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THE LEGISLATIVE COUNCIL GOVERNMENT ADMINISTRATION COMMITTEE A MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART ON TUESDAY 22 MARCH 2016.

TASRAIL

Mr TONY COEN, TASMANIAN ASSOCIATION OF TOURIST RAILWAYS WAS CALLED, MADE THE STATUTORY DECLARATION WAS EXAMINED; AND Mr CHRIS MARTIN, CIVIL ENGINEER, WAS CALLED, MADE THE STUATORY DECLARATION AND EXAMINED VIA TELECONFERENCE.

CHAIR (Mr Mulder) - Welcome, gentlemen. All evidence taken at this hearing is protected by parliamentary privilege and I remind you that any comments you make outside the hearing may not be afforded such privilege. A copy of the information for witnesses is available. The evidence you present is being recorded and the *Hansard* version will be published on the committee website when it becomes available. By way of introduction, I advise the procedure we intend to follow today is, first, you will be provided with the opportunity to speak to your submission, if you wish. Following on from that, the committee will address questions to you. We seek information in relation to the financial sustainability of TasRail. We have all read your submission but for the record it would be good for you to give a brief resume of your expertise in the field to which you are speaking.

Mr COEN - I have had a lifetime in the transport industry, most of that probably involved with the railways in all sorts of capacities. I was a train driver, an owner of a tourist railway business, and then I became manager of another tourist railway in the Derwent Valley - and been a volunteer member of that for many years. I still do those sorts of things, as well as drive occasionally. I am retired but I occasionally drive road coaches and I have just finished a tour related to railways right around the state. I am up with most of the things associated with the big railway system and the smaller ones because I am deputy president of the Tasmanian Association of Tourist Railways, commonly known as TATRail. I try to help out wherever I can with all the railways in the state - the tourist railways and the small ones - to help them manage things such as safety management systems, accreditation, operation of things. I am also a qualified trainer and assessor to do lots of those things associated with railway operations, including driving and firing and so on.

CHAIR - You are somewhat credentialed, I would suggest.

Mr MARTIN - I am a civil and structural engineer. I have had a lifetime around the railways as well. My father was a fitter and machinist with the Tasmanian Government Railways where he caught the steam bug back in about 1957. When I came along he was in the process of building a 2-foot gauge railway near Lilydale. I had a lot of involvement with that as a child and from that went on to study engineering. These days I am the chairman for the Association of Tourist and Heritage Railways of Australia, the chairman of the Tasmanian Association of Tourist Railways, and chairman of the Redwater Creek Steam and Heritage Society at Sheffield - that just ran our second most successful steamfest last weekend.

CHAIR - Would you like to walk us through your submission?

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Mr COEN - It is fairly well dot pointed and self-explanatory. Our chief concern is the tourist and heritage sector rather than the operation of TasRail. Even though our points are there and are quite valid, our priority is for the tourism and heritage sector gaining access to the state's network, which could have a lot of benefits not only for the tourism industry but also for TasRail itself. We have a lot of underperforming assets with TasRail that could do with a bit of help and we could provide that. Another important aspect of us running on the main line is that we have railways that connect towns and villages and communities around the state, but how many people take much note of that? Because it doesn't cart small freight, which people used to go to the station to pick up, and it doesn't cart passengers any more, it has become a bit of a backwater. It is not noticed any more. Running a passenger train can boost the profile of TasRail and give it some income.

Mr MARTIN - I would like to reiterate that railways are built to connect communities. In my role as the chairman of ATHRA and TATRail I have seen the wonderful work that the volunteers' network has done, both here in Tasmania and across Australia. I see also on the mainland how successful tourist heritage rail excursions are.

I have seen across Australia how successful and important tourist and heritage rail can be to the communities that are operating tourist and heritage experiences. I also see how the operators on the mainland are given access to the main line at quite competitive rates. I feel for Tasmania that we have a great opportunity that is being lost to the public and to the tourist environment as a tourist experience for Tasmania.

In order to cast a way forward, we have over the last 10 years in promoting a joint tourist and heritage rail operator that links in with all of the three mainline heritage rail groups in Tasmania and provide the professional overarching operating entity that deals directly with TasRail and the Government. There is a number of governance models that that entity could take: one could be that TasRail was given the mandate to operate in the tourist environment. I know they are quite set against that and for some time their priority is to run safe trains. The recent expenditure on the upgrade of the network is now allowing them to do that and that will allow them to consider the increase in that perception of risk with operating passenger operations.

I am aware also of TasRail's resistance to passenger operations, I have heard it said on numerous occasions by people well connected that the track is being upgraded to heavy rail transport and that it is incompatible with passenger operations. I would like it to go on record that that is not the case. There is no reason that passenger operations cannot exist on the current network. Would you like to speak on that quickly, Tony?

Mr COEN - Only to agree with you. Misinformation that has been spread around about that that has been widespread, a lot of people pick up on including the former Governor made a comment about it. The better the track the heavier the rail the far better it is for anything to run on the track. It is nonsense to think that it cannot do that, that has always been a blocker offer posed about the state of the track in the past and is probably why previous owner of TasRail stopped the three main organisations in Tasmania from working on a main line because of the condition of the track for its own trains. It did not take into consideration that the loads on passenger trains, including the locomotives are much lighter than they are on heavy goods trains. It is an interesting point.

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Mr FARRELL - Either Chris or Tony, I noticed nationally there has been a return to heritage trains operating around Australia and this might come into your role as national chairman. They are even running large Garrat steam engines in New South Wales and the Australian Capital Territory I notice, and there is a return to heritage rail operations in other parts of Victoria. Do you see one of the issues, here in Tasmania, the fact that TasRail are both player and the umpire in the whole thing? Do you think that is having a detrimental effect on preventing heritage groups from recommencing operations here?

Mr MARTIN - I believe that would be the case. As the player and the umpire they have a mandate to run their freight trains, and anything that interferes with that mandate causes them some anxiety. It could explain some misinformation that has been spread.

Mr FARRELL - Initially, when TasRail took over from Pacific National, there seemed to be an effort to keep the disused lines reasonably tidy. Wherever you go in Tasmania, it looks like these lines have been let fall into disrepair. I notice the former Zinc Works line in Hobart was like a bit of wild bush. Is that something that concerns your sector because people see it and think, that railway line is an eyesore and nuisance that probably should be ripped up? Do you think it is not a deliberate move to try to discredit trains starting, but is that of a concern to tourist and heritage operating groups?

Mr MARTIN - It is a concern to tourist and heritage rail groups. However, without that main line operator, at the moment, the way is clear for TasRail to be running those assets down and shutting them off. I am concerned that Burnie to Wynyard has been earmarked for a bicycle trail and now has state government support, I understand. It was about 1999 or 2000 that I worked with Pitt & Sherry as a project manager, looking at a magnesite mine railway from Meunna [?], 35 kilometres inland as a heavy haulage freight operation which fell over at the time. However, it highlights the opportunities with keeping that network open to freight that could come in the future for TasRail and for the benefit of the Tasmanian public.

Mr FARRELL - Thank you. With the disused line, as in the case of the north-east line from Launceston to Scottsdale, has there been any discussion through or with your organisation about the future possibilities of tourist rail before they decided to let the corridor become a bike track?

Mr MARTIN - There has not been any conversation with TATRail. TATRail represents the eight tourist and heritage railways operating in Tasmania and at present there are none that have a specific interest. I add that Diesel Traction Tasmania has an interest in operating that line and is working progressively towards that. Their conversation about the use of that line has not been directed through TATRail, it has been directly through their own efforts.

Mr FARRELL - In relation to the Hobart line, from Bridgewater into Hobart, there was some money given for a study allowing the Transport Museum to have a look at the use of that line. At the time the line was decommissioned, all the crossing lights and the connections to the power system were removed because they feared the signalling could be vandalised. I think now once lights are removed from a system, if they are to be installed they have to come up to the current standard. The whole line about putting the lights aside was maybe a bit of a furphy and I believe the lights that were taken out of that line have since been scrapped. Have you heard anything in regard to that either through your member groups or other areas?

