level-crossing fails to 68.

Mr VINCENT - Yes, it's quite a significant jump. I might add also we have received notification from the federal minister, Catherine King, that it has been agreed that instead of 50-50 funding for level-crossing work that is now agreed federally to be funded 80-20 and that over the next three to four years there will be another \$8 million spent on identifying and rectifying some of those situations.

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CHAIR - How many level crossings are likely to be able to be upgraded with the \$8 million over that period?

Mr VINCENT - I will hand over to the CEO to answer that.

Mr CANTWELL - I will make a couple of couple of comments to create some context and then hand over to the CEO to provide that kind of detailed information on numbers and so forth.

First of all, it's important to say that TasRail adheres to the national standard for level-crossing safety assessment. There is a national approach; it's called Australian Level Crossing Assessment Model. Every level crossing within the TasRail network is assessed and reassessed according to the ALCAM model. That model defines what level of protection - be it boom gates, level flashing lights or, at the other end of the bookshelf, cross arms and stop signs, which is appropriate for level crossing. Every single crossing in the system is assessed and reassessed to ensure the appropriate level of protection is provided.

In terms of the numbers, what we're seeing is a lot more road activity, a lot more interaction between the road and the railway on the system. With the heightened level of emphasis that the company places on level crossings and level-crossing safety, we are seeing an increase in the reporting of level-crossing incidents and near misses, so that explains the increase in numbers.

I'll hand to the CEO to give some further detail on what actual upgrade works have been done and what an \$8 million upgrade program buys in terms of level-crossing investment.

CHAIR - My question was that we have already seen that the company provided 11 level-crossing upgrades but there have been no inroads into the number of incidents and that's really the basis of my question.

Mr DIETRICH - I understand. It really comes down to community behaviour. To give you some context, we operate 108 active level crossings across the state, which is bells and lights; 72 passive level crossings. There are 180 road level crossings across the state that intersect with 16 councils. We then have 172 private level crossings and 109 stock level crossings, which is 281 private level crossings which gives you a total level-crossing number of 461 that TasRail, as part of its below rail function, manages. That's a lot of interaction with the community.

What we have seen is a clear demonstration of poorer attitudes on the road, particularly across the north of the state through the regions of Spreyton, Devonport, right through to Burnie.

We had a very serious collision with a log truck that failed to stop at Westbury; very clear signage, big stop signs, and it just did not stop and careered into the train. This caused a significant derailment, and significant stress for our driver, who has a young family by the way.

CHAIR - I expect for the person driving the truck, as well. They wouldn't have gone unscathed.

Mr DIETRICH - No, no, no, it was very serious for them. If it was only a fact of another few centimetres, there could have been a very different conversation we're having here today around the tragic circumstances of what that incident could have involved.

We've spent \$20 million on level-crossing upgrade safety, everything is compliant with the Australian standards, over the last four years. We've also spent \$7 million on a transfer from road safety from the Department of State Growth that we've invested into further upgrades of level crossings to improve the safety of those.

While I think of it, just for the committee's attention, we're actually closing the Midland Highway at Conara this Saturday night and upgrading that level crossing in the Conara Midlands Highway. If you've been travelling over it, you can see some of the asphalt's breaking away, which is making it unsafe for the train. We're working all through the night, but the Midland Highway will actually be closed for half an hour from about 11 p.m. to 11.30 p.m.

CHAIR - I did notice that sign as I travelled yesterday.

Mr DIETRICH - Yes, to upgrade that level crossing. One thing that does concern me is that level crossing is still in a 110 kilometre zone as well. If you drive around Victoria, all the level crossings in the regional areas, the speed restrictions have been dropped to 80 kilometres. We're having some discussions with the roads authority to look at that.

We also get some questions around why we don't put more boom gates around the state. We're certainly evaluating what boom gates can provide in terms of increased level of safety. I can tell you in the last 12 months, the only set of boom gates we've got at Brighton - people have driven through them twice, crashed through the boom gate and then kept going.

We could put in all the technology improvements and the deterrents. One person has a choice at a level crossing and that's the road user. Our train driver doesn't have a choice. The trains, they're 3000 tonne trains, one kilometre long, they can take up to a kilometre to stop, and of course they can't turn left or right. Only one person has a choice at a level crossing and that's to obey the road rules.

Further, we've increased the technology on the locomotives. We've put new video cameras. What we're doing now is we're being able to capture more of the people offending at our level crossings. Between driver reporting, our campaign of What's it going to take, and better technology that's picking up the vehicles not doing the right thing at the level crossings - this is what is helping drive those statistics.

Mr CANTWELL - There's not really a relationship between the amount of investment that has been done in those level-crossing upgrades and the numbers of incidents between 2022-23 and 2023-24. As the CEO has said, we have better reporting, we have better capability to capture the incident. The reality probably is that there are level-crossing incidents that were there but unrecorded in those prior years.

Mr DIETRICH - I sit on the TrackSAFE board, which is TrackSAFE right across Australia, and we're seeing it right across the mainland as well. Tragically, it was 12 and a half months ago that we saw the tragic incident of two Pacific National drivers who lost their lives on the Victoria/South Australia border with a truck failing to stop and careering into a very

large train. This then formed a roundtable discussion across all the railway industry and governments around how we improve level-crossing safety right across the nation.

I'm pleased to hear the minister speak about some funding that the federal minister, Catherine King, has provided, that will look at further adding to our works programs. This will see more level crossings converted from passive to active, and improve signage, improve site clearances, and our ongoing campaign around educating the community, to get into schools. I'm not sure if you heard, but I could jump on the radio any opportunity, particularly in Rail Safety Week. Recently the Tasmanian Transport Association held its gala awards. I borrowed a conductor's uniform from the Don River Railway and I operated a makeshift level crossing and boom and allowed every guest through once they saw the train pass on the screen, I opened up the boom gate and let people up the elevators at the paranapple centre. Really trying to get that education -

CHAIR - I hope that was during the day and not on the evening.

Mr DIETRICH - Yeah.

CHAIR - They might not have been taking enough notice. Thank you. We'll wait and see because I'm sure the federal minister will want to see some improvement if they're providing 80 per cent funding into upgrading crossings. I'm sure they want to see some better numbers here. We'll come back to that next year.

Mr DIETRICH - One thing I'll add further, we are looking at grade separation and how we can reduce the number of level crossings across the state.

CHAIR - My last question before I send it up and down the table is around the ship loader. On time and on budget, is that correct?

Mr DIETRICH - There were some changes to the budget over a period of time because for this ship loader we got granted the funding back in 2018; we tendered through the COVID period and as we've scoped this project, the scope increased. We moved from \$40 million to \$64 million, but that's also with a significant amount of additional scope and the scale of this machine is huge. We've gone from what the previous machine was, about 170 tonne, to a 280 tonne machine, with all the environmental and safety benefits. As we further worked with our contractor, COVA Haywards, this machine and all the infrastructure was built in Tasmania. We can be very proud that something of this complex nature and this machine could be built by Tasmania. It basically employed 140 FTEs throughout the whole project. It's an absolute credit to Tasmania and its people. It did have some increase in cost.

CHAIR - From \$40 million to \$24 million, significant increase.

