

PUBLIC

**THE LEGISLATIVE COUNCIL GOVERNMENT ADMINISTRATION A COMMITTEE
MET IN COMMITTEE ROOM 1, PARLIAMENT HOUSE, HOBART, ON
WEDNESDAY, 13 APRIL 2016.**

TASRAIL INQUIRY

ROB BENDER and **ARNOLD WILLEMS** WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR (Mr Mulder) - Gentlemen, welcome TO the public hearings of Government Administration A, Committee Inquiry into the financial sustainability of Tasrail. All evidence taken at this inquiry is protected by Parliamentary privilege. Any comments you make outside the hearing may not be afforded such privilege, even if they are a repetition of what you said in the Committee.

A copy of the information for witnesses is available. Have you read it, or are you aware of the contents?

Mr BENDER and **Mr WILLEMS** - Yes.

CHAIR - Thank you. The evidence you present is being recorded and the *Hansard* version will be published on the Committee website when it becomes available. You will be provided the opportunity to speak to your submission and more generally, relating to the terms of reference in the inquiry. The Committee will address some questions to you. We are seeking information in relation to the financial sustainability of Tasrail.

Mr BENDER - The first thing we want to do is thank the Committee and its members for making the time to meet with us today. I believe most or all of the Committee will be visiting the Boyer Mill site later this morning to look at how we interact with Tasrail as a business. If you give me a few moments in the boardroom I will not miss the opportunity to tell you more about the mill.

The submission we have made, while brief, is the second submission we have made to Legislative Council committees on this subject. It goes to reinforce that the relationship we have with Tasrail is one which is very important to us. As a business we move outbound products; about 280 000 tonnes a year. While the volume coming back to the mill is not as great in total mass, the number of movements of containers is very similar: a lot of positioning of assets or containers back to the mill and a lot of full containers going out with paper proudly made at the Boyer Mill.

We have been moving freight on rail for close to 30 years. In the latest version of Tasrail we have moved about 2 million tonnes with this particular organisation. In total, on rail, on this particular rail line over the years it is probably closer to 8 million tonnes of product out. This does not include the product coming back in. If you nominally double it, the capacity of freight moved in and out is over 15 million tonnes. It is quite a bit.

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The relationship with TasRail has grown since the most recent changes to ownership and management. Our relationship is one of cooperation. Arnold in particular, the executive on the team at Boyer, has the closest relationship with Tasrail and most other suppliers. As a key relationship stakeholder, Arnold is the person on our side who deals with their organisation. I think it is a very healthy organisation. If you have more questions you can certainly direct them to Arnold.

I have a good relationship with Damien White and several others on the executive team at Tasrail. I think it is important because sometimes we face difficult situations; operational difficulties on their side, derailments and other things which have a direct imposition on our business. At this point, despite the fact Arnold is the one who receives the call, I routinely end up on the phone with Damien in the middle of the night talking about the impact and the likelihood of escalation.

In terms of performance there has been a noticeable and very welcome improvement since the Tasrail organisation last changed. There is no doubt it is consistent with the investments made both above and below rail. It is very important for our particular product. A lot of people think huge volumes of paper are not the sort of products which have to meet tight customer deadlines. This is not the truth.

We pride ourselves and have relationships with our customers on this side of the business, which requires us to be able to deliver paper as promised within a window of a couple of days. Any derailments or delays to shipping the volumes we want to move to the mainland for sale is almost immediately a problem.

Some years back the number of derailments they had and the ongoing impact to our business over a number of days was quite a significant issue and required us to move back to truck on road at some expense. There is an obvious disadvantage putting those arrangements in place and having all the trucks on road.

In terms of the volumes we ship, we move about 280 000 tonnes of produce out each year. The total number of TEU equivalents or 20 foot container equivalents which make up this volume is 18 700; so just under 20 000 a year of containers out of the mill. About 15 000 coming back, which is empty TEUs being repositioned and a relatively small amount of inbound raw material.

When we move to truck or if we did not have Tasrail as a provider of logistics activity out of the mill, we would be looking at about 50 truck movements a day, six days a week. This is roughly 25 inbound movements and 25 outbound movements.

Mr ARMSTRONG - That is B-doubles, is it not?

Mr BENDER - That is B-doubles. This alone would require them to run through New Norfolk and down the Lyell Highway or the upgrade of the Boyer Eastern Shore side of the Derwent River highway to allow them to be able to do that. I think 25 movements inbound and 25 movements outbound is considerable. It is 24 hours a day we would be moving it through. We would not be able to load them quickly enough at the warehouse to make it a day work or 12 hour operation only.