Mr MARTIN - I have not heard that the lights have been scrapped, Craig. I would be very disappointed if that were the case. I have had discussions in the past with Peter Clemments, the

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regulator's representative in Tasmania. He gave indications that if the frequency of trains did not increase, the lights and the level crossings would be a viable method of controlling the risks associated with those level crossings. If the intensity and frequency of operations were to increase significantly then modern standards might be required, which would be gated level crossings, which cost in the vicinity of \$0.5 million to \$1 million dollars per crossing.

Ms FORREST - A couple of things both Tony and Chris have spoken about, Chris you particularly. You were talking about the purpose of railways was to connect communities and is essentially for the benefit of communities. One of our terms of reference looks at the social and economic impacts of rail over road, which has a number of aspects. People are killed on roads more often than they are killed on rail, certainly at the moment. In my mind you were talking about an economic benefit from the involvement of volunteers and others involved in tourist railways has an economic benefit to the state. Do you want to quantify that in any way or talk more about that?

Mr MARTIN - The Bellarine Peninsula Railway had REMPLAN do an economic assessment of the heritage rail operations that they operate there. For those who are not aware the Bellarine Peninsula Railway is almost a Tasmanian railway, but not in Tasmania because they have much of Tasmania's rolling stock preserved there. The economic multiplier that REMPLAN came up with was 32 times for funds spent on upgrading their infrastructure as a return to the community.

Ms FORREST - Just on that point, if you want to say something more that is fine we can come back to it. We are looking at the track between Burnie, Wynyard and further west. The corridor is all the way through to Smithton still, not that you can tell where it is in a lot of places.

Mr MARTIN - The corridor is all the way, the track is still down to Wiltshire.

Ms FORREST - Yes. In that regard the cost of doing it up to a standard to where you could run passenger trains on it in the absence of a heavy freight service as well, would be prohibitive in terms of getting a return. That is one issue in saying it might well be a beautiful passenger rail all the way along the coast there and inland in parts as well. You talked about the 30 times multiplier in the one you were speaking of, was that track upgraded for another purpose or was the entirely for tourist rail?

Mr MARTIN - That was entirely for tourist rail and coming out of the back of that report they got \$1 million for shedding the rolling stock that they had. It wasn't directly for expenditure on the rail itself. I think they have about 15 kilometres of track that is maintained by volunteers, which is comparable to what you are talking about Burnie to Wynyard, for example.

Ms FORREST - They got \$1 million for selling off their stock?

Mr MARTIN - No, for shedding it.

Ms FORREST - That was put toward the upgrade?

Mr MARTIN - That was put towards a large shed so that they could put their rolling stock undercover.

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Ms FORREST - I thought you meant 'shedding' as getting rid of, but putting it in a shed. There are two different 'sheddings' here. Craig probably understood that language being a train buff.

CHAIR - Divest versus tin.

Mr MARTIN - A bit like a big shed up the Derwent Valley.

Ms FORREST - Yes, okay. There was quite a significant capital expenditure there, then.

Mr MARTIN - Yes. In Victoria they have a government representative, Adrian Ponson, who administers the disposal of redundant rail equipment across Victoria and the tourist and heritage groups. If rail or sleepers were being removed from the main lines and one of the tourist and heritage groups required them it, Adrian's role is to allocate that to a second life within the tourist and heritage sector. That is something, in Tasmania, would be very beneficial for the groups that I represent with TatRail.

Mr COEN - You mentioned earlier, if there was an option to upgrade the line west of Burnie, not that anybody is talking about that -

Ms FORREST - No. I was using that as an example.

Mr COEN - Yes. A line that is already there to be upgraded for tourist and heritage trains. Quotes have been delivered prior to this on several occasions and misinformation again about colossally expensive, huge amounts of money to rebuild them. All these quotes government have received in the past are based on high axle loading, not light axle loading.

I have had experience at repairing lines and rebuilding them and you do not have to build the track up this high off the ground, so it is higher than platforms, which heavy axle loading has to have because trains move around and tracks move around. You only have to have it sitting that high off the ground with enough ballast to pack it up and reasonable speeds and wooden sleepers. There are opportunities to get steel sleepers these days which come out of the main line. Once they were replaced by concrete ones and you might be aware of that. There are a lot of concrete sleepers gone into the whole network and steel sleeper have become available.

The costs associated with these thing that have previously been put out is misinformation.

Ms FORREST - One of the things is where you need to replace bridges and culverts, they are very expensive.

Mr COEN - They would be. In the case of a railway line such as the Derwent Valley line, which I was involved with and still am, we had to do things like that as we went along. You only had the line open for a short distance and gradually do the next bit and so on.

Ms FORREST - Chris was talking about it in the submission about the Queensland tourist rail. Is that tourist rail or is that tourism and freight? If it is tourist rail, how would that compare with our rail? A lot of our rail in the main lines has not been upgraded yet. They are in the process of doing it and some would say are doing it to gold plating level, other people disagree. In terms of the parts that have been upgraded, how would they compare with being appropriate for passenger use and then the bits that have not been upgraded, are they suitable?

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Mr COEN - They would be because heavy axle loads are going over the pieces that have not been upgraded now. TasRail might impose a speed restriction which would be fine, as long as we can get a line. The track that has been done up -

Mr MARTIN - In the report I wrote about the 150 year celebrations in Queensland, they sent a steam train from one end of the state to the other, across their network. There are no issues in that regard in Queensland. The same track standards there is what is being applied for Tasmania.

Ms FORREST - Thanks.

CHAIR - I note with interest you talk about the standards and the suggestion that TasRail, which has frequently put out that the tracks are not of a standard to take passengers and I note your concerns. When this issue was pursued previously, we eventually received an answer that it was not the standard of the track but the prohibitive costs of insurance of running passenger services rather than a freight service.

I would like your comments on that in the context of most people could see that a passenger train has a lot lower track standard requirement than freight. The idea the insurance costs are prohibitive, so how are others and yourselves getting over that when you have been running your tourist services?

Mr COEN - It is an ongoing thing. Chris is more up-to-date with the latest on that so I will get him to answer it.

Mr MARTIN - In the last few years I understood TasRail had issues potentially with their own insurance due to the number of derailments that were occurring. The possibility of ensuring their infrastructure for passenger services was an area they did not want to enter. They felt that might be enough for their insurer to pull out from their current insurance. If the track has been upgraded to a good standard and derailments are not as much of an issue on the main line, I would think that component of the insurance isn't as delicate. As to the operators that ran on the main line, I think the requirement is a \$250 million insurance policy for public liability. That is cost prohibitive for heritage groups and the concept of an overarching statewide mainline operator with insurance would allow each of the groups to operate under the one insurance banner and create some good cost benefits for a cooperative approach.

CHAIR - It has been suggested in the past, that maybe we need to split TasRail up into an above-line and below-line type operation so that the track is owned by the public, the way the public owns the roads. Operators then use that track by paying a fee or otherwise - a suggested fee like charging tolls on the public highways. What are your views on turning TasRail into a line managing operation and then having another entity that was moving freight across it and that would then create room for tourist and heritage operations?

Mr COEN - We would certainly go with that. You are quite right, this has been suggested before. From memory, previous owners have put a package together on that, but we would again have the insurance problem. We have a government-owned railway line - and we see this right across Australia with different people managing the below and the above. Anywhere else on the mainland other operators just move in. There are dozens of them, whether it is freight or passenger. Tasmania is the only one that is singled out and stuck where it is. It is very frustrating for all of us.

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Mr MARTIN - I am aware some of the heritage operators are paying on the mainland for main line access. It was something like 75 cents a kilometre to run a train out of Canberra. You would not even replace one railway sleeper for the costs they were paying to do the journey. It was 30 kilometres to Bungendore they were running, on the occasion I travelled with them. To maintain your own line when the heritage operators could be out on the main line at a fee such as that, it wouldn't make sense to maintain your own line.