Mr DIETRICH - To \$64 million, but that's all about scope and it's also about improving the berth with a much bigger machine. The original \$40 million was just to buy the unit, then we needed to do berth upgrades, further infrastructure, and we also needed to do more works inside the bulk minerals export facility to make sure the whole machine could be fully utilised to its capability. We've moved the old machine from 1000 tonnes per hour to this machine, which will now do 2000 tonnes per hour. That means ships in and out of port quicker, saving customers and industry money. Definitely gone up in some level of expenditure. Fully

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supported by the Australian Government, it's a fully 100 per cent funded Australian Government project, so very much acknowledge the Australian Government for their support.

We've got further funding to expand the bulk minerals export facility by 18 million. This now becomes an \$82 million project between implementing a fantastic asset for all Tasmanians and also expanding the bulk minerals export facility, which will take us from storage capacity of about 130,000 tonnes to 150,000 tonnes, really pulling back the curtains on the shop window that we're open for business and allowing those other opportunities, particularly in the north-west region for mining.

CHAIR - Was the wharf upgrade undertaken by TasRail or by TasPorts?

Mr DIETRICH - By TasRail.

CHAIR - Minister, there's a bit of on time, on budget, or thereabouts.

Ms WEBB - Was there any interaction needed with TasPorts or was it entirely a TasRail project?

Mr CANTWELL - There was a lot of interaction with TasPorts.

Ms WEBB - Did that go smoothly for you guys?

Mr CANTWELL - There are always challenges in a complex and complicated project. We risk-assessed the project at the very front of the process and identified that working through commercial and licensing arrangements with TasPorts would be a many-factor process. We kept working through it and got the outcome that we've got.

Ms WEBB - Was that part of your project planning from the outset?

Mr CANTWELL - Part of our project planning from the very outset was being sure that we had the resources and focus necessary to tick the boxes that TasPorts required us to tick going through.

Ms WEBB - Was that documented in some form of MOU or partnership agreement with TasPorts as you progressed?

Mr CANTWELL - Yes. There is a development agreement that was documented between ourselves and TasPorts. Over and above that, along the way, we didn't drop the ball in terms of communication. Several times we called for, myself and the CEO travelled to Melbourne to meet with the chair of TasPorts to talk through issues that may have emerged as speedbumps along the way. We documented the conversation, we sent the document back to the chair of TasPorts to get confirmation that our understanding from the interaction was the same as TasPorts'. We asserted a very high level of communication discipline along the way.

Ms WEBB - It sounds like a really proactive approach that you took, which no doubt helped. There were no problems with that interaction that held up the project's progress?

Mr CANTWELL - No. We wouldn't say it wasn't a challenging process. Different organisations have different modus operandi and one just has to understand that we do business

differently and you sort of have to come to terms with that, and charter course through the process.

Mr VINCENT - Got to remember, too, that it's an operating port that's flat out all the time with limited space. And even to assemble a new ship loader while the other one's there operating, then decommission and swing over in the middle of a flat-out area of the port, was a challenge in its own right.

Ms WEBB - In terms of the commissioning/decommissioning process, is there anything that was notable in that? Did you have any issues around the commissioning side of things? Is the decommissioning now complete or still in progress - where's that at?

Mr DIETRICH - I'm happy to answer that. Thanks for the question, Ms Webb.

The commissioning process is complete from a point of view of dry and we're actually in the middle of the back end of wet commissioning. I'm very pleased to say, we decommissioned the existing facility and built the new one within four weeks. It's quite an incredible feat. But that's what our customers said to us, which we needed to make sure we picked the window that we could really pull the old one down and put the new one up. Through that commissioning process, we had probably on average 96 personnel on site working 24 hours a day, seven days a week. The old facility came down within three days. Huge amount of truck movements to remove that facility. The new one was put up with about six cranes over 300 tonnes and multiple Franna cranes that erected the facility all within a week.

If you remember in Tasmania we had that week of wind that nearly blew every tree down across the north of the state. Our teams worked through that. It was by the good leadership and management of our chief projects officer Steve Kerrison, who foresaw potential weather, that we then upped the workload for our people there to build this thing before that wind event happened. We experienced 100-kilometre winds on the port while we were building this machine. We were able to commission it and accept the first ship on 1 October for our very valuable customer from Rosebery. We have now loaded since over 100,000 tonnes, up to 109,000 tonnes, with another two ships coming in before Christmas for our three to four customers who are operating at the moment.

The decommissioning, the whole existing facility has been removed from site and it's all gone, and basically all the lay-down areas on the berth between berths 5 and 6 have been handed back to TasPorts.

A very, very complex process, but very proud to say, between TasRail, the project team, COVA Haywards, and working with industry, we took the old one down that had been there for 50 years and got this new one up all within four weeks a remarkable - I'm just noticing the Chair's looking at the photos and you can see the comparison between the old and the new and there's just no comparison. It's night and day.

And the features of our new machine are just incredible. So, really futureproofing this activity, a whole seamless integrated supply chain for the north-west, all the mining customers that we support, thousands of jobs, for the next decades to come and for all the people that work on it and their families. So, a fully integrated, seamless, pit-to-port solution that this unit and system will deliver for years, for decades to come.

CHAIR - Why the cost of the new ship loader being impaired over previous years and not into the future, given that there has to be expected benefits? So, we need to understand that, because the question is being asked by some very wise people.

Mr CANTWELL - Yeah, it's an interesting nuance associated with the financial structures of TasRail. So the reality for our track and this fixed infrastructure is that the volumes across the railway aren't sufficient to get from the market a revenue that's sufficient to recover the economic cost of providing the assets. We get the asset funded through the Commonwealth. In terms of the shipload, it was 100 per cent funded through the ship loader. The charges that we're able to extract from industry aren't sufficient to deliver a return on that investment. Therefore, under the accounting rules - and I'll defer to the CEO and he may defer to the CFO for a more detailed explanation of it - but under the accounting rules, we are obliged to impair the assets. You'll see right through our accounts, as we invest in the Infrastructure Investment Program (IIP) each year there is a significant impairment of the TasRail assets. That's writing back the actual cost of the investment to a level that the business can sustain, from an accounting perspective.

CHAIR - Even though there are expected benefits, they're still not to the level that is required under the accounting standards?

Mr CANTWELL - That's correct.

CHAIR - I can see about five heads nodding at the back, so sounds like I've got it right.

Mr CANTWELL - You've got it, Chair, precisely right. When we put these proposals through the state and through the Commonwealth, the PPR process requires us to do a benefit-cost analysis, and that takes into account the overall economic benefit that accrues to Tasmania by having a kind of a safe-effect of export mineral supply chain.

CHAIR - What's happened to the old ship loader? Where's that gone?

Mr DIETRICH - Been scrapped. Been recycled.

Mr CANTWELL - Cleaned and scrapped.

Mr DIETRICH - Cleaned and scrapped and gone. These assets are very much economic assets - strategic economic assets to the benefit of industry in Tasmania, for the state. If you want to go into some level of detail, we impair it under the AASB 136 and the ongoing -

CHAIR - We don't need that much detail. I'm doing a good job to understand the rationale behind it, thank you.