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There would be significant impost to road users, to the community, particularly those adjacent to the highway; a lot of traffic up and down the Midlands highway right through to Burnie. A lot of local truck movements through the middle of a small town.

I will leave it there. You might have questions Arnold and I can answer.

CHAIR - You said your customers are on the mainland buying paper products. You load the paper into containers at Boyer and rail them to Burnie. They are then treated as container freight all the way through. Is anything happening with the Brighton hub? They obviously go through the Brighton hub.

Mr WILLEMS - No, the train goes straight on to our warehouse siding. We have a private siding at Boyer adjacent to our warehouse. We directly load from the warehouse to the train. We call it the paper train because it is really all it carries. It is six services a week which carry paper north and our empty containers and manufacturing inputs south.

CHAIR - Does it stop at Brighton at all?

Mr WILLEMS - Only to refuel and maybe to exchange some wagons. We do have a slight fluctuation in the number of wagons we use each day. They do re-crew there and come through to Boyer.

CHAIR - When you have a derailment, as you said, you are required to send B-doubles through New Norfolk and Granton and back across the bridge, assuming the bridge is not stuck up, then all the way through to Burnie by road. What is the cost differential between this and rail?

Mr WILLEMS - The cost per movement differential is minuscule. Per TEU it is reasonably equivalent.

Mr BENDER - The important difference for us is with rail we can have slightly higher mass loadings in the containers. We are not restricted to how much we can put in the containers by the axle weights on the road.

This means we can squeeze a couple more tonnes in each container. This does impact on the cost per tonne of paper moved. If I was a layman outside the mill looking at TasRail's business, an efficient B-double road-based freight business can make three rotations through Burnie to Boyer per day, in 24 hours, where the train makes one.

You have more rotations with trucks. At the end of the day the costs are lineball. From our point of view it is not a major differentiator. The differentiator comes in other ways. It comes in stowage, a benefit we take, which ends up being a commercial benefit between Tasrail and Boyer. I think it also comes from the environmental, social, community and tourism aspects.

CHAIR - The people, the pennies and the planet, as they say.

Mr BENDER - Yes. Arnold and I think similarly about this. We have worked together now for 10 years, since I became general manager. We have known each other for close to 25. We both feel very strongly that the best way to move large volumes of paper between our mill and the port is by rail.

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We felt similarly disappointed when coal moved off rail some years ago and worked hard to see what we could do as a business to help make the rail case stand up alongside the road transport option eventually taken. There is no doubt in Arnold's and my mind that if we could find a way to have coal back on rail we would like to do it.

This is not a commercial position at Boyer. For us, it is cost neutral. The coal supplier is responsible for freight in this regard. It does not necessarily change the cost, not directly to us at least. From a social point of view, as corporate citizens in the community, we think it is important to keep the number of truck movements in those regional, rural areas as low as possible.

CHAIR - From a purely commercial perspective there have been some suggestions Tasmania will in due course enter quad-axle trucking. How would this from a purely commercial aspect, affect the lineball financial balance between road and rail? I understand the social and environmental aspects.

Mr WILLEMS - Again, we have not done any clear analysis with regard to what quad-axle units might mean from a road transport point of view. The other big difference between trucking and rail is the fuel component. The rail fuel components are considerably less than the trucking fuel components.

When you are looking at our costs, you have less risk with regard to the influence of increase in fuel costs. At the moment they are very low but I think eventually they will go back up. We have less risk to fluctuating fuel costs with the rail than you have with trucking.

The trucking cost for fuel is about 35 per cent of the total cost. In our commercial arrangements the price would vary with the changing fuel costs. Over time the comparison between road and rail will depend quite a bit on whether fuel costs do assist.

CHAIR - Is this more to do with the actual price to be paid for fuel or has it to do with the quality?

Mr WILLEMS - It is a combination of both.

CHAIR - The differential between road and –

Mr WILLEMS - You do not pay because fuel is a smaller percentage of the overall cost for rail than it is for trucking. Any fluctuation in fuel cost will not be as dramatic in rail.

Mr BENDER - It is both. It is fuel efficiency factor and the differing costs.

Mrs HISCUTT - It was put to me the other day by a gentlemen that it would be cheaper, talking money, to put a dedicated truck road in; a lane beside the Midland Highway. It would be heaps cheaper than trying to maintain the rail. Do you have a comment on that? Statewide and financially speaking he reckoned it would be cheaper to put in a dedicated truck lane and maintain it. He was a fellow who knew what he was talking about.

Mr BENDER - I cannot say I have done the work. I am happy to make a comment. It would probably take sitting down and it would not take long I suspect to come up with because it is either going to be close or not close.