CHAIR - On the first page of your submission, the second dot point, amongst the factors to take into consideration:

The problem that seems to overhang is that there is inconsistency between road and rail funding as well as preferred carrier. Taxpayers are footing huge amounts into both forms of transport and only one of them is carrying the goods. That means that:

- Money is being wasted on one of the systems. The ideal situation in Tasmanian is, of course, to complete the railway upgrades and purchases of new rolling stock and then ensure that 90% of the freight that is currently on the roads is transferred to rail;

That is an obvious statement and if that could be achieved we would sort some of the things out. In the past we have attempted to force freight onto trains and for all sorts of reasons - for example, there isn't a train connection to the *Spirits of Tasmania* that take an awful lot of our cargo. It is nice to say that, but how do you see that happening? We force people to do it? We bring in out of area permits for truck operators? How would you force the rails to take 90 per cent of the traffic, given the logistics and the transport?

Mr COEN - I wouldn't suggest enforcement. I don't know the answer to that. I don't think anyone in this room does probably. It is a government thing to try to do something about encouraging people to get off the road and onto the railway, because at the moment it is a colossal amount of money. As I said before I am retired now, but I still drive coaches and I was seven or eight years driving the main road coaches on the service runs in Hobart and Launceston. That is where I got those numbers of things going past me between Bridgewater and Perth. I had to do this every day and it was the same. I know how that road gets knocked to pieces. Certain sections of that road are fixed up, repaired, and 14 to 15 months later it is torn to pieces again. That is only because of heavy rigs, B-doubles and so on, tearing up and down that road, particularly these coal things that are going to Fingal.

This is just my opinion. There is a lot of money being poured into the road and a lot of money going in to the railway, but the railway is not carting it.

CHAIR - It seems to me a lot of the debate is centred around how nice it would be or how good it would be if this were to occur. What I am not getting is much idea of how on earth we are going to persuade people to change their behaviours.

Mr COEN - I don't know the answer to that.

CHAIR - Commonsense would tell you that if we built the below rail and we got that up to a standard and we simply built and maintained that the way we do our road system, then the natural

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efficiencies of low friction, one engine instead of 27 dragging 27 containers up north, all of those sorts of things might give us a cost incentive or a price incentive.

Mr MARTIN - May I ask if the tariffs the trucks pay to transport their freight on our road network are equivalent to the maintenance costs of the network?

CHAIR - Probably not, but I think what we need to realise is that federal funding, just on the fuel excise which is something rail operators don't pay, but truck operators and car operators do. \$14 billion was raised through fuel excises in Australia last year and we put less than \$4 billion back into roads. The funding, and the cost, and are they contributing, you will find all motorists are contributing more than a fair share of building and maintaining the road.

Mr COEN - Don't forget, the railway might not be paying what the truckies are paying, but the railways are still maintaining their track, whereas the truckies aren't.

Mr FARRELL - I was thinking it is really odd that the National Chairman of the tourism rail body comes from a state that does not have any operating, which is ironic. Just on rail banking, which cynics might say is a process of lifting up rail, selling the steel and putting the money in the bank. What is your understanding with proposals to rail bank disused lines?

Mr MARTIN - I think once the rail has been removed the opportunities, particularly for the heritage sector to get in and make use of that line, are lost. If you had future freights to the extent that it warranted the capital outlay to rebuild those lines coming out of that area then that should have already been identified.

Mr FARRELL - Are you aware of any lines that have been reinstated around the country?

Mr MARTIN - No.

CHAIR - Gentlemen, we are over time, but it has been a very interesting discussion and I thank you very much. Just a reminder, parliamentary privilege does not extend if anything that was said here was repeated outside. I cannot think of anything contiguous, but who knows these days? What you say in all good faith turns out to be highly contiguous. Thank you very much it has been an interesting and a fascinating insight into the potential uses of what is valuable infrastructure.

Mr MARTIN - Thank you.

Mr COEN - Thank you all.

CHAIR - Feel free to listen to the next lot, you do not have to rush away. Only if you want to.

THE WITNESS WITHDREW.

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Mr BEN JOHNSTON AND Mr PHIL BUTLER, HOBART NORTHERN SUBURBS RAIL ACTION GROUP, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR - Welcome to the Public Hearings of Government Administration A Committee inquiry into the financial sustainability of TasRail. All evidence at this hearing is protected by Parliamentary privilege and I remind you that any comments you make outside the hearings may not be afforded such privilege and that includes repeating something you said inside. A copy of the information for witnesses is available if you have read it or you aware of the process?

Witnesses - Yes.

CHAIR - The evidence you present is being recorded and the *Hansard* version will be published on the Committee website when it becomes available.

By way of introduction, I advise the process we intend to follow today is as follows. You are invited to provide an opportunity to speak to your submissions and preferably if you would like to give an overview of your own expertise or experience in a particular area. After that the Committee will address some questions to you. Mr Farrell has asked if he could take the lead due to his high familiarity and in depth knowledge of the subject. We are seeking information in relation to the financial sustainability of TasRail and I will hand it over to you.

Mr JOHNSTON - Thank you from hearing from us and receiving our submission. I am here in my capacity as President of the Hobart Northern Suburbs Rail Action Group which is a community group incorporated in 2010 following overwhelming community interest and response to a proposal to restore passenger rail between Hobart and Bridgewater. First looked at in 2000 as part of my honours project in engineering and we obviously have an interest in the railway and TasRail.

In essence our submission is based on saying that as in other jurisdictions around Australia there is no good reason TasRail is not supporting and facilitating passenger rail access to complement their freight business. Indeed it would broaden their horizons and better utilise an asset which is public infrastructure.

Mr BUTLER - I'm Phil Butler, Vice President of the Northern Suburbs Light Rail Action Group and a community member who has an interest, not just in light rail, but the provision of services, particularly to the northern suburbs and beyond. Also, I suppose I am a disenfranchised witness of galloping government inertia of all sorts over the last 20 years on this particular issue. I am not aiming at any particular government, because I think successive governments have failed to take action that they ought to have taken over many years. That has gee-ed up my interest, so to speak.

Mr FARRELL - I'll start off with where I got to with the heritage people about the corridor, which is a large component of what your group proposes. In your submission you listed how different bits of the rail network have been closed down, pulled up and destroyed over the last 20 or 30 years. Currently we are seeing parts of the track being sealed over, or land on the side of it being taken up. The biggest issue seems to be that different local government groups have different ideas for different parts of the track. Do you feel that if this isn't looked at as a state

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responsibility the whole track could disappear in a thousand cuts really? Is this a concern for you?

Mr JOHNSTON - Most definitely. The rail that is now classified by TasRail between Hobart and Bridgewater is non-operational and very much under threat. We have seen bitumen applied at the regatta grounds that is yet to be removed and threats of various additional level crossings along the route, which would exacerbate the already challenging proposition having to restore the level crossing systems.

Passenger transport, public transport in Hobart was once a local government domain. The state saw fit to take it off local government and has since been in the business of passenger transport. I agree that it needs to be pushed at a state level, as well as involving the other levels of government.

Mr FARRELL - Your submission highlights the fairly hasty removal of all the crossing lights in the system. I think there were 30 something level crossings between Bridgewater and Hobart. The whole idea was that they would be stored and reinstated if a proposal was found that would work for the network. I have heard unconfirmed reports that these lights have now been scrapped and the whole idea was to prevent them from being vandalised, which defeats the purpose. Have you had any correspondence from either TasRail or the state Government about the current state of those pieces of crossing infrastructure?

Mr JOHNSTON - No, I haven't. I didn't get a response to my letter to TasRail, but I've seen TasRail's letters to others that suggested they were being kept for safekeeping. A cynic might suggest that it was corporate vandalism to prevent vandalism of the lights. The systems are largely intact and reinstating the lights shouldn't be a big issue. It should be TasRail's issues given that they took them out to preserve them. I don't know what sort of preservation they're in at the moment. I have seen various things come up on Gumtree that looked very similar to what used to be between Hobart and Bridgewater. Not sure.

If a frequent commuter service was to be reinstated, part of the costings that have gone in to the state Government, capital cost estimates certainly have included level crossing upgrades. However, for imminent tourist rail access it is an issue.