Mr DIETRICH - It sounds counterintuitive, but the bigger the impairment, the more investment that's going into Tasmania.

CHAIR - I want to head back to the level crossings before I go to Mr Edmunds, so Ms Armitage.

Ms ARMITAGE - Thank you. A question I had with the level crossings - do you work with organisations such as the Road Safety Council?

Mr DIETRICH - Yes.

Ms ARMITAGE - One thing, about the staff. How are your TasRail personnel supported with these risks and near misses? What do you do to support the staff who have been involved in the near misses and the derailments, or any of these things that happen?

Mr DIETRICH - It's an extremely good and important question.

Ms ARMITAGE - They're all important and good here.

I know Tasmania Police have certain things with their officers, and I'm wondering what you actually do.

Mr DIETRICH - Back to your original question - during Rail Safety Week we launched our What's it going to take level-crossing campaign with all our frontline staff. I'd really love to acknowledge our frontline staff who stepped up to undertake that. At that launch, we had the acting police commissioner for the northern region in attendance and the president of the Road Safety Advisory Council. All attended and undertook media with that launch.

When we have an incident, we have a series of protocols within the business around how we support our people. The first thing is, we get to the scene, provide the necessary comfort, and assist the personnel involved. There are lots of rules from the office of the National Rail Safety Regulator that we need to undertake around drug and alcohol testing, all those types of things, and how we respond. Then we provide the care. We have trauma leave, we have an employee assistance program that we provide to all our employees and to their families, and we nurture and care for our people thereafter. It can be quite a traumatic situation.

We have a big cohort of new train drivers, so we've seen significant amount of retirements over the last five years - a lot of train drivers with 40 to 50 years of service that have retired. We have very much a new cohort of train drivers - very experienced, but some of these events are new to them as well. I'm not saying the old train drivers were immune to it, but the new ones, we certainly are providing the care and support they need at any one of these incidents.

Ms ARMITAGE - Do you have any of these self-assessment tools? I know Tas Police have an anonymous self-assessment where people can go onto a site and self-assess without being identified. No-one wants to be identified if they consider they might have problems. Do you have anything like that, but for someone that may feel, gosh, I'm a little concerned that I can do this - without you knowing that they might feel they have a problem?

Mr DIETRICH - Definitely. Probably not directly, such as in that particular example, but our employee assistance program (EAP). What we also have is 20 mental health first aid officers throughout the business. We really, proactively ask the individuals to refer to those individuals to provide any support. They're not professionals, but that's having a conversation. Then being able to receive the necessary support if they're still feeling that they need that.

Ms ARMITAGE - You have a wraparound support.

Mr DIETRICH - We have wraparound support and definitely a very effective EAP system. In TasRail, when something happens it really wraps around the individuals and the

teams involved. We are a 24-7, 365 operation. As we speak right now there are trains going through level crossings. Every day, every minute, there's something happening. The interface with the community and high-risk operations - and as you know, people and heavy equipment don't mix, locomotives don't apologise, so we make sure we give all the care to our people as much as possible.

Ms ARMITAGE - Thank you.

Mr CANTWELL - If I could just add, because the CEO is too humble to make the observation, but in every case where there's a level crossing or an incident involving one of our employees, the CEO most often personally checks in on the wellbeing of that person. There's a conversation between the CEO and the driver of the train, for example, in that level-crossing incident that we talked about earlier. Care for our people is right at the centre.

Ms ARMITAGE - They feel like they're actually important.

Mr CANTWELL - We like to demonstrate through our actions that we care for the people in the organisation.

Ms ARMITAGE - Thank you very much.

Ms WEBB - Just on that, you mentioned that you had a highly effective EAP. I'm interested to know the basis on which you make that statement. Noting the near misses at the level crossings, is it that you've seen an increased usage of your EAP across this past year, when there were those higher numbers? We would hope, and expect, there might be, you would think, for employees. Not reflecting on any individual instances - which you'd never do with an EAP - but have we seen an increase in the use of that program and therefore a demonstration of its importance and utility?

Mr DIETRICH - Yes. Last year we had 75 hours used through the EAP process of people accessing that level of support. Compared to the prior years, it's probably up a little bit. It can fluctuate depending on what's going on in the business. EAPs are also for people with personal circumstances.

Ms WEBB - Sure, it's used for a range of things. I just wondered, given the near misses situation and potentially anticipating people might need more support, we maybe would expect to see, in a good way, an increased usage of the EAP program, so there was some increase.

Mr DIETRICH - Correct - 75 hours of the EAP process was utilised last year.

Ms WEBB - That's only meaningful to me as a number if I know its relation to another year when there might have been less incidents at level crossings.

Mr DIETRICH - A normal year is probably around 40 to 50 hours.

Ms WEBB - Yes, so a distinct step up. I noticed also in the annual report you talk about an engagement survey with your staff, and a very pleasing response rate for that. Were there questions in that survey about people's experiences of the support provided to them following these incidents?

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Mr DIETRICH - Absolutely. We rated most highly in 'My leader cares for me'.

Ms WEBB - Excellent. Congratulations on that.

CHAIR - Well done to the chair for actually highlighting and acknowledging it.

Mr DIETRICH - We were pleased with the response rate to our employee engagement survey. Are there always areas for opportunity for improvement? Of course, and we've actioned those through the business. It'll be good to do the survey in another 12 months' time and then measure ourselves, but our real focus was on engagement, leadership and support that the business provides to our people. We rated most highly in the care side of our business - and that 'the leadership within the business cares for me'.

Mr EDMUNDS - Thanks for coming in today. The Premier announced on 3 November a new policy to reconsider the ownership models for all its government businesses, including the possibility for privatisation, and has said that transport and energy businesses will be the priority. What do you see as the biggest risks and opportunities from the government's plan to merge TasPorts, TT-Line and TasRail?

Mr CANTWELL - Thank you for the question. Probably the response to the review process that we've given back to the Premier, the Deputy Premier, the Treasurer and the minister Mr Vincent is the most appropriate answer to your question, Mr Edmunds. That is we have communicated our intention to participate positively through the review process to assist to get the best outcome. We've identified these review processes happen in the world of GBE and SOCs from time to time and they're a healthy process to pause, review and look at opportunities to improve the delivery of government commercial services. We're in the process, as we've been invited to, of finalising a submission by 13 December, responding to government's request for our views on the matter. We suspend judgment. We will provide our ideas and our thoughts on the process. We note, as you've asked specifically about merging entities, this was previously looked at in around about 2014. At the time the conclusion was that there were good reasons at that time not to merge the entities. Notwithstanding that was the conclusion at the time, we believe that it's government's right to have a look at these things and re-review. We'll see what comes from the process.

Mr EDMUNDS - With your answer, you talk about the best outcome. Do you have a view on what the best outcome for TasRail through this process is?

Mr CANTWELL - No. That's what I meant when I say we suspend judgment. We have views on the sorts of considerations that will determine what is the best outcome. For example, there will be competition policy, competition law issues. There will be issues of organisational focus, capability, different capability, different focus across the different entities that will have to be taken into account to formulate a view. On the other side of the ledger there are the aggregation benefits that might come from aggregating back offices, having single boards as distinct to multiple boards and so forth. We understand it's a trade-off between all of those considerations and it's not appropriate before all of the evidence is pooled and the conclusions can be drawn.

