

THE LEGISLATIVE COUNCIL GOVERNMENT ADMINISTRATION A COMMITTEE MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART, ON MONDAY, 9 NOVEMBER 2015.

TASRAIL INQUIRY

DISCUSSION WITH **Ms SUE McCARREY**, CHIEF EXECUTIVE, NATIONAL RAIL SAFETY REGULATOR, AND **Mr PETER CLEMENTS**, PRINCIPAL RAIL SAFETY OFFICER, TASMANIA, VIA TELEPHONE.

CHAIR (Mr Mulder) - Normally we would swear witnesses in but since you are over the telephone we are not in a position to swear you in. I should remind you that you are not covered by parliamentary privilege for anything you may say to the committee or outside the committee in relation to what you have said here.

Ms McCARREY - The role of the regulator essentially is to accredit rail operators right across Australia, whether they be track managers or rolling-stock operators. They come to us for accreditation and our job is to ensure, as much as we possibly can, that their operations will be safe. We do not get into arguments around where funding comes from or those sort of wider government decisions, but it is for us to look at proposals and ensure, as much as we can, that rail operations across Australia are done safely.

CHAIR - Do you do inquiries and things into or attune to things like derailments or level crossing accidents and things like that?

Ms McCARREY - Yes we do. There are a couple of different entities who undertake investigations in those circumstances. The Australian Transport Safety Bureau has responsibility for investigations, so they will at times investigate. They do what we call no-blame investigations, but we will also undertake investigations of incidents that occur on the railway.

CHAIR - Can you just run through the process? We have a number of disused railway lines here that have tourist and heritage operators interested in running. Could you run through what is involved in accrediting both the track managers and the rail operators?

Ms McCARREY - An organisation would put an application for accreditation to us, whether it be for track management or for above-ground rail operations. They would put a proposal to us, which is an application for accreditation. We would have a look at that application. We would also ensure we have people going out to have a look at the infrastructure, have a look at the rolling stock, have a look at what they are proposing to operate, and the speeds they are looking to operate at. We look at their entire proposal, what funding they have available for any upgrades that may be required, and it is our job to assess that application. Then we will come back to them either by approving and giving them accreditation, or we will decline that, or we may put conditions on it where there may be certain things that are required to be done by a set period of time. They may have an accreditation with conditions attached.

CHAIR - As long as you meet the standards of the track and the equipment and meet your conditions, is it difficult to get accreditation?

Ms McCARREY - It is not a completely easy process. As you would imagine, we need to ensure safety. If you look at the regulations there are around 29 elements of a safety management system. An organisation needs to be able to demonstrate, yes, that the track and the rolling stock from an engineering perspective are going to operate safely, but we need to ensure that your organisation also has the internal competency and capacity to run a railway, so that there are people doing regular maintenance checks, checks on the system, that they have all of the elements that they require to run a railway safely. There is a bit involved but obviously we have rail operations right across Australia and we have tourist and heritage operations right across Australia that do demonstrate that the appropriate safety management system is in place.

CHAIR - Have you had any applications from any of the Tasmanian organisations?

Ms McCARREY - If you're asking about tourist and heritage, obviously not at this stage. TasRail is an accredited operator.

CHAIR - They have a long history of derailments and things like that. What sort of issues do you have long term with TasRail keeping its accreditation for track management?

Ms McCARREY - You are right; historically there were a high number of derailments on the TasRail system. What has occurred in recent years is a fairly major investment in the track, track infrastructure, signalling and new rolling stock. Since that has occurred we've seen a major reduction in the number of derailments that are occurring on that system. Each derailment we investigate, because the causes of each of those might be quite different, so we work with the operator on what the causes of any derailment have been. We have seen a huge reduction in derailments on the TasRail system as a result of the investments that have been made.

CHAIR - In terms of the rail line, there is the inspection issue. TasRail indicated that some of these rails would almost need a daily inspection to ensure that there hasn't been rail separation and issues like that. Is that something that is required for all rail operations or is it only particular sections of the track, or how does that work?