Mr BUTLER - It is an astonishing development to remove that sort of infrastructure. It didn't make any common sense. No explanation has been provided thus far have validated it.

Mr FARRELL - Generally with the talk of a northern suburbs rail service, the figure of \$100 million seems to be thrown around a lot. Will it cost that much to get a rail system going? How far would that \$100 million go?

Mr JOHNSTON - Just a bit of history. In the Graeme Sturges era cost estimates were put up for reinstating and expanding light rail and they came up with something like \$600 million to \$700 million to go from the university campus at Sandy Bay through to Bridgewater. In 2009, I put together a capital cost estimate on the Hobart to northern suburbs rail proposal, which is in the order of \$60 million to reinstate rail with brand new electric trains between Hobart and Granton. Since then further state government studies have come up with \$70 million Hobart to Claremont diesel trains, \$80 million for Hobart to Claremont electric trains, and most recently, \$70 million to \$78 million Hobart to Glenorchy electric light rail on a standard gauge. In my opinion \$100 million would get you brand new electric trains all the way from Hobart to Bridgewater.

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Mr BUTLER - There was another driver to that as well, and that was the requirement of Infrastructure Australia funding projects of \$100 million to \$110 million. When Minister McKim was in charge, there was a figure that if a project was above that figure it might be given better consideration, but I do not think the project was ever considered.

Mr JOHNSTON - That was one of the many astonishing and disappointing developments, the curtailment to Hobart-Glenorchy was to try to get the cost benefit ratio up then and all of a sudden it became below an apparent \$100 million threshold, which disqualified it for Infrastructure Australia funding.

CHAIR - A lot of the projections are based upon usage. I saw something the other day that this would all be paid for by a 40 cent fare from Glenorchy to Hobart. Critical to this is usage, so where do these numbers and figures come from?

Mr BUTLER - I might hand around the fact sheet that was drawn from.

Mr JOHNSTON - This fact sheet was developed in recent times. The Hobart and Northern Suburbs Rail Action Group has been very patient with the state Government's promise they were going to revisit the project undertaken by Infrastructure Tasmania. In January this year that report was released, which is in essence a summary of reports done to date. It was largely a good document. It properly looked at the reports done to date and some of the deficiencies.

However the minister's media release stated one of the major impediments to the Hobart light rail project was significant operating and maintenance costs. When you scrutinise and do an electronic find on the document, nowhere in the report does it mention a loss. It talks about the operating costs of \$2.5 million but does not talk about a loss. We scrutinised the most recent study sponsored by the state, the Hobart to Glenorchy light rail business case, and behind the negative facade of the executive summary there are some very good numbers. The modelling undertaken shows around 6 million trips per annum - that is the Hobart to Glenorchy rail option with a feeder bus service and park and ride. That is an enormous number of trips. But to put it in perspective the old Hobart trams in the 1940s used to carry 25 million trips per annum in Hobart. Hobart has not always been a public transport business case. It has degenerated to this point.

The other obvious aspect in determining the annual operating cost is the likely fare box collections. When you divide the projected operating cost per annum, which is \$2.3 million to \$2.5 million by 6 million trips, you come out with 39 cents. Under no circumstance, even if you halved some of those assumptions or predictions, you are still not going to make a loss, based on applicable Metro fares, acknowledging it is an integrated system. A portion of that fare would go to the bus operator and a portion would go to the rail. That was the subject of our latest fact sheet and there will be more to come if we need to keep pushing and correcting the record.

Mr BUTLER - It is important to reiterate that these are the numbers provided by the Government's business case, not the one produced by Hobart Northern Suburbs Light Rail group, this is external to us.

Ms FORREST - This is the one that the previous sustainable transport minister, Craig Farrell, was responsible for. Is that the one?

Laughter.

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Ms FORREST - All jokes aside, this is the one we are talking about?

Mr JOHNSTON - No. The report was issued in 2013 which was under Mr McKim's watch.

Ms FORREST - The one you refer to in your submission, that I referred to, have you seen that? Have you been able to draw any figures from that? On page 4 of your submission it says that 2014 -

CHAIR - It was \$50 000 given for a study.

Ms FORREST - To produce a business plan.

Mr JOHNSTON - That is not the business plan we are referring to on the fact sheet. The business plan I referred to on page 4 of our submission is specifically for a tourist rail venture operating between Hobart and Bridgewater. The study was sponsored by the state Government and commissioned by the Tasmanian Transport Museum. That report was delivered to the Minister for Infrastructure, Rene Hidding, and I have heard nothing on what he intends to do with that report. I would encourage this committee to get a copy of that.

Mr BUTLER - In that report was one that was the subject of some responses from the chairman and the CEO of TasRail which were recorded in *Hansard*. Frankly, some of the responses they gave are difficult to understand. The responses from the CEO showed an alarming misunderstanding of a gauge of rail around the country and the usage thereof. The chairman's response is about loops and passing loops, but not based on fact.

CHAIR - Coming back to the point of usage. Six million is a government figure. How many people do you think are going to be jumping on the train?

Mr JOHNSTON - Predicting likely patronage is not an exact science and I am no expert on that subject.

CHAIR - I said, think, not know.

Mr JOHNSTON - You only have to look at the congestion on the Brooker Highway and Main Road. According to today's paper, we are in the top three capital cities for congestion. Brooker Highway, 55 000 vehicles, Main Road, 25 000 vehicles. There are 80 000 vehicles per day. When you divide that 6 million trips, you are probably looking at 20 000 trips per week day. There is a big passenger task along that route. What this report is saying is, when you look at the attractiveness -

CHAIR - I did the numbers quickly, Ben, and it is about 23 000, if you use Monday to Friday, trips from Glenorchy to Hobart and back again. You mentioned trams used to carry 25 million people per annum - on that route, I presume?

Mr JOHNSTON - That was the tram network that went from Sandy Bay to Glenorchy.

CHAIR - The 1940s, 1950s and 1960s were a different era in people's access use and the number of cars in the family. We often do this and I would like you to reflect on it for a minute. Bob Cotgrove makes some good points about how we use our cars. I am not sure whether you

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were here when I asked the question, if 90 per cent of freight went off the roads and onto rail, how much safer, better and easier it would be and how much more profitable would it be? How do you get 23 000 people to decide to use a bus/train combo rather than jump in their car and drive to the city?

Mr BUTLER - There are a number of answers to that question and the most significant is it is difficult to know because it is not there. You cannot gauge anything that has been there in the last 30 years. However, you can look at similar situations in other places. There are lots of effects of light rail transport that has shown a dramatic increase in passenger numbers simply because it is a train. The effect is called the sparks effect. It has been well shown recently in Perth, Western Australia, where there were projections made and what the number of passengers would be on a particular route over a particular time. The numbers were far in excess of that simply because of the particular effect that people like catching a train.

The point is you have to look at it in terms of an integrated transport system. It is not just how many people use the train; it is how many people use the combination. It has never been said by the Northern Suburbs Light Rail Action Group that this is the only solution. It is an integrated transport system. It is part of a whole. This is to bring it back to the terms of this particular inquiry for a moment. What we cannot understand and what our submission shows, why TasRail would not be advancing financial sustainability by including other things, for example, passenger and heritage rail. It seems that if you look at the percentage of usage of TasRail at the moment statewide, if it were any more than 10 per cent I would be very surprised.

If you have a road that is only carrying 10 per cent of projected traffic on it you would close the thing and put a barrier across it. So 10 per cent of the projected usage of that rail seems to be under used and if you can find another way to use it adequately by heritage rail or by passenger rail, surely you would look at it.

I had the advantage of hearing a moment before we came in that there was a potential for an above rail/below rail separation. Below rail ownership, for example, by a whole-of-state operation would seem to make absolute logical sense. If the state had the below rail and private enterprise operators did the above rail - it works all over Australia. It seems to me that is the model that is working. There have been a few fluctuations in about 2006, when the Australian National Railways was merged or morphed into another corporation, the Australian Rail Track Corporation.

Mr JOHNSTON - Yes, ARTC.