Mr EDMUNDS - You talk about things like the competition law. Have you sought legal advice about a potential merger?

Mr CANTWELL - Not at this stage.

Ms WEBB - I appreciate you're not making judgments at this stage or not articulating them in a public sense. Earlier when we were talking about your interactions with TasPorts and the arrangements to get the ship loader project underway, we discussed the two entities having different approaches or focuses. Are you considering whether the focus and objectives that you have currently as TasRail can be carried into a merged entity? Are there challenges if a merger is proposed?

Mr CANTWELL - I guess that's possible. TasRail has multiple customers. We could see not so much an issue for TasRail, but our customers may have issues if they have to deal with an integrated monolith versus organisations that are smaller and more focussed. I think it is too early to have a view. There are many trade-offs, there are many positives and negatives, cost-benefits if you like, associated with the idea of one large transport entity versus multiple smaller entities. I would say that it's just too soon to have a view. I guess one could look across the strait to the mainland and make some observations about the extent to which ports are merged with railways are merged with shipping lines and so forth. There are not too many examples of where those entities are merged. A counter to that could be that on the mainland those individual entities are much larger and they have scale in themselves.

It's really a process of being open-minded, we would say. That's what we've told ourselves we need to be in our interactions with government - open-minded about what actually will comprise at the end of a sensible review process and exchange of ideas, what represents a uniquely Tasmanian solution. Tasmania is a little different to the mainland. What's best for Tasmania will be the best outcome.

Ms WEBB - Minister, can I ask you on that, is it your expectation, given that the entities involved, like TasRail here, will be putting their submissions in by 13 December, is there an expectation that that's a transparent process, and that those submissions are something that become available publicly, or are able to scrutinised as decision-making moves forward in this space?

Mr VINCENT - I think once they come in and we have a close look at them, that's when a few of those decisions will be made. There is an advisory group in place that will be looking at that and making further judgment on it. We haven't fully determined the whole process yet.

Ms WEBB - When do you expect to be able to lay out the stages of that process then, so we at least understand what to expect in terms of the process steps?

Mr VINCENT - I'll just refer to some notes here - the government will proceed to a suitable qualified consultant to undertake the high-strategy assessment and provide advice on the potential strategic opportunities, risks, and issues in relation to any merger that may come around. The consultant will be external to TasRail, TasPorts, and TT-Line. There's going to be a process involved in all of it.

Ms WEBB - The submissions that are being put together by the entities, are they going to the consultant to inform the work being done by the consultant? Is that where that's sitting?

Mr VINCENT - Not at this point. The consultant hasn't been put in place as far as I know at this stage. We're waiting for those submissions to come in, see what's available. There are a

lot of different people wanting to put submissions in on this. There's going to be a substantial amount of work needing to be done to review all of that.

CHAIR - A lot of customers right across the three entities.

Mr VINCENT - There's a lot of interest in this at the moment from all levels.

Ms WEBB - Sure. My interest in it, as you would understand, is around how transparent it's going to be and at the decision point, when it's reached - whether we, as parliamentary representatives of the community, will be able to see the information that flowed into that decision-making process from the existing entities. I think you wanted to add something there.

Mr DIETRICH - I wanted to provide a bit of a clarification. There are two processes at play here. There is the Government Business - Governance Reform plan. That is what we have to respond to by 13 December, which is around our governance frameworks, board structures, reporting, and the ability for shareholders to manage government business enterprises and state-owned corporations. That's the first step. My understanding is that that's going through to Treasury, and Treasury will work through those processes and look at any legislative or policy changes. Really around -

Ms WEBB - So that's really a health check around governance.

Mr DIETRICH - That's all businesses. That includes us, that includes TT-Line, TasPorts, Hydro -

Ms WEBB - Sure. But that's not the merger conversation.

Mr DIETRICH - Then the secondary process is the merger conversation. We had some advice from Treasury, and the Treasurer is - that's over the next six months. That's where a consultant will be engaged to undertake the review of a potential merger between the three organisations.

Two separate type things. The first one, coming through very shortly, is around good governance transparency, which as an organisation such as TasRail, most of those questions and reform ideas, we already adopt.

Then there's the secondary review around the merger of the organisations. I'll just say on the merger, the organisations, that's not uncommon. Worked in private industry government. These things, they're healthy, see the reform, and it informs the community that yes, things are working well, or no, there is opportunity for improvement. I think it's a good thing, we embrace it. But, between the three organisations in question, we are all very different and we all have very different legislation. We operate under the Rail Safety National Law, *Rail Infrastructure Act*, *Rail Company Act*, Emu Bay railway operations act, rail corridor lease with the Crown, and then we've got the rail infrastructure manager responsibilities, rail infrastructure owner responsibilities. I think of TT-Line, and I've worked in shipping before, they've got to comply with AMSA and all the laws around shipping and then you look at the Ports Corporation, they've got all the MAST requirements. So we've all got very big different legislative frameworks and so -

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Ms WEBB - Yes, shared objectives are an interesting proposition, aren't they, when you have that variety?

Mr DIETRICH - Yeah, and that's not to say that couldn't be managed over a larger structure, but we've got to make sure we keep very focused on all that legislation and safety.

CHAIR - Thank you.

Ms WEBB - And public interest in the mix of that, given that you're all GBEs or state-owned companies.

Mr DIETRICH - Correct.

CHAIR - Supplementary, Mr Edmunds.

Mr EDMUNDS - Thanks. So, when I asked a question before, you talked about 13 December. What feedback will you provide in this other process and how will that be done?

Mr DIETRICH - I should pass to the CEO, who might pass to Josh, but there were - the discussion document that the government published in relation to that kind of first chapter that the CEO referred to the governance dimensions, was quite specific in the sorts of questions around board composition, director term, those sorts of things. So we will be responding point-for-point to those.

Mr EDMUNDS - But the other process around the merger, what will your feedback to government look like for that?

Mr CANTWELL - It will look like we're ready, willing, able, and positively disposed to participate in that process.

Mr EDMUNDS - But I'm - yeah, that's - I understand that, but will your actual feedback to government about your view on the merger be a submission? So, you'll do a separate submission on that -

Mr CANTWELL - When the invitation's issued to provide a submission on that, we'll write our views on what the challenges are, and it will address the sorts of things that the CEO has nominated, so the legislative issues that we have to address, the competition policy issues that we have to address, the different markets that are served by the different organisations, you know, sort of regulatory versus commercial functions that have to be addressed and so forth.

Mr EDMUNDS - You'll do that sometime next year?

Mr CANTWELL - Probably in the early part of next year.

Mr EDMUNDS - Yep.

Mr DIETRICH - Our understanding Mr Edmunds, probably in the next six months. We haven't even received the terms of reference yet. So, Treasury is still working through that process, as we understand.

Mr EDMUNDS - There's some scuttlebutt about possibly merging with the West Coast Railway. Is that something that you can consider as well?

Mr CANTWELL - Yeah, so, just to give context and to answer that question. During the last 12 months, we were asked by the then minister to have a look at - correct me if this language is not correct, but if you think the language is not appropriate - but to have a look at what assistance TasRail might be able to provide to West Coast Wilderness, with a view to potentially having a role in the operation of the West Coast Wilderness Railway, or, indeed, even bring it into the TasRail file.