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My stomach tells me it depends when you start. If you have invested rail assets then I do not think you would switch and that is the difference. If you started with a blank slate and said here is this piece of land, road or rail, maybe then it might be worth a look. I still think it would not stack up. The complications of having a dedicated truck lane adjacent to a highway are more than cost, particularly where there is the need to turn off the highway and cross into a small town or a property. It would be a nightmare.

Mrs HISCUTT - So it is not something you would find palpable?

Mr BENDER - No. You have to be thinking carefully. Fifty per cent of the traffic that turns off a highway will turn left on average and 50 per cent will turn right. Without overpasses or underpasses these vehicles would have to go across -

Mrs HISCUTT - I thought I would ask it.

Mr BENDER - The difference comes when you have existing assets. As soon as you have existing assets my stomach tells me that weight would fall with rail.

Mrs HISCUTT - I was interested in your comment.

Mr WILLEMS - You would question whether or not the money you put in the dedicated area would be better off putting on road in the first place. I am not sure whether the time advantage on a dedicated laneway would outweigh the cost.

Mrs HISCUTT - Your comments are saying you would still prefer the rail.

Mr BENDER - If we did not have rail I think Arnold's comments are probably true. You would be better off investing more in higher axle weights on the roads and using the road for the purposes of freight, passenger vehicles, tourists and other things. A separate piece of infrastructure might not make sense.

CHAIR - It is not quite as hypothetical as it might seem because we have evidence that the line where I think most of your derailments are occurring - the north-south line - sections of that will need realignment if the rail is to go beyond 20 years. So some thought needs to be given to what we do with that corridor.

Mr BENDER - As I said, I do not think it would take many hours or days to do some analysis. Road and freight rail asset costs including the maintenance costs are pretty well known.

Mr ARMSTRONG - You said there is an improved service since the new owners have taken over. Is that as far as derailments are concerned or overall service?

Mr BENDER - I think overall. Not the service. The relationship has improved. They are more committed to the business.

Mr WILLEMS - The service has improved with the new rolling stock and improved rail conditions. The on-time arrival and departure of the trains improved dramatically. The uniform wagons and equipment has made loading and unloading the train a lot more straightforward and efficient. We have had considerably fewer derailments. There is no doubt about that.

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Mr ARMSTRONG - On the coal; I imagine that it would come from Cornwall. How long ago did the owners of the company make the decision to go to road transport instead of rail?

Mr BENDER - It would have been around 2008. I had been general manager for a year or two. I became general manager in 2006, so just on 10 years ago. I have a feeling it was around 2008.

Mr ARMSTRONG - So, their reason is, it is more efficient?

Mr WILLEMS - The main reason was they opened a coal mine at Kim Bolton in Hamilton. What they do is bring coal down from Fingal to us. They go out to Hamilton with the truck, pick up unwashed and unprocessed coal and take it back to Fingal to process and wash. This is where the efficiency of the road was greater than the rail could meet. It was a round trip by truck. The rail could not go out to Hamilton. They could not find a very efficient way of putting unwashed and unprocessed coal on the train in the south.

Mr BENDER - The other alternative was to have a short trucking route between Hamilton and Boyer and reload the train assets at Boyer with the unwashed coal from Hamilton and then tow it back.

CHAIR - This is the point. The moment you go into double handling, rail begins to cost.

Mr BENDER - Particularly for products which are relatively marginal. There are a lot of products in the forest industry if you pick them up and put them down more than once you have done your dough. Coal is probably similar to this. It is a commodity you do not need to pick up and put it down too often and there is not much margin on it.

Mr ARMSTRONG - Is the coal at Hamilton the same as Fingal? It has a big ash content, does it not?

Mr BENDER - Yes. Both reserves have a big ash content and it is part of the reason we need it washed.

Mr WILLEMS - The Kim Bolton resource is limited in volume. It varies a little but there might be only three or four years of coal left there. It is not a long term resource. Once it ceases, all the coal would come from the Fingal area.

Mr ARMSTRONG - It would be a possibility to look at bringing it back by rail.

Mr WILLEMS - I think at that point in time rail has the potential to be a lot more efficient than trucking. There is no back trip.

Mr ARMSTRONG - I am curious because the rail comes from Cornwall, brings it into -

Mr WILLEMS - We have train unloading facilities at Boyer. We have had for a long time.

Mr BENDER - We unloaded it for over 30 years at Boyer.

Ms FORREST - To clarify something you said, Rod, about the cost of train versus rail. You talk about the cost per TEU and the cost per tonne of paper. Both were pretty lineball?

