

SECOND READING SPEECH

THE HON DAVID O'BYRNE MP

ABT RAILWAY DEVELOPMENT AMENDMENT BILL 2013

Mr Speaker [Mr President]

I move that the Bill now be read a second time.

Mr Speaker [Mr President], the Bill before the House today demonstrates the Government's commitment to facilitating economic growth on the west coast of Tasmania, particularly the local tourism sector, and to also supporting the West Coast community more broadly.

The Abt railway, originally built by the Mt Lyell Mining and Railway Company in the 1890s, is an iconic heritage asset that provides a direct link between the founding of the west coast community, particularly the establishment of the mining industry as a lynchpin of the State's economy, and the present day.

Since re-opening in 2002, the Abt railway has carried over 400,000 passengers and on average has contributed over \$10 million per annum to the local west coast economy.

Today, the Abt railway land, buildings, track infrastructure and the majority of rolling stock are owned by the Abt Railway Ministerial Corporation, a Crown business entity established under the *Abt Railway Development Act 1999*, the Principal Act to which this Bill refers.

The Abt railway and associated heritage rolling stock were reconstructed between 1999 and 2001 within tight budget constraints, which resulted in the use of materials that, in retrospect, have not stood the test of time and which also contributed to some design shortcomings in the rebuilt rolling stock.

Mr Speaker [Mr President], in 2002, the Ministerial Corporation assigned the original railway leases to Federal Holdings Tasmania Pty Ltd for 20 years. Under the terms of the head lease, the leases automatically ceased if Federal Holdings no longer required the use of the Ministerial Corporation's assets.

Between 2002 and 2013, Federal Holdings operated the railway as the West Coast Wilderness Railway and made substantial investments in improvements to the Ministerial Corporation's rolling stock and buildings, and purchased all the machinery and equipment necessary to operate the railway.

In the five financial years between 2008 and 2012, Federal Holding's railway operations made increasing operational losses. The losses were predominantly the result of decreasing ticketing revenue and increasing track maintenance costs.

It is also understood that following major storm damage and then a land slip event in 2011/12 the placement of insurance became increasingly difficult.

Mr Speaker [Mr President], following Federal Holding's announcement to cease railway operations in February 2013, the Ministerial Corporation and Federal Holdings agreed to an arrangement which facilitated the orderly cancellation of the railway operating lease between the two entities and associated property and rolling stock leases.

The arrangement also provided for the transfer of nominated Federal Holdings' employees, business records and intellectual property to the Ministerial Corporation to assist the Corporation in its endeavours to arrange a new operator of the Abt railway.

On 24 February 2013, the Australian and Tasmanian Governments announced a \$12 million rescue package for the railway, with the Australian Government providing \$6 million to improve the railway infrastructure conditional on the Tasmanian Government arranging a new operator and

underwriting operational costs. This was formalised in a Project Agreement for the Abt railway on 17 April 2013.

The Project Agreement commits the Tasmanian Government to identifying an operator for the railway no later than 31 December 2013, and to ensure continuous operations of the Abt railway for at least four years from the completion of upfront works.

Mr Speaker [Mr President], on 6 April 2013, an Expression of Interest process commenced to identify a third-party commercial operator for the railway. The Expression of Interest process was managed by business advisors KPMG on behalf of the Ministerial Corporation.

The first stage of the process was designed to establish the credentials of prospective operators before they were given access to confidential commercial information about Federal Group's operations.

The second stage of the process closed during June 2013, with proposals received for consideration by a Selection Panel of senior Government officials from the Department of Infrastructure, Energy Resources, the Department of Economic Development, Tourism, Heritage and the Arts and Tourism Tasmania. The proposals were short-listed to two formal submissions reaching the final stage.

The Selection Panel deemed that whilst these submissions both had strong elements to their proposal and service offering neither party could be confirmed as the operator at this point in time.

As Minister for Infrastructure I was formally advised of the Selection Panel's decision on 23 September 2013.

The two groups are both promising prospective operators and the Ministerial Corporation has agreed to continue discussions with the parties as both proposals have positive aspects to offer the railway with a view to arranging a private commercial operator for the 2014/15 summer tourist season.

Mr Speaker [Mr President], it is the Tasmanian Government's strong preference to have a private commercial operator of the Abt railway. However, it is intended that the Ministerial Corporation operate passenger and freight services on the Abt railway during this first summer tourist season as an interim arrangement. This Bill will enable that to occur.

The Principal Act requires the Ministerial Corporation to arrange an operator of the Abt railway. However, the Principal Act is silent on the operation of the railway by the Ministerial Corporation.

The *Abt Railway Development Amendment Bill 2013* amends the Principal Act to explicitly permit operation of the railway by the Ministerial Corporation.

The Principal Act provides limited administrative and governance guidance to the Ministerial Corporation in terms of its current and possible future commercial operations. Following discussions with the Department of Treasury and Finance, the Auditor-General's Office and the Solicitor General, the Ministerial Corporation will institute a Statement of Corporate Policy that borrows heavily from the statutory framework established by the *Government Business Enterprise Act 1995*.

The Statement of Corporate Policy institutes a transparent and auditable governance and administrative framework that is appropriate for a Crown business entity of this scale.

Despite the Principal Act providing that the Ministerial Corporation may do and suffer all things that a corporation may do and suffer, the Ministerial Corporation will not be borrowing money nor will it be expanding its operations beyond the scope of the former West Coast Wilderness Railway operations in Queenstown and Strahan.

The operation of the Principal Act will be comprehensively reviewed in 2014, in consultation with the Department of Treasury and Finance, to assess the consistency of the current arrangements with contemporary Crown business expectations. That review will be informed by discussions with the potential operators and likely future operating models.

Mr Speaker [Mr President], the Ministerial Corporation is currently the employer of the railway staff and is an accredited railway operator. This Bill will allow a relatively seamless transition for the Ministerial Corporation to undertake passenger and freight services. As I have discussed, it is preferred that this is not a permanent arrangement but I am sure the House would agree that this is the best short-term outcome for the west coast community and for the Tasmanian tourism sector generally.

Mr Speaker [Mr President], I commend this Bill to the House.