Ms McCARREY - Basically the accredited operator sets their maintenance standards. We go out and make sure, during our auditing, that they have good maintenance standards in place. If they're saying that a particular line might need daily checks then obviously we'd be looking at why does it need those daily checks. It's the operator that sets their maintenance standards. Our job is to ensure that they have appropriate maintenance standards in place and that they follow their own standards that they set.

Ms FORREST - With regard to the safety and derailment issues that you look at, do you have a benchmark that you expect any accredited operator to meet?

Ms McCARREY - Are you referring to a benchmark of no more than a certain number of derailments?

Ms FORREST - That's right.

Ms McCARREY - No, we don't. Our preference obviously is for zero. It depends from each railway as to how many trains they're running per day, and are they running passenger or freight operations. We don't set benchmarks that we expect them to be below a certain number. We would like as few as possible and we go out and we investigate each one. If we are seeing a common cause coming up for derailment for a particular organisation or track, then obviously we follow up on what that common cause is so that we can prevent future derailments.

Ms FORREST - In terms of the Tasmanian circumstance you identified that the major investment in the rail network, particularly the below rail infrastructure and the new rolling stock, has led to a major reduction in the number of derailments. In the view of the national regulator is TasRail now operating at a level that is - ideally there are no derailments - an acceptable level from your point of view, or do we still need further investment?

Ms McCARREY - Our job is to go out and audit the system. We do a regular audit of TasRail's system and our job is to say, should they continue to be accredited? Yes, TasRail should continue to have their accreditation and to run their freight operations. From our perspective we are auditing them; we know they have the systems in place to be running the freight system that they have. Remember that TasRail is accredited for the purposes of freight operation.

Ms FORREST - For TasRail to consider - not that they are - a passenger service, then what would be required from the national regulator's point of view to enable them to move into that space?

Ms McCARREY - If they wish to look at a change in operations, it is an application to vary their accreditation. They would be applying to us to change from a freight-only operation to a passenger, and it would be a variation as to which lines they want to run those passenger operations on. As part of that variation they need to go through a process to say they have identified any risks involved in moving to passenger operations and how they are going to control those risks to reduce them to as low as reasonably practicable.

Mr FARRELL - You mentioned accredited operators running freight and passenger services. Traditionally, when the government ran all the railways they did run mixed services. How many of the railways currently in Australia are accredited, the operators that is, for both freight and passenger operation?

Ms McCARREY - Are you talking about above ground, rolling-stock operators as opposed to track managers?

Mr FARRELL - Yes, because I know a lot of the passenger operations have been contracted out to other companies. I wondered if there were any in Australia that are currently accredited to operate passenger and freight trains.

Ms McCARREY - Yes, there are some, but not operating them together as the one train, if that is what you are asking.

Mr FARRELL - Yes. I know there have been changes in rail practices. There are operators that are accredited for passenger operation and for freight?

Ms McCARREY - Yes, there are.

Ms FORREST - If TasRail were to look at including passenger transport on the lines they currently use for freight, and there are a lot of lines that are not currently used for freight, and that they are interested in running tourist and heritage rail. If there was to be a passenger service on a current freight line and the accreditation was varied to facilitate that, you talked about risk identification and control of those risks. In terms of the current state of the track and rolling stock, and the rolling stock we are talking about on the rail now is for freight, not passenger, but assuming there was passenger rolling stock that was appropriate, are there any barriers you are aware of that would prevent that?

Ms McCARREY - At this stage, you are right, I would not be able to answer that. I would have to look at a proposal that is put forward. What a track manager would do is have a look at the track because the track needs to be at a different standard to run passenger operations than it does to run freight operations, particularly if it going to be passenger operations that are run at certain speeds. The track manager would need to have a look at each section of track they wish to run passenger operations on. Engineers would have a look at that track, they would see if there is anything required, and they would put that proposal to us as part of their variation. They would demonstrate to us why they think the track is okay to run passenger trains on, or if by upgrading it to a certain extent that it would then be all right to run passenger trains on.

Ms FORREST - You do not undertake that work yourself; you rely on the advice of engineers that undertake the track inspection?