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Mr BENDER - No, the cost per box you move is very similar. The advantage when you look at it per tonne of paper, which is obviously is important for our business, is that in each container on a railway we can put another tonne or two of paper. Out of, say, 15 tonnes you can fit an extra one or two. This reduces the per tonne cost pro rata. You receive a marginal benefit for what we call stowage. The unitised movements, the movement of each box, is very similar between road and rail. The difference is, on road, we can put a little less paper in each container.

Ms FORREST - What difference does it have per tonne of paper? What is the significant difference?

Mr BENDER - There is a lot depending on the type of paper moved. It is difficult to give you a simple answer. The other component which is important is the shipping. It has an impact right through the supply chain. We pay per TEU on the ship, not per tonne. It is the same on the mainland side. A lot of it goes onto rail on the mainland or onto our warehouses. Again, we pay by TEU so the more tonnes we can fit into a container on average the cheaper the cost per tonne of paper we deliver.

Ms FORREST - So, truck transport is not in containers? You have to put it onto the truck?

Mr BENDER - No, in containers. It is the axle loads of the trains.

CHAIR - Rail can take a higher axle load than road.

Mr BENDER - As I understand, because our commercial arrangements right through to our customers are based on container movements, the benefit is really important. If you only put one row of paper in a container instead of 12 it impacts. The size of the impact is relatively small. We are talking about maybe an extra one or two tonnes and not in every container.

As Arnold said, in 2014 we converted No. 2 paper machine to make coded catalogue grades. Half of our product now, 140 000 tonnes a year or slightly under, is going out as that product. That has a density that is about 20 per cent or 30 per cent higher than newsprint. So our stowage changed dramatically when we went to that paper. We actually fit in many fewer rolls in each container. You can still get the axle weight advantage between road and rail. To some degree that is what makes the commercial arrangement with rail better for us.

Even if they were lineball for us I think our tendency would be to say we would prefer, all things being equal, to move product on rail because of the volumes and the impact on the community.

Ms FORREST - You have acknowledged there have been fewer derailments in more recent times. I am interested in how you managed the times when you had derailments and you had to take all the operations on to roads. I would not have thought there were many trucks out there with nothing to do. So how do you manage it?

Mr WILLEMS - Normally it is only for a short period of time; may be one or two days. What we often do is move the paper that is urgent. It is not necessarily our total volume. We can pick up four or five trucks in a couple of telephone calls. We have relationships with large freight providers like Toll, Monsons and Searoad and they are able to accommodate us with a truck at pretty short notice.

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Ms FORREST - If there was a major issue with a line -

Mr WILLEMS - If it goes for more than three or four days it would be more of an issue.

Ms FORREST - I have heard your comments and you have a preference for rail for a range of reasons. If you were to suggest to TasRail a way to improve their efficiency in terms of your business, what would need to be done? I accept the bit about the back tracking with the coal from the Hamilton area. Leave that aside. Is it two trips a day which means complete upgrade of much of the line to get the speed and that sort of thing? Is it necessary for your business and your growth?

Mr BENDER - Arnold is involved in this directly so he can make this part of his answer.

Since the ownership changes at TasRail we have quarterly, structured meetings with TasRail. Arnold attends those. They talk deliberately about this very question. What is it about the structure of their business and the way we run our business that could be changed to take some benefit from the activity? Whether the benefit is theirs or ours is open for discussion. Some of it is commercial and some of it is operational. It is a subject that formally comes up four times a year within the commercial arrangements we have. That is part of the reason why the relationship, from my perspective as general manager of the mill, feels and looks better. I know Arnold has very strong dialogue with those guys four times a year. It is very structured. It is well intended in terms of trying to find out what we could do differently within the bounds of our operation to extract value for the joint activity. It is very healthy to run the rather large and complex activities where we have to join together very seamlessly at the rail hip.

Mr WILLEMS - There is constant dialogue with TasRail with regard the efficiencies and improvements we can make both on a daily basis, a monthly basis and over a longer term.

We do not have a requirement for a greater frequency of trains. One train six days a week suits us fine and, obviously, if we did expand we have the seventh day. There are always options for potentially using one of the other trains anyway. From a capacity point of view we are pretty right.

We have clear KPIs between us which we share on a monthly basis looking at particularly the efficiency of the rail, making sure it arrives on time, leaves on time, what sort of loads we get on each train, and what are the costs around loading and unloading. It is those sorts of things.

Ms FORREST - One of the other issues that has been raised in terms of additional costs of perhaps impinging on overall sustainability of rail is backloading of empty containers. You have 15 000 tonnes going out.

Mr BENDER - Yes, 18 700 going out TEUs and about 14 000 to 15 000 empties coming back.