Mr BUTLER - ARTC, and it morphed into that. It runs certain sections and private enterprise does the rolling stock and all the freight stuff. If you have a quasi government department, that is TasRail now, that is more interested in the freight side of it and making the money and profit on top, is the infrastructure going to fall away, the maintenance thereof? By the look of things maybe that is the case. Maybe that maintenance and keeping a good check on the line has fallen away.

Mr FARRELL - This comes up time and time again that if we are to have a viable northern suburbs railway then we need to change the gauge. I know you have addressed this in your submission. I just wonder where that comes from and why it keeps coming up all the time that the Tasmanian rail gauge is not good for passenger transport.

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Mr BUTLER - Misinformation mainly.

Mr JOHNSTON - Whilst I am protected by parliamentary privilege, my personal feeling is the former Department of Infrastructure, Energy and Resources that managed all these consultancies had very little interest in seeing a successful business case appear. Why not ask your consultant to make the capital cost as high as possible. There is no good technical reason to change from our current gauge. The fastest train in Australia is operating in Queensland on the same gauge.

Ms FORREST - Passenger train that is?

Mr JOHNSTON - Yes passenger trains, freight and passenger trains on that same network. There is no good reason to change the gauge and as soon as you do, if we went down the dreadful track, you have suddenly severed the network from the rest of the state.

Mr FARRELL - You would envisage with the northern suburbs railway upgrading, there would be no impediment to the tourist and heritage sector running into the middle of Hobart to pick up passengers off the cruise ship.

Mr JOHNSTON - That would be ideal, and if you can have heritage tourist trains operating in the off peak you are getting better utilisation of that asset which when you are talking passenger or heritage it is very light axle loads so the wear and tear on infrastructure is negligible and you are maintaining it so why not use it.

Ms FORREST - I reckon the member for Derwent will do the park and drive from New Norfolk to wherever in Glenorchy, and hop on a train and come in on the train. He will be our star customer. I might have to join him and the member for Mersey, cut out some of that traffic.

Mr JOHNSTON - That is part of the modelling, park and ride, kiss and ride, feeder buses, meeting our ferry at Mawson place, it is not just a train on its own.

Mr FARRELL - It seems at the moment, Ben, there is pretty wide support through local government from Brighton right through Glenorchy into Hobart, Derwent Valley. You have a Prime Minister who is a big fan of public transport so why don't you think you are getting more of a hearing.

Mr JOHNSTON - I don't know, we cannot even get a meeting with Mr Hidding having asked for many months now. The business case is there, admittedly it is not a great one, there is a lot of things missing but even a deficient business case shows it will make a small profit. The ultimate benefit cost ratio, which covers the cost of capital, comes out at up to 1.5 so that means every dollar invested in light rail you get a return of \$1.50 back which I suggest is much better than some of the Brooker Highway works that are going on and proposed.

I do not know why we are not putting it to Canberra straight away. We have all those mayors on board, we have the federal member on board, we have a pro public transit Prime Minister, we have just got the state Government that are dragging their heels.

Mr BUTLER - Disregarding the northern suburbs passenger component for a moment, TasRail generally has the potential to satisfy that triple bottom line equation - the people, the planet, the profit - it has that potential that is not being realised. You have a federal government

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that is in favour of it around the country and promoting it. Why wouldn't you as a state government put forward the proposal? This is one of the frustrating things over the last few years as our successive governments have not put forward the proposal we would like them to put forward.

CHAIR - You might need some more assurance than the sparks effect.

Mr BUTLER - Sure, it goes back to, how do you rate it? Should it be a profit for a provision of a service such as transport in your urban areas? Do you need to derive a profit from it? Do you derive a profit from your road network? You do not want to be losing money hand over fist but what level would you call it sustainable when it satisfies the other two tiers of that triple bottom line.

CHAIR - I can take you back to the integrated transport options from our previous committee chaired by a former mayor of Glenorchy where we had Metro opposed to the rail service because of its patronage numbers and the introduction of an express line which was designed for every 10 minutes, leaving Derwent Park and going into the city. It would seem that if you had as a base figure the number of people using that particular service, because you would be feeding onto rail and shooting them through and therefore getting rid of your congestion. I would think that at a conservative estimate you would need to be looking at the number of people using that new express service and see what sort of passenger movements are now occurring there as an indication of who would be likely to use the rail.

Mr BUTLER - I am not sure there is a correlation there. I am not sure you can do that.

CHAIR - That goes back to the question about how do you get people to change and saying there is a sparks effect doesn't quite wash with me.

Mr BUTLER - I suppose one of the ways you would do it is by having that whole of government that operates the below-line service and instead of concentrating on just carrying boxes from one end of the state to the other, they concentrate on providing a particular service. They look at putting new rail in and servicing other areas - Kingston, for example, into north-east Tasmania - a whole range of areas if you had the below-rail focus. If you had a department such as Department of Industry Energy and Resources, which has a department of roads and a department of rail, you might start getting some action on it. Back in the 1960s, 1970s, 1980s and 1990s there were many inquiries done into the Hobart road network. The first one I can recall as a kid was the Hoagland study of 1962 where it said if we buy the land at the back of Lenah Valley and put a highway through there it will solve our problems into the future.

Ms FORREST - Why didn't they? That would have fixed my problem with having a hospital in the northern suburbs.

Mr BUTLER - I see the role of this generation, if you will pardon the adage, it is our task or our function to plant the trees under whose shade we shall not sit, and that is what we have to do. We have to plan now for the next 50 to 100 years.

Mr JOHNSTON - Chair, if I can go back to this 6 million trips. The state government would pay good money for this Hobart-Glenorchy study. Unlike the previous study, they did not just multiply existing public transport patronage. They had a fairly detailed economic model which looked at the catchment and the value of time travel savings. It was based on the

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attractiveness of that option and how many people would likely use it. It was very much independent of who is using the current much-slower bus service. As an example, for a rail service from Claremont to Hobart you are looking at 18 minutes. The current so-called 'express' bus is 42 minutes, so you are halving the transit time and having a comfortable trip. It is not just the fact it is an electric train that seems to attract more people, it is the fact it is a much more attractive option.

Ms FORREST - The modelling that was done, how many trains a day are we talking about?

Mr JOHNSTON - That service was every 15 minutes between 7 a.m. and 7 p.m.

Ms FORREST - So you would have more than one train then?

Mr JOHNSTON - There were three rail vehicles operating all the time between Hobart and Glenorchy.

CHAIR - So why didn't the sparks effect rescue the original little engines that used to run up and down the line until the 1960s?

Mr BUTLER - There was a whole heap of reasons: First was inefficiency, no-one wanted to maintain the role, they weren't providing an integrated transport system to the rail.

CHAIR - Patronage figures were falling off.

Mr BUTLER - It was not serviced. I can still recall as a kid catching the bus from Warrane into the railway roundabout and jumping on the train to go to school at Glenorchy, but it was a task. Once you got to Glenorchy there was no bus to take you a couple of kilometres to the school. We do things better these days, hopefully.

Mr JOHNSTON - There were no sparks, in fairness. The sparks effect also suggests you have gone from something uncomfortable to something electric - that is where the spark comes in. In 1974, the last year of the Hobart suburban rail system, they were still running 30-year-old vintage rail cars. There was just no investment. The signalling system was 100 years old and the money was being spent on the parallel highway.

CHAIR - Thank you very much, gentlemen, for your contribution. I wish we could get this up and running. I think the big fault is that the trees under whose shade we will not sit is the obvious expansion of greater Hobart up into the lower Midlands, which is where the only land is. If we do not at least maintain a crossing, we are in deep.

Mr BUTLER - The other point is the Bridgewater Bridge. There have been designs done for a Bridgewater Bridge without a rail line across it. Is that planning for the future?

Ms FORREST - Does it have a bike track?

Mr JOHNSTON - There is a lot money going in to making sure the sacred occasional sailing boat can go through.

THE WITNESS WITHDREW.

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Mr PETER MacKENZIE, VIA TELECONFERENCE, WAS CALLED, MADE THE STATUTORY DECLARATON AND WAS EXAMINED.