So, as part of responding to that request, and through agreement with Department of State Growth, a due-diligence process was undertaken to assess what work might be necessary to place the West Coast Wilderness Railway on a safe, fit-for-purpose footing. That work has been completed and delivered to government through Department of State Growth, who have given an indication to us - well, they'll just place that on the to-do list for the time being. There are other matters that are a higher priority at the moment that we'd like to - that government would like to get on with. CEO, is there any additional comment?

Mr DIETRICH - No, I think that covers it well, chair. I think, we undertook a due diligence. We provided a report to the Department of State Growth, the minister at the time, that's with them. We've provided some in-kind support during the process as well, particularly around operating the rail and supporting West Coast with rail-regulator requirements. And we provided some expertise - sent some of our engineers down, sent one of our brightest, best operational managers down to support, who's now coming back out in December. They've just appointed a new rail manager who's our ex-asset manager, that's leaving, that's moving from TasRail down to West Coast to again support that business. The general manager down there, Ian, has been very appreciative of the support. I'm even pleased to say we've got some train drivers in our business with their steam tickets. One of them is taking some time off at their own expense over Christmas to help out with shortage of train drivers down at West Coast Wilderness Railway.

CHAIR - When you've got trains in your blood you just can't get it out, so the President of the Legislative Council, says.

Mr EDMUNDS - Maybe this is a question for the minister. Do we know the time line on when a decision might be made, based on that submission, or work that's been done?

Mr VINCENT - No, we don't. It's only a consideration. We're very much aware of what the railway means to West Coast tourism, very conscious of that, but the report hasn't come any further than State Growth at this point.

CHAIR - Minister, my question is around passenger services. Do you see any synergies with the three entities being rolled together? Here we have TT-Line who has passengers, then we'd have TasRail who would have passengers, therefore, it would be a good mix. Do you see some synergies there?

Mr VINCENT - As somebody old enough to remember going on the Tasman Ltd, I think -

CHAIR - So, yes you do.

Mr VINCENT - I will stick with my car, thank you. But, having been out and viewed TasRail's system of freight movement, it's just staggering the technology they're using for back freighting and everything like that. I'm not sure where a passenger service would fit with that, but should the occasion happen, the maintenance has been done on our whole rail network, brings it up to a standard that's good.

CHAIR - I think it's called a timetable. I think that's where it fits, a timetable - this runs on that and that runs on that.

Mr VINCENT - There is always scope for that sort of conversation, but it's not part of what is under my ministerial control at the moment.

CHAIR - Once some of my colleagues have had their questions we'll come back to Heritage Rail.

Mr VINCENT - I did find an old Tasman Ltd carriage out at Chudleigh the other day sitting in the paddock.

CHAIR - Okay, so you're thinking you might buy it?

Mr VINCENT - Resurrect it, no.

Ms ARMITAGE - Before I go to my question, if I could just do a follow-on to that one while we're talking about passenger services and passenger rail. Is there an appetite from TasRail to allow a passenger service back onto TasRail's tracks?

Mr CANTWELL - The answer is we're very open to that. We understand that Heritage Rail is an important part of the fabric of Tasmania, and we've provided significant support through donation of assets and the like to Heritage Rail. And, we are a very open, subject to the Heritage Rail operators getting their accreditation through ONRSR, which they're required to do anyway, coming on to the live TasRail network. Obviously, I think of the Don River Railway, it's close to that coastal line. There's nothing like it in the world in terms of its iconic view it can provide.

CHAIR - Look out Penguin, here we come.

Mr CANTWELL - Absolutely. So, obviously, that would require some work to integrate it with the freight liners. The CEO emphasised before, we have 3000 tonne, kilometre-long freight trains operating across that corridor between Burnie -

Ms ARMITAGE - But you're not opposed to certain days when nothing would be operating to looking into that?

Mr CANTWELL - No, not at all. In a weekend operation periods of downtime, as long as operational plans can be put in place to ensure - to manage the risk that they'll be off the track and not impinge on the sort of commercial operations. But we're very open to the idea.

Ms ARMITAGE - So, my question, that was a supplementary.

CHAIR - I'll have a supplementary on the Don.

Mr GAFFNEY - I'm pleased you've mentioned that because, as we know, heritage rail has a huge following across the world. We have the Abt Railway, but that's probably not enough to get the rail enthusiasts to Tasmania by itself. If we had the Don, or we had one down south and one in the north, perhaps - there could be a real mecca there. So, has State Growth been involved at all with that? Since part of State Growth's purview is to get attractions and getting stuff stimulated in Tasmania. Has there been any indication from State Growth about the potential for rail?

Mr DIETRICH - I'm happy to answer. Nothing directly from State Growth at this point in time, very much the tourist and heritage enterprises operate autonomously. I think there's some opportunity that they could get together a little bit more to drive some further chances that they could get back out onto the main line. I just want to note TasRail in itself with the shareholder statement expectations doesn't have a passenger concept in there at this point in time. So very much freight.

We're still getting the network up to speed to be able to safely transport freight too. We've still got ongoing capital programs to make sure everything and all our freight trains supporting all the major industrials get to where they need to be. As we've seen 97.2 per cent freight availability, that's putting the reliability and the confidence back into the network, back into industry and back in with our customers. From a tourist and heritage perspective, we're not accredited under rail safety law to operate passengers at this point in time. But it's not to say we move towards that. We work very closely for example, I have been with Don River Railway, with Lynn Laycock, the president, on what their opportunities, what their strategic intent is. In my view with them and we've walked the line a little bit, is that they operate a little service now at the Coles beach as you know, is to walk before you run. Let's maybe just try to get a little service into Devonport. We've a little terminal, basically a terminal there, a platform that we could then start a little service. Then build up momentum and the confidence and the confidence with TasRail as well, because we cannot stop the freight trains, they're under contract. Then we can start to look at the opportunities to Penguin and get into the Penguin foreshore for a lunch on a Sunday.

They've got to do a lot of work on their safety management systems, the accreditation with the rail regulator. We've an access agreement framework that's listed on our website they'll need to need to follow. Very importantly all on their braking systems and how they complement with our automated network control system. There's work to do. They've got some good people in that organisation. Tragically, they lost the GM who passed away a few weeks ago, which is a very sad moment. Eamonn was doing some great work, but they've still some really bright people in that team on the board. Lynn and I catch up regularly. We'll see where the future takes us.

Mr GAFFNEY - Yes, I'm just a bit concerned that with volunteer organisations such as the Don Railway who have great intent. Some agency has to be able to take a lead role to pull them all together. Otherwise, in 10 years' time there will still be the same conversation here. Do you know what I mean? I think that there's a responsibility on government to actually look at the players involved and do something with it. Do you see that as a -

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Mr VINCENT - Yes. The government is working with the Tourism Association of Tasmanian Rail and we do provide \$600,000 over the next seven years to work through the public liability insurances they experience so they can keep operating in some limited capability. I'm not au fait exactly with other than what Stephen has said regarding the close association of starting to bring him on to the main rail in a trial way, but the government still is working with the association on the possibility.