Ms FORREST - Obviously that is more Tasrail's issue than yours? Or is it yours?

Mr BENDER - I think it is a Tasmanian issue.

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Mr WILLEMS - It is a combination. We need empty containers back at the mill to be able to load our paper on. Toll is the main freight supplier that provides the containers to us. If Toll has full containers that need to come down, we can accommodate those on the paper train or the other Tasrail train. We put incoming goods we have to make newsprint from, on the train. We empty the container to reuse and put paper on. There is not enough of it so they need to bring us empty containers and it comes down on the train. We try to minimise the number of empty containers. Unfortunately in Tasmania -

Ms FORREST - It is a collaborative approach from all industry and business in Tasmania.

Mr WILLEMS - It makes sense for everyone, at the end of the day.

Mr BENDER - It is one of the subjects I feel frustrated by. As a big mover of freight in the state you can sense there is a big commercial opportunity for organisations such as ours in Tasmania.

Ms FORREST - Nobody wants to come to Hobart. That is the thing.

Mr BENDER - This may be true. Arnold was on the previous state government's Tasmanian Freight Logistics Committee. We are very grateful to have a representative on it. Arnold was a fantastic person to have there. In being a part of it he understood it is similar to a lot of things. As soon as you open this up to look at it more closely the complexity is enormous.

There are different sized containers. Some containers are not reusable for paper movements and some are. You would almost need an organisation to manage this part of it. The new logistics movement is to move an empty from, say, a Purity store, where it has been unloaded out to the Boyer mill to be reloaded with paper and back again without having assets or containers sitting around for days. This is not what logistics companies like to see.

It is an enormously complex thing but is probably something, in time, we could take value from in the state.

CHAIR - It is probably something the market would sort out rather than government.

Mr BENDER - I am not suggesting government do it. I do not think it would be a wise solution.

CHAIR - Not very good at that sort of thing.

Mr BENDER - No. Therein lies the first complexity. I am not suggesting it is the government, but who would it be? There is a lot of work to be done and a lot of operational complexity to deal with day to day. These things change easily. Even if you have spent, who knows, how many thousands of man hours to have the thing up and running, it could change overnight. Purity could change their distribution channels. Myer or whoever the other bigger participants in moving containers into the state could change their distribution channels and suddenly your whole solution unravels. I will go to the grave wishing we could have found a solution.

CHAIR - They fought a revolution over the empty barges crossing each other on the Volga River, if I remember.

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Mr BENDER - It is a big issue for Tasmania, not the least of which is the disadvantage of travelling across Bass Strait.

Mr FARRELL - In relation to this, Rod. It is all containerised paper now. Some time ago I know you tried to address this by having the collapsible flat pack containers so there would be less of a backload. It worked for a while but must have had its limitations. Why was the system changed?

Mr WILLEMS - It worked well when we were transporting between the Boyer Mill and Melbourne. It was very difficult to move those unitised paper modules, UPMs, back at a reasonable cost when you had to transport paper to Sydney, Brisbane or Western Australia. Later today the people who come over to Boyer will hear the demand for newsprint has dropped dramatically in Australia. Our sales into Melbourne, for Boyer, are almost nonexistent. No longer did UPMs to the mainland make sense.

The other reason was we used to backload those UPMs with recycled fibre for the Boyer Mill. We stopped it in 2008 because the recycled fibre became too expensive. Those two things meant that that quite innovative way of transporting paper was no longer relevant.

Mr BENDER - A world first innovation - a stretch wrap container, effectively of pallet size - particularly given the innovation included collapsible legs to consolidate the units into a stack for minimising back breaking. We are very proud of it. but it does not work any more.

Mr WILLEMS - Have you seen the TasRail log containers?

Mr FARRELL - Yes.

Mr WILLEMS - That is a very similar concept.

Mr FARRELL - That is what I thought.

Mr BENDER - We tended to say they pinched the idea.

Mr WILLEMS - We probably utilised them for another five years.

Mr BENDER - No, don't say that.

Mr FARRELL - Is there no opportunity for that style with your future shipment needs?

Mr WILLEMS - Not likely. What the transport companies want to do is bring material to the extent they can, back into Tasmania. Some of it, not all, will come to southern Tasmania. A lot of it comes into Burnie in northern Tasmania. They are looking to utilise the ship slots with southbound freight.

Mr FARRELL - Now you are doing the lightweight coated paper you are shipping in quite a quantity of clay. I believe that comes into Hobart.

Mr WILLEMS - It is calcium carbonate so it is a rock.

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Mr FARRELL - I was trying to think on the run.