Ms McCARREY - Correct. It is for the operator to undertake that work and then they put the proposal to us. We do have people qualified who can check that work to ensure it has been done by suitably qualified people and to the right standard.

Mr GAFFNEY - You mentioned the word 'upgrade' from freight to passenger. Can you elaborate on that a bit further? I would assume from that that the standards you have to have passengers on that same rail would be different to the freight in a safety aspect. When you say 'upgrade', are you saying there are different requirements, or money needs to be spent, or standards?

Ms McCARREY - Industry develop their standards through the Rail Industry Safety Standards Board and a number of companies will import standards from other organisations. I am saying that a rail line needs to be fit for purpose. If you are carrying trains with passenger on them, and particularly at speed, it is going to require a different standard than if it is carrying freight. I would not be able to say right now if any particular rail lines on the TasRail system are capable of carrying passengers. Each individual line they propose to put passengers on would need to be looked at.

Mr GAFFNEY - There is no mixed freight and passenger at the moment. If that is the case and our passenger train on sections of TasRail went ahead, is it the standard of the track that needs to be improved or the standard of the carriage riding on the track? Is it the on-

ground infrastructure where the standards would have to lift or what was travelling on top of it?

Ms McCARREY - Essentially it's both; it is the whole system. When you're carrying passengers you need to ensure the formation work underneath the track and the rolling stock and then the interface between the rolling stock and the rail to ensure it is at a standard to carry passengers.

CHAIR - I am a bit curious that you can have a standard that is good enough to take heavy ore carriages, say, along a line at a certain speed but there might be a different standard if you wanted to put improved rolling stock. In terms of the weight and below-rail infrastructure, if it is good enough to carry heavy freight surely it would be good enough to carry passengers. You might want to reduce the speed limit because we all know there is a monumental difference between rolling over a train with ore trucks on it to rolling over a train with passengers.

Ms McCARREY - You're right. Any railway that is set up to carry heavy ore may be okay to carry passengers. We aren't able to say which particular line could or could not carry passenger trains at this stage. It would be for somebody to have a look at and put a proposal forward, so it is quite possible. The difference between passenger and freight is risk exposure. The derailment of an ore train compared to the derailment of a passenger train obviously has the potential for much greater loss of life.

Mr FARRELL - Sue, you mentioned passenger trains at speed working on the same line; what about lines that are speed restricted? How do you get to assess what is a safe speed for a line and the trains that run on it? I am trying to get to disused lines and that type of thing. How do you gauge that?

Ms McCARREY - Basically the rail infrastructure manager sets the speeds for their lines. They will put either temporary or permanent speed restrictions in as they see fit. Sometimes it may be a temporary speed restriction until some work can be done on the line. We audit to ensure they have those sorts of systems and procedures in place.

When it comes to a disused line and a potential use for heritage operations, it would be for the rail infrastructure manager and the rolling stock operator to demonstrate that the track and the rolling stock are fit for purpose of whatever it is going to run. If they are going to run a heritage line on a completely separate line, with no bridges over rivers and no crossings with main roads, obviously that is a much lower risk. If they are going to run at very slow speeds they are not going to be required to bring their infrastructure up to the same standard as a line that crosses a main road, where we need to ensure the right level crossing protections are in place, or going across bridge infrastructure over rivers, where we would need to ensure that engineers have checked that infrastructure to see what is required.

As an example, we are aware of thoughts around the Derwent Valley railway. Quite separate to this inquiry we have had our people and some engineering experts drive across the entire line to have a look at what may be required to upgrade the line fit for purpose for a tourism heritage-type operation. I would always say to you that it is possible but there is a fair bit of work required to bring that line to a standard where even a slow tourist and heritage train could be run across it.

Mr FARRELL - Is that report available to the committee?

Ms McCARREY - It is in final draft stages at the moment. I can make it available to the committee once it is finished.

Mr FARRELL - Thank you, Sue, that would be great. Where you are in South Australia obviously there is the Pichi Richi Railway and other railways that operate on isolated sections, quite slow tourist trains, and there is the scope to do that here. We are wondering what impediments you would see from a safety point of view so that report would be very handy.