Mr GAFFNEY - Because it means that Tasmania is the only state that doesn't have passenger rail, whether it be for historic heritage purposes or transport. It just seems to be we're missing an opportunity here, but I'll pass back over to the Chair who's obviously got some questions on this one also.

CHAIR - I think the member for Launceston has been lined up for some time.

Ms ARMITAGE - Thank you. My question is on the Locomotive Life Extension Project and how is it progressing with the replacing the engines, the overhauls, the cabin upgrades for the drivers? I believe it was \$15 million. Is that enough to complete or if you could give an overview of actually how that's going and progressing.

Mr DIETRICH - Great question. It's a fantastic project and I really want to acknowledge the state government for supporting us in this project. It's been 30 years since TasRail as a business has overhauled locomotives of this nature at the workshops down at Newstead. We employ nine people now dedicated to that project to overhaul the locomotives and a range of trades from boilermakers to electricians, fitter and turners, welders and painters. It's a great project for the business.

It has taken some time to get the first two done because of recruiting people. The first two units we've overhauled have been sitting at the workshops for about two years idle, so they needed considerably more work. We've completed those two. They've been completed at roughly of the cost of around \$2 million each. Now we're into the next two, which are what we call a class of locomotive called 2050s. They're a 16-cylinder engine. TasRail brought them back in 2012 from Queensland Rail and transported four of them down.

A fantastic unit built in the '70s and have dynamic braking. Those four units are all being overhauled. The first two now out on the line. The 2053 has been handed to the business and is now in business as usual mode. The 2052 is still going through a commissioning process. The 2054 and 2051 are now coming into the workshops. They were operating and we expect them to be able to be done a little quicker than the first two as we recruited people and trained them.

The next four after that will be what we call the DQ fleet. They're a 12-cylinder engine that were built in the 1960s and still a fantastic asset. The growth in TasRail has meant our TR class can't keep up with all the business and haulage requirements. We're using this legacy fleet, but it's a great project because we're effectively investing \$2 million in each of these locos. We could go sell them on the mainland tomorrow for \$4 to 5 million.

We're creating value for Tasmania, but also ensuring the reliability and safety of these units. What it also means, they're being overhauled for the next five to 10 years. I see it as research and development. It's giving us time to look at what the new future locomotive looks like for Tasmania and all the new fuel technologies, everything from battery, hydrogen and

electric. Upgrading these allows us to continue to grow the business, maintain safe, reliable operations, but also gives us time to look at what the opportunities are around the new fuel cell technologies into the future.

Ms ARMITAGE - You are looking at hybrids, alternative fuels, all these things.

Mr DIETRICH - All of those.

Ms ARMITAGE - What are we doing for the cabin upgrades? Are we upgrading the cabins for the drivers? How are we improving things for the drivers?

Mr DIETRICH - We basically set up a mock cabin. On page 18 of the annual report, you can actually see the 2053 with a mock cabin design. You can see drawings of all the instrumentation. We had a driver users group. We brought in all our train drivers as part of a group to design the cabin and we basically mocked it up. That's what we've built with 100 per cent driver input into it. When we first sent out the 2053, they're quite a noisy engine so we've done a lot of noise protection in them. It's still a little bit high and we've revisited that. We've got the decibels down below what you require for hearing protection over and above eight to 10 hours of operation. All the drivers participated and they love them. The ergonomics in those is excellent.

Ms ARMITAGE - Was the \$15 million adequate or do you need more money?

Mr DIETRICH - It's going to be tight, I'll be honest. As we opened up the first two and now we go to the next ones, you never know what you're going to find. The team and the project team, very well led by James, our project manager there and our general manager for projects, Josh, have done an activity build up base costing on the next six. Give or take, we're around the \$15 million still.

Ms ARMITAGE - Hopefully you don't have to sell one to get enough money to do the next.

Mr DIETRICH - No, that's not our intention at all. We're very happy with the project. It's great for Tassie, developing that capability here again. It's the first time in almost 30 years we've done a project to this scale.

Ms ARMITAGE - Fantastic.

Mr VINCENT - We know rail gets in people's blood, but when you go out and meet some of the people caring for these big units, it's quite amazing how they by the touch know the wear on the wheels and everything like that. It's amazing how they treat them.

CHAIR - Same for people who drive heavy vehicles.

Mr EDMUNDS - Big units always need care, don't they, Kerry?

Ms WEBB - I have a looking-ahead question more than looking back. Down the track - pardon the pun - we know the Commonwealth *Corporations Act* will require sustainability reporting and auditing. TasRail won't be in the first tranche as it comes through, but no doubt you would be looking ahead. What are you doing to prepare for that eventuality?

Mr CANTWELL - Come 2026, the first group comes under the mandatory reporting requirements of the new legislative change. We have in place an emissions reduction plan.

Ms WEBB - The solar panels look great.

Mr CANTWELL - Yes. In the first phases of that, the sorts of things that we can do from a rail operations perspective are look at opportunities to tighten up our operation, to reduce locomotive idling, to ensure ourselves that our train operations are as efficient as possible so that we can better manage our scope 1 emissions. Outside of the actual rail operations it's about going to hybrid vehicles and the like in our fleet to manage emissions.

We're very conscious that rail - it's quite uncommon for rail, we usually see ourselves as the underdogs - but rail starts with a significant advantage from a transport emissions perspective. For the most inefficient rail service, there is a four to one carbon footprint advantage from rail. We're sort of readying ourselves. We just talked about the legacy - we call it the legacy locomotive project - we talk about getting ourselves ready for more volume to rail. It's really what we can do for our customers and the broader community. Bringing more freight onto rail will have a step function improvement in the reduction of greenhouse gases.

When it comes to technology, alternate fuel technology, the reality of our industry is that there is no commercial solution in the rail sector, save for perhaps battery operation, alternative to the current fossil fuels, the current diesel-powered locomotive. We have identified, though, and I'm not sure whether we talk about it in the document in a lot of detail without referring back to it, but certainly we have particular hauls - the Railton to Devonport cement haul, interestingly, is uphill in the empty direction and downhill in the loaded direction. It lends itself, sort of off the bat, as a very prospective corridor for battery electric locomotives, where we can use a battery powered locomotive to haul the empty train up to Railton and effectively it just runs downhill and recharges the batteries on the way down.

We've done quite a lot of work, I can say, at this table, coming from the mainland where I sit on the Queensland Rail Board and I see what other organisations are doing in this, we're equal, if not slightly ahead of the others in terms of our thinking around what we can practically do in the foreseeable future. We have ourselves ready to embrace the new technologies as they emerge.

Mr DIETRICH - That really covers it. I think we're watching the other organisations and the big guys - when I refer to the big guys, BHP, Rio, Fortescue, they've got teams looking at the next generation of locomotives. Very much the power to weight ratio is still the issue, but we're keeping a close eye on it. Will we be first to market? Maybe not, but we'll be a close second. We're very keen, and watching in that space. We've got a good team who are working closely with ReCFIT here in Tasmania. We've got some good advisers from the mainland, [inaudible 10.07.36am] who provide us advice on all the hydrogen and the biofuels and the different options that might be available to us.