Mr WILLEMS - We bring in about 35 000 tonnes of the calcite a year in three to four shipments depending upon the size of the shipment. It comes from Queensland. We have probably a day-and-a-half to two days to move it from the wharf to Boyer. It is a very concentrated short period of time. You cannot get the train on to the wharf so you have to truck it from the wharf. Even if you still had the Macquarie terminal you would still have to get it from the wharf to train it up to Boyer. Given the very tight time frame, it is really driven by the road to the ship. It is probably not a speedy option.

Mr BENDER - At the Boyer end our pile is nowhere near the rail head or a suitable unloading area. So to put it on a truck and take it 200 metres at the wharf end; then put it on a truck, and take it 500 metres at the mill and then take the rail section it does not -

Mr WILLEMS - If it was more volume and it was more continuous it would potentially be a different solution.

Ms FORREST - With the time constraints why do you bring it into Hobart rather than Burnie?

Mr WILLEMS - The overall cost is cheaper coming into Hobart.

Mr BENDER - It is cheaper with a bulk shipment through Hobart rather than through Burnie. The ship usually drops material off for us and then goes to Geelong with calcite for Geelong. From a logistics point of view it is the most efficient way of doing it.

Mr ARMSTRONG - Is that the same stuff they used to get from -

Mr FARRELL - That was clay.

Mr WILLEMS - That was clay. There used to be a boat brought into Wesley Vale and it was processed at Burnie.

CHAIR - You were saying it is cheaper shipping it into Hobart because the ship goes on?

Mr WILLEMS - Overall it is cheaper. Shipping into Hobart and the logistics to get it to Boyer, the overall system is most effective.

CHAIR - Bell Bay, for example, is obviously closer in terms of sea travel time. It is set up to handle bulk cargo and has a rail line.

Mr WILLEMS - Yes, but TasRail does not necessarily have a carriage or unit that can carry it.

Mr BENDER - And you still have the end problem at the Boyer mill.

Mr WILLEMS - They might effectively be able to use the coal wagons for instance but they would have to pull them out of the service while they were doing the service for us. The rate at which they delivered it would be too slow for the unloading rate on the ship because you need to do 400 tonnes an hour off the ship.

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CHAIR - So unloading it at Boyer is an issue?

Mr BENDER - There is an infrastructure cost or a logistics challenge at the Boyer mill with rail for calcite. There is a storage issue on any port where the ship unloads at 400 tonnes an hour and you might want to take 40 tonne an hour away. It has to be a very intense activity.

To be honest, I was sceptical about the truck solution. Arnold convinced me it was possible. This was in the design phase of the project. I was thinking this would be a nightmare. It has not turned out this way. It has turned out to be a well managed, seamless part of our business.

Mr FARRELL - Will the current energy crisis have any effect on the amount of paper you ship out? Will it result in contractual problems with Tasrail?

Mr BENDER - Not contractual problems. There are operational matters Tasrail deals with. The contingency downtime we are taking in conjunction with Hydro does mean we produce less paper. We took a week in March which was close to 2 000 tonnes of paper. There was an extra three or four days on the end of an annual maintenance activity at the mill last week. It would have been similar; 2 500 tonnes of paper, maybe more. It is affecting the volumes going out.

We try to run the mill flat out every day and have for 75 years. From time to time we have operational issues which stop us. This is no difference in impact from the Hydro outage. When this occurs we cancel trains or we under utilise the train and end up paying more per container and tonne of paper. We do not like to do this as part of the efficiency we aim at.

As part of the contractual arrangements we have with Tasrail there is an allotment of train cancellations each year that we can take without charge. This has been negotiated because it is easier for both organisations to manage while we are not arguing about whether or not it is for a period of time each year. It is a relatively small number. At the moment the trains we are cancelling for activities such as the contingency downtime will probably eat up our annual allocation.

There is no direct financial impact at the minute for the Hydro downtime but less headroom for the business running to the end of the year when the contract resets and we have another allocation of cancellations. If it went on longer there would be an impact and it would be something we would want to talk to Hydro about.

Mrs HISCUTT - Do you reset at the end of the financial year?

Mr WILLEMS - It is calendar year.

Mr BENDER - Our financial year is calendar year. It is January to December.

Mr ARMSTRONG - When did you stop sending paper out through Hobart from the barges?

Mr BENDER - I will stand corrected, but I started there in 1990. One of the first jobs I was given as a young engineer was to take down the barge wharf. I know in 1990 it was not used a lot because I took it down. I think it stopped in around 1988 or 1999.

Mr ARMSTRONG - And it has always been with rail?