CHAIR - Welcome to public hearings of the Government Administration Committee A inquiry into the financial sustainability of TasRail. All evidence taken at this hearing is protected by parliamentary privilege and I remind you any comments you make outside the hearing may not be afforded such privilege. That includes comments you have made to us and repeated outside.

A copy of the information for witnesses is available. Have you read that copy or are you aware of the process?

Mr MacKENZIE - I have read quickly through that copy. I have previously given some submissions in the past.

CHAIR - Thank you. I need to know you are aware of it. The evidence you present is being recorded and the *Hansard* version will be published on the committee website when it becomes available.

By way of introduction, I advise the procedure we intend to follow today involves, first, we will give you an opportunity to run through your expertise or your knowledge of the area and then an overview of your submission, which we have all read. For the record it helps to put some context around it. Following from that, the committee will address some questions. To sum up, we are seeking information in relation to the financial sustainability of TasRail.

Mr MacKENZIE - Thank you very much. I have been an independent non-profit researcher of transport history policy and development for more than 45 years. I do not have any qualifications in any of those areas. I started as an interested enthusiast, and an amateur historian in those areas. I have also been involved in road safety research. I have published papers and spoken at two national conferences on road safety over the last 10 years. As part of that, I have done a lot of work looking at cross modal comparison. The nexuses between transport issues, planning, public health issues, workplace health and safety and looking at the ageing population and other issues. My training is mainly as a community worker. I have worked in the areas of both policy and service for aged people, young people and people with disabilities. In working through those areas, transport access and equity and safety, particularly for young people, access for transport to jobs and a need for that to be safe, has been an integral part of that.

CHAIR - In comments in relation to TasRail, in your submission, you make some suggestions about the Brighton to Burnie rail line and the allowance. You make a number of observations, that we are finally catching up with the funding but we're doing nothing to increase the axle loads and therefore the efficiency of the line. You also talk about the sharp curves and steep grade combinations, the absence of crossing loops, regional length railway from industrial ports to Burnie - you have suggested it needs more than a backwards line. Given the amount of infrastructure we are pouring in, no matter how much money is put in, sharp curves and steep grades will remain if we stick with that line. What are your suggestions in relation to the Brighton to Burnie line which, after all, is the backbone of their north-south operations?

Mr MacKENZIE - The main problem area is a substantial part between Brighton and Andover. They are long and steep grades but sharp curves. I wouldn't jump to saying it needs a bypass, but I believe it needs another independent look at that to consider a substantial part of that to be bypassed, to be a new alignment.

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CHAIR - TasRail has told this committee they are looking at 25 years of investment in that line and during that time what goes beyond that is not what they are looking at. What is your view about a 25-year time horizon to bring it up to what you call a 'backwards' line?

Mr MacKENZIE - I understand TasRail is working with the constraints it has, but that new alignment would be needed a long time before 25 years. To be competitive against the road freight industry, I would say it should be done as soon as reasonably possible. It has been needed for a long time. While that is there, rail is competitively falling behind in speed. The trucks in Tasmania haven't got larger than B-doubles at this stage but there has been a push for quad-axle B-doubles, which have a greater pay load.

CHAIR - In essence you're saying the money being spent on the Midlands, if we are going to have a rail network in the future, we need to start to think about the other alignment?

Mr MacKENZIE - That is an incredibly important part of it, to consider that other alignment. I put in my submission about Michael Deegan from when he was Coordinator of Infrastructure Australia, suggesting a new independent study of the whole north-south freight infrastructure. He was talking about the port connection. An associate of mine, Barry Donaldson, and I put in a submission along those lines. None of that has happened and I think that still very much needs to happen. The new alignment of Brighton as far as Andover would be considered as part of that.

CHAIR - The idea, if we upgraded the track, if we got a decent line up north and those sorts of things, then we would be able to take a lot of the trucks off the road. Some people have suggested that 90 per cent of the trucks would go off the road. The facts are with the *Spirit of Tasmania* it would be logistical nonsense to be using rail as part of the network there. Burnie is really the only port where diversified cargo, for example, is being shipped out of the state.

Mr MacKENZIE - Can I just ask you what your concern is about the Devonport area? You are saying about Devonport not being suitable, is that because there is no rail linkage to the actual port itself?

CHAIR - There is no rail into the container terminal.

Mr MacKENZIE - That has been proposed in the past, but did not get over the line for reasons I do not fully understand on that case.

CHAIR - In fact there is a rail line into the Devonport Port, but it is on the wrong side and the only thing on it is bulk cement.

Mr MacKENZIE - There was a proposal to put a line to the other side, which would entail a bridge somewhere, but that never got over the line. I have not seen it suggested anywhere for some years. The fact that I have not seen does not mean it hasn't been. That would be the main concern there certainly.

CHAIR - Despite what would seem commonsense financially, as well as other advantages of rail over road that there is still a tendency for the industry to still prefer the road. I guess it is because of the number of times they have to load and unload the cargo.

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Mr MacKENZIE - That could be part of it. I do not have figures or full evidence that tell me why that it is in Tasmania. It tends to vary for a number of reasons across the mainland, some of which you said. Sometimes because road is cheaper for the operator in some cases. Sometimes it is about speed, because on the mainland particularly they are just in time sort of allocation of freight. There are a variety of reasons. I do not have any detailed evidence in Tasmania of why that is. It is a question I would love to ask a lot of forwarders, but I do not have that answer. I think that answer should be chased.

CHAIR - We can upgrade, we can get ourselves a flash line between Brighton, Burnie and Devonport, and even Bell Bay or wherever, but if you are not going to track the extra freight how do you do it? How do you get people to do the switch?

Mr MacKENZIE - It may be there is some sort of Bass Strait Equalisation Scheme. I actually put a submission to the federal government some years ago for a scheme that took into account particularly the safety and social cost of road versus rail and allowed for that in some funding allocation. It has been done in Victoria. From the western part of Victoria there is an internodal hub and I think it is Ballarat. They give support allocation, which balances that out so that rail is used into Melbourne. It has been done in a number of other places.

There is a whole hodge-podge of things where you are actually giving support to rail in some places and where you are giving support to road in other places. There is not a consistent pattern across Australia. It can be done and it has been done by that equalisation type of scheme.

Ms FORREST - One could argue that we already have an equalisation scheme from the equity transfer that comes from TasNetworks every year, \$25 million.

Mr MacKENZIE - Right, where does that go from and to?

Ms FORREST - TasNetworks to TasRail.

Mr MacKENZIE - Is that from the state government?

Ms FORREST - It is a government business.

CHAIR - That's a financial contribution.

Mr MacKENZIE - You could also argue that is done with road as well and it is. Michael Deegan from Infrastructure Australia argued vehemently before he left about the southern road across Australia, as well as the other people I put in my submission - John Hearsch, Philip Laird et cetera - saying that as well.

CHAIR - Peter, what is your view of the suggestion that has been put to this committee, that as the public purse, which is a good way of saying, state, federal and local governments, funds roads, should it not do the same for rail, given the social and economic advantages of rail over road? If they funded, not the rolling stock, but the below rail assets and became providers of the steel version of the road and then allowed other operators to use that line and pay user charges, wouldn't that get the thing on the same level playing field as the road forwarders and then, given the natural competitive advantages of steel on steel and less friction and less engines and more efficiency and all those other things that come into play, what are your views on that?

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Mr MacKENZIE - I agree with what you are saying. I believe it should happen because of those externalities of social benefit which include low emissions, lower imported fuel use and safety issue, et cetera. Road freight is essential in many parts of Australia and in many aspects where cement trucks, et cetera, that deliver out could not be done by rail. My push in that sense would be for intermodalism where you use rail where it can be used.

It makes a lot of sense because road trucks do a lot of damage. At times they do 500 times more damage than a car. There is a lot of damage, so your repair and maintenance of roads comes into that costing which comes back to I personally do not see why rail is expected to make a profit when our roads do not make a profit. There is no road in Australia in any sense that pays its way.