One thing we do see is, as the battery technology is improving, our lights here are all powered by green energy from Hydro. If we could power up a train with hydroelectricity, we've got a green train, and zero carbon emissions. When I think about it, our new ship loader, that's fully electrified. It's a zero emission ship loader that supports the mining industry. We've got to focus on reducing carbon emissions throughout our business. At the moment we are four

times less than the road in terms of every carbon emission footprint. For every four balloons that go up on road, rail only puts up one here in Tasmania, based on the independent assessment we've had.

Ms WEBB - So you'll be a solution for others looking to reduce their carbon footprint.

Member - Absolutely.

Ms WEBB - In that, knowing that under our state-based *Climate Change (State Action) Act 2008*, we need to have an emissions reduction plan in place for the transport sector, is that something TasRail has been feeding into with ReCFIT?

Mr DIETRICH - Absolutely.

Ms WEBB - You have been participating in the development of that plan?

Mr DIETRICH - Yes. If you look at the emissions from the whole transport sector, obviously cars are a big component. If you look at that ReCFIT graph and an image of all the different transport modes, rail has a very small portion of emissions, from a Tasmanian footprint perspective - so an investment in rail is an investment in reducing carbon emissions.

Mr CANTWELL - Further to that, and acknowledging the role rail can play in a carbon zero emissions future, we're turning our mind now to that. As we talk with central agencies here in Tasmania - State Growth and Treasury, but also our colleagues in the Commonwealth - we're starting to package up and promote infrastructure works that go to climate change resilience. Noting that as rail is used more fulsomely as the backbone of the transport system in the state, we can offer up reliable and climate-resilient infrastructure so that the weather doesn't knock out our corridors.

CHAIR - Where does the double handling fit into the operation? You still need to get the product to the rail - it doesn't get there by itself. You still need heavy vehicle transport options. Where does that fit?

Mr CANTWELL - That's referred to as 'the last mile' in rail, and for short-haul rail, it's the competitive challenge. The obligation and the legislative requirements are on the road transport users to invest in low carbon, and to do the same we're required to do in terms of managing scope 1, scope 2, and ultimately scope 3 emissions. Just like rail, there is research and development happening looking at alternative fuel, battery, hybrid trucks and the like.

CHAIR - A solar panel on a Western Star or a Kenworth?

Mr CANTWELL - Maybe a rapid change-out battery on a Western Star. There are those sorts of prototype vehicles running around on the mainland and around the world. Tasmania has possibly less of a challenge than the mainland because it doesn't have the long line haul road distances. The idea of line haul rail with efficient nodal transfer at hubs, and possibly biofuel in the short term, but in the longer, battery, hydrogen, hybrid trucks doing the 'P&D' - the pickup and delivery, the last mile part. Tasmania is well-placed, given its geography, to integrate road for the short haul bit and rail for the long line haul bit.

CHAIR - Still double handling though.

Mr CANTWELL - Yes.

CHAIR - Someone has to take it off and put it on at the other end as well.

Mr CANTWELL - Forklifts battery-powered in the future and the like.

Mr DIETRICH - The efficiency is over that long haul. We're a line haul operator. You will always have your intermodal terminals, and it's all about efficiency in the intermodal terminals, and those connections.

CHAIR - There are going to be a lot of conversations held.

Mr EDMUNDS - Yesterday at TASCORP it was revealed that TasRail had breached its loan agreement with TASCORP. Why was TasRail in breach?

Mr CANTWELL - Sure. The short answer to that question, Mr Edmunds, is that we're different.

CHAIR - This is Tasmania. We understand that.

Mr EDMUNDS - I might start using that one with my wife.

Mr CANTWELL - Through the CEO, we may even get the CFO to have his day in the sun and explain to us why that is. We don't have borrowings, like TT-Line. We have a working capital facility. It is slightly different to everyone else. Perhaps we could call Joe to the table to explain.

CHAIR - Thanks, Joe. Please make it as brief and in layman terms as you possibly can. What is your full name?

Mr TIDEY - Joseph Tidey. As the chair said, we are a little bit different. We don't have long-term borrowings, we have overnight borrowings. Our borrowings are constantly at call. The reference where we 'breached our covenant', that doesn't change the acceleration of the repayment - they're always repayable on the following day. With our TASCORP loan, when we breach the covenants we're just required to notify; it doesn't change the repayment profile. The covenant that was breached was the interest coverage ratio, which is your EBIT divided by the interest. In periods where we have flood events, our EBITDA does drop to negative. Of course, then you won't have a positive interest rate payment, because you're making a loss in that period. That was the reason.

Mr EDMUNDS - Short-term breaches?

Mr TIDEY - Yes.

Mr DIETRICH - We didn't breach our borrowings limit or anything of that nature - it's just those covenant ratios. We instantly notified TASCORP of that, but it gets recorded, of course.

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Mr EDMUNDS - How is that disclosed? Would it just go in the next annual report, or do you do a media release?

Mr DIETRICH - It's really just a relationship between us and TASCORP. There's no disclosure requirements on that. It's more a disclosure requirement with TASCORP, which we do through the process of writing, and then that's their obligation.

Mr EDMUNDS - There are no ongoing breaches? It's just a one-off for a very brief period of time?

Mr DIETRICH - This is not uncommon. This happens from time to time.

Mr CANTWELL - The purpose of the facility is for working capital coverage. We receive money through the Commonwealth, the IRP program and for the state, and when there's a phasing issue with that - we know the money is coming but sometimes there's a phasing issue. That \$20 million facility - which incidentally we've applied for and had approval to raise to \$40 million - is just there to meet our short-term cash requirements. Treasury and TASCORP have full visibility of the forward projections of cash inflows and cash outflows for the company.

CHAIR - Okay, thank you. Good question. Thank you, Ms Armitage.

Ms ARMITAGE - Minister, I'm wondering if you could fill me in a bit on board appointments. That's something I've been looking at for many years now - and this is no disrespect to any members who you actually have, or their abilities - but I noticed you have -

CHAIR - It's a question for every GBE.

Ms ARMITAGE - Oh, for many years I've been interested in the amount of board members that we have from interstate as opposed to our own state and regions, but I just notice with TasRail that you do have three interstate members - one from the north and one from the south - and that you can have eight but you currently have five. I'm assuming you still only have five. There is no-one from the north-west. Are any efforts being made to recruit someone from the north-west? I would have thought it's really relevant to have a regional representation, if possible, on the boards.

Mr VINCENT - Whenever the rotation of boards, when we go out to see who's got to come on, the first thing is to make sure you have your skills matrix right.

Ms ARMITAGE - Absolutely.

Mr VINCENT - The second is to the representation, and sometimes you do need the mainland experience and knowledge to come into our little state to help us out.

Ms ARMITAGE - As long as it's not prevalent, it's not too many.

Mr VINCENT - No, and you've heard the Premier be very solid in his commitment to increasing and maintaining the strongest possible representation from Tasmania.

Ms ARMITAGE - Fifty per cent from the mainland is still quite considerable.

Mr VINCENT - With the number of boards around, it is very difficult to keep the rotations and the representation at a sensible level. It is something that's always looked at. I don't think we have any advertising going on at the moment for TasRail?