Ms McCARREY - I am quite happy to provide that.

Mr FARRELL - Thank you.

Ms FORREST - Sue, you talk about one of the key differences between freight and passenger being the speed at which the trains travel. In Tasmania on our current network is there a nationally regulated imposed speed limit, or is that just dependent on the track in different stages and parts of it?

Ms McCARREY - The second. Basically, as I said, it is the rail infrastructure manager who sets that speed based on the condition of the track and obviously what they are carrying over that track. We don't set the speed limits. The rail infrastructure manager sets their speed limits, but they have the internal competence. Their rail engineers are constantly doing maintenance checks and the engineers then determine if they need to put either a temporary or a permanent speed restriction in place. The issue with passenger trains isn't so much speed. You can run very low-speed passenger operations, which is often used in that tourist and heritage-type operation, or you have the high-speed sorts of passenger operations as you see in many metropolitan areas such as Melbourne and Sydney.

Ms FORREST - I guess, then, the expectations and requirements from a safety point of view with a passenger train would be easier to achieve if it was a low-speed operation, as most tourism and heritage rail operations are because part of the experience is looking at the scenery and learning the history of the rail along the way. Technically, shouldn't it be easier to achieve?

Ms McCARREY - It depends on what standard it is in the first place. When you say technically easier to achieve, it depends on the standard of the infrastructure and the rolling stock now and the standard it needs to get to in order to be fit for purpose. As I mentioned before, the fit for purpose will be different. If you have a completely segregated tourist and heritage line that has no road crossings, no bridge structures as a part of it, it will have a different standard required than a piece of infrastructure that is integrated with main lines, has rail crossings with main roads or also has bridge infrastructure. Again, each individual railway is looked at depending on what it is going to operate as, how they get it to be fit for purpose and whether the organisation that is going to run those railways has the internal competence and capacity to know that. Do they have engineers that can check the track on a regular basis?

Ms FORREST - At the outset you mentioned that you don't look into the funding side of it but when you get a proposal for a review of their accreditation if it was going to change or they wanted to get passengers involved as opposed to just freight, you mentioned that at that point you do look at the funding that organisation would hold to enable upgrades and that sort of thing. How do you assess that? A lot of these businesses are run by volunteer groups and that sort of thing. Do you look at their capacity to upgrade? If a track is essentially owned by TasRail, for example, but they are not operating the above-rail service on it, do you look at the operator's capacity there to fund the upgrades or do you look at the owners, who may be TasRail?

Ms McCARREY - First of all, it is the responsibility of whoever is the accredited party. If it is on the TasRail track and if they are accredited for that track, then it is them as an organisation; they need to have the capacity to have their safety management system. When it comes to funding we need to ensure that the funding is available so that they have the capacity to implement the safety management system of the operations that they're running.

Mr FARRELL - TasRail have made it pretty clear to this committee they were never set up to, and I personally agree with them on this one, that they don't want anything to do with running a passenger service. They were set up to move freight, which is well and good. What would be involved for that to happen? Say TasRail said, we want to put a car on behind the freight train to Launceston. What sort of impediments would prevent that or would they need to satisfy the rail regulator before something like that could happen?

Ms McCARREY - Like always, they would have to put a variation to us because they would be changing their accreditation from being purely a freight operator to a freight and passenger operator. They would put in a variation application. In that variation, as I said before, they would need to tell us what actual rail lines are they proposing to run passengers on and how were they going to run those passenger operations. They would need to demonstrate to us that they have identified any risks. They would need to have a look at the track. Is the track capable of taking passengers? The answer to that may very well be yes, but they would need to put that proposal to us to say these are the risks they have had a look at and this is how they see that they can control those risks to as low as reasonably practicable.

Mr FARRELL - In the event of a breakdown or even a minor derailment, would that include evacuation of passengers from that area by whatever means are possible, those sorts of risks?