Mr FARRELL - Peter, in your submission you mention there are 280 000 tons per annum that come from Nyrstar in the form of zinc. That is a reasonable amount of freight so why do you think rail has not been proactive in carting it from the factory? The double handling system must cost more money if they have to load it onto a truck and take it to Brighton and off-load it and put it on a train and then off-load it in Burnie.

Mr MacKENZIE - Yes, they do. They have created an extra lift there. Going back to road and rail, one of the arguments is the number of extra lifts. One of the people I am associated with suggests that is one of the biggest impairments against rail, depending how well it is done. It can be done in more efficient ways. Why that is done with Nyrstar, I am not sure. Why the line was closed I am not aware of. I can find out more details if you would like, from people who have a greater historical knowledge than me within Tasmania. I could find out the full history of that, if that is something you would be interested in following up.

Mr FARRELL - Yes, it would. It seems like it is the ideal load. It is not time sensitive, it is a heavy load and why they are carting it out on the highway to Brighton, rather than rail, is something I would be interested to find out more about.

Mr MacKENZIE - Would you like me to follow it up and try to see what I can find?

Mr FARRELL - Yes, if you can find anything, I am sure that would help our case.

Mr MacKENZIE - That is why I would argue for the retention of rail, not necessarily into Hobart but to the Glenorchy freight area and Nyrstar. Two of the people I mentioned in here were associates and were very concerned that once rail moved out to Brighton that some of that freight - and I don't know what has happened since then - not necessarily Nyrstar, that they would just keep it on the truck and keep going rather than transfer it to rail. I am not fully apprised of what has happened since then.

Mr FARRELL - They are transferring it. It is road freighted to Brighton and then put on a train.

Mr MacKENZIE - Not just Nyrstar, they were concerned about other potential freight that may never be transferred to rail because it is on road right through to Brighton so just keep it on road.

Mr FARRELL - The other concern is with the main freight service in the south with Norske Skog paper mill at Boyer. I do not know what your studies have found, but it seems if anything

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was to happen to that the rail line north of Brighton would be in a perilous condition so far as covering costs. Have you done any research into that?

Mr MacKENZIE - I have not, to be honest. My feeling would be you are correct on that in terms of finances coming into TasRail from that very important freight. I am not sure of the volume of Norske Skog. I looked more at Nyrstar than Norske Skog.

Mr FARRELL - I know the railway line into Hobart was closed, apparently because of the cost of maintaining it. I can not seem to find out what freight options they have lost out of Hobart because they do not have a line into Hobart. That would be interesting to find out.

Mr MacKENZIE - Along with that other research on trying to get real details of why forwarders use road over rail. About Hobart, the two main reasons given were slowness of the time of the trains going through there - and that is somewhat contradicted by some other facts which I can try to dig up for you about the times trains used to sit around waiting because they did not want to get to Burnie too early. It was always about the road crossings and that is contradicted by the fact one of the chief ones is there were about 28 rail crossings. I believe there are about half that from the Nyrstar Glenorchy area to the bridge. I did check it one day but I cannot recall that off the top of my head. When I put in a submission, the Westbury bypass and relining the rail - another five or six crossings would have gone. I have also suggested a Perth bypass which could get rid of as many as 12 or 13 crossings, but there has been no interest in that. From my perspective, that appears to be contradicted by a lack of interest in doing similar in other places.

CHAIR - I note there is a statement a lot of people make when they are talking about road versus rail. In your case it is in your submission under point 3, the social, economic and environmental benefits of rail. You say:

TasRail is limited in its ability to increase productivity by weight of rail. Trade links, tight curves and steep grades. A less obvious barrier for TasRail are under restrictions on road freight speeds and weight -

In other words, we keep letting them travel at high speed and weight which gives them an advantage over rail. Road not paying its way, semi-colon, road does not pay its way, full stop. Given the fact that motorists contribute to the federal government something in the region of \$14 billion in fuel excise last year and that federal government only spend \$4 billion on roads, I would have thought road was paying its way.

Mr MacKENZIE - That is an interesting argument. One of my associates says that is not as factual as has been said about how much the percentage that is paid by motorists. The other part of it is the percentage by public motorists is not the same as the road freight paying its way, trucks. It is clearly on record that trucks do not pay their way. When you take into account the damage, et cetera, that they do not pay for the infrastructure. While they do a lot of damage to infrastructure, they do not pay for that.

CHAIR - We will not argue the point but it would seem to me the people who use the roads are burning fuel and that fuel is being taxed, and only about a third of those taxes are making it back to the roads. Whether it is trucks or motorists, it seems to be me a bit of a moot point. Is there anything else you wanted to add to this as I seek to close this hearing?

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Mr MacKENZIE - That is fine. I appreciate the opportunity to talk to you. I am sorry I do not have as many details as I would like to have.

There is one more point: the cost of the Midland Highway. DIER does not support the political move to duplicate the Midland Highway. They say it is not needed until about 2030. From my perspective, there seems to be more politics in that than need. That is different to safety aspects. If you look at it in terms of safety, the two main ways to attack safety are through direct road safety and that includes infrastructure updates and putting more freight on rail is going to increase safety. That included not just safety by crash numbers or death numbers but by risk and risk which are very important. I mentioned they are fully included in rail and air safety but seem to be greatly ignored in road safety areas. That came up in an inquiry by your House about road safety some years ago, that came out in those documents.

CHAIR - Peter, can I thank you for your time and also an excellently researched and well presented submission which I think the committee will be drawing on quite frequently as we discuss what our final recommendations should be. Thank you very much for your time, Peter.

Mr MacKENZIE - Thank you and I will find out some more history on why that branch in to Nyrstar was closed.

CHAIR - Thank you.

Mr MacKENZIE - I will forward that to Jenny. Thank you.

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Mr BRYAN HAYES, FORICO, WAS CALLED, VIA TELECONFERENCE, MADE THE STATUTORY DECLARATION AND WAS EXAMINED

CHAIR - Bryan, welcome to the public hearings of Government Administration Committee A Inquiry into the Financial Sustainability of TasRail. All evidence taken at this hearing is protected by Parliamentary privilege. I remind you that any comments you make outside the hearing may not be afforded such privilege. That includes repeating things that you said inside the committee. A copy of information for witnesses is available, have you read it and are you aware of the process?

Mr HAYES - Yes, I have a copy and I have read it, no problem.

CHAIR - The evidence you present is being recorded and the *Hansard* version will be published on the committee website when it becomes available. By way of introduction I advise that the procedure we intend to follow today is firstly you will be provided with an opportunity to speak to your submission and your interest in the matter. Following on from that the committee will address questions to you. We are seeking information in relation to the financial sustainability to TasRail. It has just dawned on me did you make a submission?

Mr HAYES - No.

CHAIR - Okay, then there will be no need to speak to that, just your interest in TasRail?

Mr HAYES - Forico, of which I am the chief executive officer, is Tasmania's largest private forestry company. We are managing 180 000 hectares of forestry estate in Tasmania. Of which about 100 000 hectares is plantations. We only harvest and process plantation wood and those plantations are all FSC certified, as is our whole estate.

Our interest in this inquiry is probably not of a positive nature inasmuch as we do not currently utilise rail transport for the 1.5 million green tonnes per year that we are currently harvesting and transporting around the state. Nor do we use rail for any of the woodchip haulage that we have, about 1 million tonnes per year from the revamped Surrey Hills Mill down to the Burnie Port.

Under previous ownership these assets that now constitute this business have been transported by rail from some regions to processing points. That ceased around about 1990, so it is more than 25 years since the assets that we are now managing have utilised rail for log transport. As far as I am aware we have never used rail for chip transport. I do recall back in around 1999 when I was managing in the Burnie region, what was then North Forest Burnie, that we did engage with the then rail operator - I think it was still called TasRail back then - to transport chips from Surrey Hills Mill to the Burnie. At that time it was estimated the total cost of infrastructure, that is putting in sidings off the Emu Bay railway into the Surrey Hills mill, putting in sidings at the Burnie Port to the chip stock piles, putting in loading and unloading facilities and then buying rolling stock that was suitable for woodchips, the total cost was estimated then at around \$20 million. It was considered unsustainable at that time so it is my view that is probably still the case, in the absence of evidence to the contrary.