Mr CANTWELL - No, minister. We've embraced the staggered terms for directors. We look over, usually, a three-year time frame for directing renewal. As a board and as an organisation, we look at the competencies required, and we put proposals back through government for renewal.

What we consciously think through is obviously the skills required to properly govern the enterprise. We also think from a diversity perspective. We also are conscious, and I've become conscious in the long time now that I've been associated with TasRail, that we acknowledge the pool might be a little shallower on the island, and we have an obligation to develop up that pool. When we go through the rotation, we think through, is there a candidate in the pool of candidates that maybe doesn't quite tick all of the competency boxes, but has the capacity to be developed up?

The most recent example of where we've actually done that was, a very experienced director, very experienced and capable, who headed up our audit and risk function on the board, Janine Healy, she was due to rotate off the board. So, a year in advance of Janine rotating off the board, we had a rail-operations-person-type vacancy, but we recruited into that the next chair of the audit and risk committee, Anita Robertson, with - being mindful that Anita didn't quite have the experience that one might sort of hope for - but we had that year where, under Janine's tutelage, Anita could be brought up. We were investing in sort of making sure that at board level we actually do what we say in terms of diversity and that we're also investing in the local pool of capability on the board. We've tried, in the cycle that we have, to think about the playthrough and investing in the capability pool on the island, so that when people like me are gone and so forth, there's a deeper pool locally.

Ms ARMITAGE - When you've retired you mean, not gone?

Mr CANTWELL - Yes.

Ms ARMITAGE - Is there a limit of terms that people can serve, or a limit of tenure?

Mr CANTWELL - Yes. Generally speaking, for an ED it's two-by-three-year terms and for a chair it can be three-by-three-year terms.

Ms ARMITAGE - You've been there, was it eight years?

Mr CANTWELL - Yes, I'm in my last year, under normal circumstances.

Ms ARMITAGE - The other question. You can have eight members, but I see you currently have five. Are you looking for three more members or do you consider five an adequate number? I'm just wondering, when I actually look, it's got a maximum of eight and you currently have five.

Mr VINCENT - Most constitutions and charter letters have an amount you can move to. Five is quite okay, but at certain times in a business's history where there are various projects

or other operational matters, you may wish to bring extra experience onto the board. But, in areas where you feel consolidated and moving on all right, five is the number that quite a few boards will go with.

Ms ARMITAGE - You don't really feel it's necessary to have regional representation, then, as mentioned, north-west has no-one - you don't feel that's a problem?

Mr VINCENT - I will refer that to the chair.

Mr CANTWELL - My experience has been that, with five we can adequately cover the skills matrix and have capacity to bring a director through. I'm not sure that geographic representation is essential. It would be desirable. And, that all goes to - when we go out to the market and in TasRail we've been very conscious to engage local recruitment advisers.

Ms ARMITAGE - That's good to hear actually.

Mr CANTWELL - We engage Lynn, who we found is better connected and has a better understanding of who's who and where they are across the geography of the island. I guess it's - we, certainly, see that covering the state geographically, in terms of composition of the board, is desirable, but not essential. It's a second-order priority to getting the capability matrix properly filled and kind of the difference between having all of those boxes ticked.

We go through a process - every year we go through a thorough board appraisal, we review our performance. And, once in every three years, we go to an external adviser to say, 'Okay, we don't want to get captured by groupthink, you have a look at us and you independently interrogate directors and get their views.' The process - that kind of keeping ourselves healthy has, we think, delivered up a governance framework that works.

Ms ARMITAGE - Thank you.

Ms WEBB - A quick one about right to information. In the annual report you have a little section about right to information that mentions you received two requests. I just want to check-in, did you deliver on those requests within statutory timeframes and were they ultimately disclosed in full?

Mr DIETRICH - Thank you for the question. We received two requests. One was from the Leader of the Opposition last year to access all our scrutiny notes, which we provided appropriately. The other was from, again, the opposition, Ms White, regarding some financial expectations and arrangements around our capital program, and we responded accordingly.

Ms WEBB - So, disclosed in full?

So, departments, when they - they have a disclosure log on their websites and put the information up into the public domain as well as give it to the people who've requested it. I'm looking on your website, that's not something that you do. Has a choice been specifically made not to make information that's disclosed through right to information, public?

Mr DIETRICH - Not a conscious choice, no. We're very transparent, and if that's something we should do, then we'll take that on notice.

PUBLIC

Ms WEBB - I invite you to think about. I don't know what's required of you, but if something's been disclosed through right to information, it becomes public information, so, making it available to the public is a matter of positive transparency.

Mr DIETRICH - We would not have an issue with that. That's fine.

Ms WEBB - Thank you.

CHAIR - Just a question around the access to the Derwent Valley Line. Some concerns have been raised that, once the new Bridgewater bridge is completed, there's a potential to lose the rail connection there. Is that something that you're addressing your mind to, around potential Derwent Valley services, and the impact of removing the existing line around the Bridgewater bridge?

Mr VINCENT - Yeah, I have to acknowledge that's something I haven't been briefed on. I might just ask the CEO for a bit more information.

CHAIR - I'd be appreciative if there's some sort of response to that.

Mr CANTWELL - Sure. There's only one customer up there.

CHAIR - Important customer.

Mr CANTWELL - Yes, very important customer.

Mr DIETRICH - In reference to the question, this is the Bridgewater Bridge, and the current line, and connecting the Hobart line back to the Derwent Valley and the main line. We obviously don't have a need for it and the Hobart line is classified non-operational.

CHAIR - For now.

Mr DIETRICH - We have the Derwent Valley line. Obviously, that goes out to our very important customer at Boyer. Then beyond Boyer, it's then non-operational with a very small portion now allocated to a tourist adventure out there under the SIC act, the strategic infrastructure corridors act.

It's a matter for government around the Bridgewater Bridge and what happens with the Bridgewater Bridge. We understand that that's the connection between, I guess, Hobart central through to Bridgewater and Brighton. But, that will be a matter for government in the future in the Department of State Growth around the existing Bridgewater Bridge facility.

Mr CANTWELL - I guess what we should add, when those rail sections were pulled out to facilitate the construction of the new Bridgewater bridge, they weren't dispensed with, they were stacked and preserved, those section of rail.

CHAIR - We know all about that under the strategic corridor legislation.

Mr CANTWELL - But a railway person will tell you that they're probably not fit-for-purpose for any new investment in corridor through to Hobart.

PUBLIC

CHAIR - Okay, thank you. Any other questions, members? On behalf of the committee, I would sincerely like to thank you for your time today and I'd just like to provide you with some feedback.

We always invite key stakeholders to come along, present, provide a submission before this. I think this is worth putting on the record, and I won't say who they are, but they just said, that TasRail are an exemplar for all government-owned entities. And they talk about the fact that they operate with a customer-focused business. I'd say that you could be very proud of the operation that you head up and are all part of. I thought that that was worthy because we don't always get positive comments and I think it's worth sharing those, particularly when we are scrutinising these sorts of entities. Congratulations on that. And again, on behalf of the committee members, we thank you for your time today.

WITNESSES - Thank you.

The witnesses withdrew.

The committee suspended at 10.30 a.m.