Ms McCARREY - It certainly would. One thing we would look at is if there is any kind of breakdown, derailment or anything that impedes the train in tunnels, on bridges or in remote areas, we need to know what their evacuation and emergency procedures are to deal with any situation that might eventuate.

Mr FARRELL - If they said they have a fleet of helicopters on the ground ready to rescue anyone that would satisfy that condition?

CHAIR - Not in a tunnel, I would not have thought.

Mr FARRELL - No, in a remote area.

Ms McCARREY - The appropriate emergency management procedures - yes.

Mr FARRELL - They are fairly costly options.

Ms McCARREY - They can be, yes.

Mr GAFFNEY - You mentioned the standards. It is a bit like water and sewerage when people started with standards, and then five years down the track the standards change which impact on the organisation, because the requirements become much more difficult. With the history of the rail, how often do you go back to the standards you have set so that they are required to upgrade to a different standard, because that will impact on the potential for an organisation to jump through the hoops to get to the required goals, standards or criteria? How often have these standards been changed? Are they consistent over the last four or five years, or 10 years or whatever, for both freight and passenger service?

Ms McCARREY - With standards, as I mentioned before, the standards are developed by the industry themselves; in particular the Rail Industry Safety Standards Board develops them. They do review them, as per any Australian standards, on a reasonably regular basis. Our job isn't so much to say, here is a new standard at a much higher level. You now need to meet that and go back and retro fit, therefore major additional costs. Our job is to make sure that the rail infrastructure is fit for the purpose it is going to be used for. If it is being used for passengers, we need to be sure it is at the appropriate standard to run passenger trains.

CHAIR - There is a part of the north-south line, and I am sure Peter is very familiar with it, in the area around Colebrook. That has a long history, going back to the 1890s, of train derailments in an area just south of the Rhyndaston Tunnel. Are there any special conditions in relation to that, particularly in relation to the potential for track spread? TasRail have informed us they are managing those risks these days by lowered speed limits and by stabilising bars which help keep the centre of gravity low. Are there any conditions relating to that area of track that are under constant review, monitoring and inspection by the rail operator in order to make sure that area is being managed?

Ms McCARREY - We are aware it is a high-risk area due to the nature of the geography through that area.

Mr CLEMENTS - The area you refer to has a bit of a history of derailments, higher than any other area of the network. A couple of years ago, as a result of some of the accidents, TasRail agreed to increase the level of monitoring and inspections they did on that section of track. As they have progressively done capital works on that line, they have been to relax those additional inspection regimes back to their normal standards that apply across the whole network. It is fair to say it is an area they need to keep a high level of monitoring on the track.

CHAIR - Some of that risk is being managed with speed restrictions as well, there is a lower speed issue there.

Mr CLEMENTS - That is one way of responding to it. The immediate action normally is to put a speed restriction on, but the major way to address the risk is to repair the track.

CHAIR - Or inspect it to make sure it is not failing earlier than you would anticipate.

Mr CLEMENTS - That is correct. The defects can grow quite quickly.

CHAIR - It is a technical engineering issue but sometimes the geology of the area might be unsuitable and therefore requires constant work.

Ms McCARREY - Certainly where you have that difficult geology you will find they often have permanent speed restrictions through particular areas, just because of the incline and decline of the area and the bends et cetera.

CHAIR - There are a lot of issues about the narrowness of the Tasmanian gauge, particular with bulk freight, heavy freight, bulk ore and things like that, whether that is something that in the long-term needs to be addressed to resolve some of the issues in Tasmania in terms of narrow versus standard gauge?

Ms McCARREY - No. Narrow gauge is used extensively across Australia, particular in Tasmania, Queensland and Western Australia, where a great deal of freight and passenger operations are run on narrow gauge. Where Tasmania is slightly different is due to the topography. You have a lot of tight bends in Tasmania, which makes it that bit more difficult, but it is also what makes Tasmania a very beautiful place.

CHAIR - Sue and Peter, thank you very much for that

DISCUSSION CONCLUDED.