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Mr BENDER - No. They went to road for a period in between. The major movement to rail was in 1995 when we built a \$10 million warehouse facility, a new rail head, and started moving 100 per cent of our product out of the mill, bar about 5-6 000 tonnes a year, by truck to either Launceston or Hobart.

CHAIR - Was the road to Hobart or road to -

Mr BENDER - Road to Hobart. It was a similar arrangement we had with Pavilion Point. The major change that occurred was in 1995 when we went to Burnie. We moved the port of destination from Tasmania. We changed dramatically the type of transport we used going to rail.

Mr ARMSTRONG - That was when you went to rail for Burnie.

Mr BENDER - Since 1995 it has been rail. Coal was trained into the Boyer Mill for as long as I can remember.

Mr WILLEMS - Similarly to timber. When I started two years ago I looked after rail heads in the north of the state. We were transporting softwood timber from the north of the state down to Boyer. In those days nearly all the wood from the south came down on the train from various sidings. This progressively ceased over time because Tasrail at that time, under private ownership, was not able to provide the service. We moved 100 per cent to truck. We are now investigating through our supplier the possibility of quite a large proportion of this returning back to rail.

Mr FARRELL - The mill has been a fairly major customer of the rail system since its inception. Its location was chosen partly because there was a rail service there. When the mill stopped taking logs out of the upper Derwent Valley - an area that had been serviced by log trains for many years - that section of the line was closed down. The major customer had left.

Can you foresee this happening if you withdrew your current support for rail transport to Burnie? Have you thought of what the broader impact to the rail system might be?

Mr BENDER - I have thought about it. I suspect it would be a material change for the business but I do not know that. I have thought about it because to some extent, I do not think it is less than public knowledge; there have been challenges in keeping the mill operating as a sustainable activity. In the last 10 years as general manager there have been three or four periods of time - every couple of years seems to be the pattern - where challenges in the market make it look like we need to find a different way of running the business. The most recent since 2010 has been the decline in newsprint demand.

We are proud of what we have done to sustain the mills at two machine operation with 300 employees directly employed on site and another 100 in forests and the forest transport sector. 1 200 jobs is the estimated state effect including the directly employed people. We are desperately trying to make sure we can sustain this for as long as possible.

If we were not able to do this, the knock on effects will be fairly significant. This is the fundamental reason we are committed to being a founding member of the Big Picture Tasmania Group. We think it is important to understand there are economic, social and other flow-on effects from having these operations, particularly in regional parts of Tasmania.

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We spend \$175 million directly into the Tasmanian economy each year. I do not think we are going to go away tomorrow. At least half of the business is in the newsprint side for which the market outlook is gloomy. During the mill visit today we will tell you more about this.

Mrs HISCUTT - Did you say gloomy?

Mr BENDER - Yes. I could use a different word. I might in the boardroom. It is challenging in every sense of the word.

Mr FARRELL - The reason I ask is because a fairly thin thread appears to hold this whole thing together.

Mr WILLEMS - Obviously the south is looking for solutions for wood residues. Potentially some of those could go to the north. There is still a considerable amount of wood being transported by truck to the north. I think it is a very small percentage going on the train. Over time it could be more products go on the train from the south to the north and increase the potential volume on rail. There is potential for it to go either way.

Mr BENDER - Going to this point may be to try and expose; Arnold and I agree on this. We feel Tasmania as a state is of a size to deserve a sustainable rail operation. I do not see inside their business; how sustainable it can be made, what investments are required or how much business could come or go to make it better or worse? It is their business. It would be disappointing and unwise if we came to a point where we relinquished access to this option. I do not think that would be wise because I feel that Tasmania is a size and a scale - it is not a very complex network when you see it drawn. It is not as if there are a number of redundant lines here. There is the main arterial route and some minor spurs. It is of size and scale that would be good to keep. Our sentiment is to participate in the business with them to try and make sure that is sustainable.

TasRail is an important supplier to us. If we were moving to road because of the stowage differential level there would be a cost increase but it is marginal. We would rather not for many other reasons.

Mr FARRELL - As Arnold mentioned, when you were looking at forward projects and the opportunities like the transfer of wood, rail is always considered.

Mr ARMSTRONG - Do you still use rail for bringing timber in?

Mr WILLEMS - No, that stopped quite a few years ago, probably early 2000s. It diminished over time. We were bringing wood out of the north-east but that rail line was no longer maintained so we stopped that operation. We did continue our of Fingal and south Burnie. Eventually that was also stopped mainly because TasRail, when it was privately owned, could not maintain the service.

Mr ARMSTRONG - Where does most of your timber come from now?