We have engaged with TasRail, not on a formal basis other than a get-together where we talked about possible future business. We talked about the potential for pulpwood logs sourced

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from our southern plantations. We have about 9 000 hectares of hardwood plantation in the south of the state. We talked about whether it was feasible to bring that wood through the Bridgewater railway facility and transport it by rail to Long Reach mill, but it didn't proceed. We currently use high productivity road vehicles - log trucks - to cart the wood from the south, from as far south as Castle Forbes Bay down near Dover, all the way through to Long Reach. We can do that because at the moment the woodchip selling prices are adequate to enable us to do that on a break-even basis. We are prepared to do that in the short to medium term. Our plan for that southern wood, in the absence of a southern forestry export solution being found, is to harvest it over a reasonable period of time and to divest of the land and sell it back into the market for whatever use the new owners require. We don't believe there is a future under current circumstances for our forestry operations in the south of the state because of the economics involved.

CHAIR - On that point of moving timber product from the south of the state to Long Reach, are you saying it is cheaper for you to put it on the truck and take it from Castle Forbes Bay to Long Reach?

Mr HAYES - We believe it is cheaper but we haven't had a commercial discussion with TasRail regarding an offer they could do it for. There are couple of problems. First, you have to get the wood from the forest to the rail siding, and that means you're handling the logs and double handling at the rail siding. When the logs are delivered to Long Reach, currently the siding that runs from the East Arm station into the Long Reach woodchip mill, is not serviceable. It has not been used for many years and the northern end which comes into the woodchip mill facility is in very poor condition and part of it is covered by material that has been deposited over a number of years. The last deliveries into that mill by rail was about 1990, so more than 25 years ago, so there is quite a bit of work involved.

The alternative would be to offload the logs at the East Arm station, put the logs onto trucks and cart them two kilometres up to the mill, so again you are double handling, which is very prohibitive. Every time you pick up and handle logs, particularly small pulpwood logs, you are looking at least \$3 per tonne of handling costs and then the trucking costs. Our logical feel was it would be cost prohibitive. We invited TasRail to have a look at it and if they thought there was an opportunity to come back to us but we have not heard back from them, so I don't believe they considered it viable.

CHAIR - We had a site visit at the Burnie port and we have seen your trucks being lifted up and then unloading backwards onto the conveyor belt. I, and I am sure some other members of the committee, were intrigued about the number of handlings that occurred in and around the Burnie port. Have you looked at the prospect of your Hampshire operations? Doesn't the rail run clean through there?

Mr MacKENZIE - Yes, the Surrey Hills mill. That is what I referred to earlier. Back in 1999, from memory, we looked with TasRail as to whether we could put a siding off the Emu Bay Railway line into the Surrey Hills Mill, what used to be called the Hampshire Mill.

CHAIR - Sorry, I was thinking of a different mill. I was thinking of the old Hampshire Mill, which now you call the Surrey Mill.

Mr HAYES - We have looked at that. There is an opportunity there. If TasRail was inclined to invest, potentially talk with ourselves about investing there is possibly an opportunity there. At the moment the bottleneck at the Burnie Port, for increasing throughput of woodchips is the

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tipping ramps. We can only get a maximum six tips per hour, otherwise it blocks the system. We are trying between ourselves and another exporter through Burnie. I understand that the task through Burnie Port this year could be as high as 1.5 million or 1.6 million green tonnes of woodchip exports. That facility has never done that volume before. I believe the highest volume under previous ownership was about 1.3 million green tonnes per year and that was again pushing the facility pretty hard. Trucking woodchips down from that mill up at Hampshire to Burnie Port although it is quite efficient from a cost effective point of view, it has downsides in terms of capacity restraint at this discharging end of the Burnie Port.

CHAIR - Thank you. I must say that was my only real question I wanted to ask.

Ms FORREST - Just in clarifying that, Bryan. You said that you have had some discussions with TasRail about a siding going into the Surrey Hills Mill, are you able to say when that was?

Mr HAYES - It was about 1999. I recall that I was manager of what was then called North Forest Burnie and I was located at Ridgeley and we had a discussion in the Ridgeley office. We went to the site and had a talk, and exchanged some correspondence. This was two companies ago, so it is way back in the past. We exchanged some correspondence and there was a back of the envelope or a high-level estimate that it was potentially about \$20 million to put in the siding to get from EBR across to the mill, put in a loading hopper to load the wagons. Buy the wagons because they are specialised wagons for either bottom unloading or a rollover unloading where you have a big turntable that turns the whole wagon upside down.

Ms FORREST - Just on that point, Bryan, the rolling stock they brought from Venture had, I believe, a tipping mechanism, would they be suitable?

Mr HAYES - They would be I believe, yes. I have seen various unloading mechanisms for rail transport of woodchips, whether it is bottom loading, side unloading or whether it is a complete rollover unloading. If they were doing that with Venture Minerals' ore concentrates then it would quite suitable for woodchips. It is just bulk commodities handling in dry dock.

Ms FORREST - They are just sitting somewhere in a shed.

Mr HAYES - Yes, you do, it needs to be in a shed because of dust.

Ms FORREST - They are sitting in a shed because Venture didn't get going.

Mr HAYES - Okay, sorry.

Ms FORREST - They are sitting somewhere, but I do not know where. When Gunns owned it, are you aware whether there were any discussions with Gunns about extending the spur into the mill?

Mr HAYES - Not to my knowledge and recollection. Again, at that time I would have been managing that operation as general manager of north, west and south forest products operation. I cannot recall discussions if they occurred, no.

Ms FORREST - Since Forico has had it, have you had discussions with the Government with them?

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Mr HAYES - Not regarding chip cartage no. We only spoke to TasRail regarding potential for the volume we are bringing up from the south. We are cutting about 50 000 tonnes of logs a year in the south and we tend to hold it at that level for the foreseeable future, so it was not a big volume. As I said TasRail did not come back to us with any indications on what they might be able to do, so we assumed that they had concluded that it was not economic.

Ms FORREST - I am just interested in why you have not had a discussion with TasRail with regard to the Emu Bay line or whatever you want to call it, in terms of having that spur now. From the chips point of view, it is chipped on site, straight into the rolling stock and straight down to the wharf.

Mr HAYES - Yes, it is not quite as easy as that. You have to chip it, it goes on to an outside stockpile and then it has to be loaded from the stockpile into the wagon. That is all achievable. We load trucks now with a front-end loader. You can do the same with bins or we can have a chain reclaiming loading system. The reason is that in the case of the chip cartage, about 15 to 16 years ago, the estimated cost was \$20 million. That was prohibitive then. Our view is that it is going to be a lot more expensive to do that than it would have been then.

Ms FORREST - Are you suggesting the cost would fall to you or to Forico?

Mr HAYES - That was proposed in 1999, that there was an expectation of a co-investment between the company and TasRail. On the weight of information at that time, we decided it was not a viable project. We had road cartage rates that were very competitive, as we do now, and we did not feel that if the rail freight component could be competitive, the capital cost for the infrastructure was exorbitant and we felt it would kill the project off, so we did not proceed any further with it.

Ms FORREST - Are you able to say what your road freight costs are for the chips from Surrey Hills Mill to the Burnie Port?

Mr HAYES - I understand this will be publicly reported, so I am reluctant to release that information and would consider it to be commercial-in-confidence;

CHAIR - Bryan, thank you very much. That was a good insight into a non-customer's perspective of TasRail. I thank you and I, for one, am a bit sorry we could not organise a visit when we were up that neck of the woods in February.

Mr HAYES - Thank you. The invitation is open any time that you want to call by.

CHAIR - We might take you up on that. That railway line is an interesting thing of mine is that in a former life I was stationed at Queenstown and due to some inside connections, I did get to ride on the train from Melba Flats to Burnie. It was one of the most spectacular rail rides I have ever seen and I cannot think why people do not see the opportunity of putting passengers on the back of the train and putting some icing on the cake. Thanks very much, Bryan.

Mr HAYES - Thank you very much, Tony. Thanks everyone.

THE WITNESS WITHDREW.