Mr WILLEMS - Sixty-five per cent comes from our own plantations in the south of the state and 35 per cent still comes from the north but it is all trucked down. That is the component I

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am talking about where we are obviously discussing with our supplier, Timberlands, the potential of part of that wood coming back on rail.

Mr ARMSTRONG - You are talking about bringing it back on rail so the lines are still in that area where that timber is coming from?

Mr WILLEMS - Most of it would come out of Bell Bay. They would transport it by road to Bell Bay, put it on the rail at the new Bell Road rail siding and bring it back to Boyer. Are you aware of that?

CHAIR - The derailments are your biggest supply issue and they are decreasing. Where have those derailments been occurring and what reasons have you been given for the failure of what amounts to a critical service for you?

Mr WILLEMS - How far back?

CHAIR - In the last three or four years since TasRail has moved back into public ownership.

Mr BENDER - In the last couple of years there have been very few but before that they were more frequent.

Mr WILLEMS - There has always been various locations. The section between Tea Tree and Rhyndaston is where they have more potential issues with the rail itself. There have been other locations on the rail line. The reasons for it has varied from truck, to operator to a whole range of different reasons.

Mr BENDER - Track alignment, centre of gravity.

Mr WILLEMS - Failure of the rolling stock.

Mr BENDER - There were a couple rolling stock failures. Certainly the mind boggles. There is not a particular issue I would point to and say that is the problem. I know the track and the track alignment condition of the assets on the ground and below were routinely mentioned in derailment activity.

CHAIR - With your paper train how many TEUs do you put on each train?

Mr WILLEMS - Our overall allocation is 60 TEU slots a day, six days a week.

CHAIR - How much for the week?

Mr WILLEMS - Now it is two per wagon. Obviously we move 44 containers too. So TEU equivalent probably a third of our trade is imported.

CHAIR - We have heard evidence about the maximum length of that train. That would be a reason why you did want to increase your supply or you had an opportunity that is limited by the maximum length of the train.

Mr WILLEMS - There is a combination of the length, the track condition and the locomotive power they put in. The locomotives which go onto the train are in units. At the

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moment with the new locomotives we run two units on the train so we then have an overall mass limit for the train based on its capacity to haul.

CHAIR - I think it has more to do with the grading

Mr WILLEMS - Yes, that has been arranged with us based on our requirements in total volume. If we had a greater volume there is a potential for an additional locomotive to put on the train to haul more.

CHAIR - It is also an issue of the crossover.

Mr WILLEMS - Or we go to seven trains if we need more capacity.

Mr BENDER - The first thing we would do is put on seven per day. From a fixed cost point of view it is the most effective way of them using their assets. In terms of spreading the assets the seventh day is a free kick, apart from the costs of running capacity of sending another train.

CHAIR - What is the capacity of sending another train?

Mr WILLEMS - It is about 1 000 tonnes per train.

Mr BENDER - Yes, we would have to find 50 000 tonnes extra capacity per year to make sense of it for the whole year.

CHAIR - If you were in the seventh day and then you found you were struggling, you could simply run two on Mondays or as needed?

Mr WILLEMS - Yes, it is either that or hook onto the other services they have out of the south.

Mr BENDER - Then you might start to use the Brighton hub to flex a few wagons off, pick them up with a general goods train and take them north. This is something Brighton hub has given the flexibility to do. It is where the value will eventually come.

Mr FARRELL - Getting back to the softwood timber. Are there still good resources of softwood in the northeast area?

Mr WILLEMS - Yes.

Mr FARRELL - If that rail line had been kept you would probably be moving it by train?

Mr WILLEMS - It will be trucked from the northeast at Bell Bay and connected onto the train at Bell Bay. It still makes sense for the wood out of the northeast to truck across to Bell Bay.

The rail head does not go to every forest coupe. At the end of the day there is always going to be a trucking component from a forest to a rail head and then to Boyer. It depends on the varying costs between trucking and rail, where this makes sense. It would be silly to transport timber from Fingal to Bell Bay to bring it back to Boyer.

Mr FARRELL - It may have gone to Herrick in days gone by.

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Mr WILLEMS - No, that went to a siding up at Fingal. There is one at Conara too.

Mr BENDER - It would have gone to the closest site. The big disadvantage rail has for wood is it is geographically dispersed across the countryside. When you look at the total area of land and easements rail has it is minuscule. Its coverage is nowhere near what road can offer.

CHAIR - Thank you very much, gentleman. It was very interesting. I am sure there will be a few more questions when we slip on the gumboots and a high-vis vest. It is nice to meet you again and we will catch up later today.

Mr BENDER - We look forward to it.

THE WITNESSES WITHDREW.