Mr DEREK JONES, DERWENT VALLEY RAIL, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR (Mr Mulder) - Welcome, Derek. 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. A copy of the information for witnesses is available if you have not read it and/or are not aware of the process. The evidence you present is being recorded and the *Hansard* version will be published on the committee website when it becomes available. The committee is seeking information in relation to the financial sustainability of TasRail, so perhaps you would like to start by giving us your area of interest and expertise.

Mr FARRELL - Mr Chairman, just before Mr Jones starts his submission, I would like to declare that I have been a long-term member and previous chairman of the Derwent Valley Railway. The only reason for my not still being chairman is because of the role I now have in the Parliament and I do not want to either have benefit or otherwise to the Derwent Valley Railway because of my current position. I know the minister is aware of this and for those reasons I will probably take a fairly quiet role, unless I violently disagree with something the chairman says. I think it is important to put on the record that I have an interest in the Derwent Valley Railway.

Mr JONES - Our board is attempting to move back into the business of 'on the line'. In that role we have constant and ongoing workings with TasRail, and that process is mentioned in our submission. TasRail regularly has donated unfit-for-purpose equipment to us which our workshops have brought back with full restoration to working equipment. TasRail has always been very cooperative with us and we are grateful for that.

The main ongoing issue is that we are wanting to get back into operations on the lease of the Derwent Valley line west of the Boyer block, and that has been quite a long process. Previously we've had a lease with the Crown and the last lease with the Crown was the lease of land at various places along the corridor and that was in 2008. We wish to renew the lease with the Crown.

The exact chronology of when this happened I can't be absolutely accurate about, but at some stage TasRail joined in the request for a lease. We have a huge amount of historic and valuable equipment, including modern workshops and all our workshop equipment, stored on the site. The lease expired and was replaced by a verbal sublease nearly three years ago. We find that very unsatisfactory for the tenancy of the very heavy collection we have on that site.

We were also previously leasing - we still have a verbal lease - on Westerway Station, which Derwent Valley Railway has spent an enormous amount of man-hours saving from dereliction. That was to do with the anniversary of the centenary of the station and we've also used some grant money to do that. We particularly want those two leases secured, but apart from that we want to run back on the line. Initially - and I will leave this for future reference by the committee - is our business plan as a four-stage return to the line.

Ms FORREST - I think we have a copy of that. It was provided to the committee, wasn't it, the business plan?

Mr JONES - Yes, I did send it through.

Ms FORREST - We do have a copy.

Mr JONES - At that point we were told we would have the lease renewed, and that was three Easters ago, I think, and we have then carried on conversations with a representative from TasRail, Alex Barber, and after he moved to Tasports we continued conversations with Wes Young, who was apparently authorised to speak for TasRail. Wes then left the organisation and we continued conversations with Michael Innes, where we've gone to TasRail's leasing area. That has gone into fine detail and the drawing up of the licence lease document. We supplied to them the accurate boundaries of the lease holdings and discussions were held on the fine detail of that. We signed our side of that document and expected it to be activated quite a few months ago now.

The delays on that are getting a little frustrating and then Michael Innes was taken off conversations with us from internal - I'm not sure why - and we then approached the CEO of TasRail and the chairman of the board, Damien White and Bob Annells. We wrote to them on 12 June last and I will just mention a couple of points, if I may, from the reply from Bob Annells on 18 September that there were legal and legislative issues that make it difficult for TasRail to enter into a lease or licence. Additionally, TasRail was saying - and this was discussed a few minutes ago - that their accreditation does not extend to passenger trains operating on the network. That was sent to us by Robert Annells. TasRail is going to be working with State Growth to define the potential third-party access to their operational lines. Bob finishes his letter with the subject that the outcome of this process we would expect DVR to submit its interest to the Crown over the relevant parts of the Derwent Valley line. That has gone full circle to where we started the conversation and that conversation has taken three years. Bob has referred to the fact that they do not have the legislative opportunity to fully execute a lease or license. We are now pursuing that with the Crown through the Premier's department and we have had recent conversations with the Premier as Premier and as Tourism minister. We have had conversations with the Infrastructure minister regarding it, and those are progressing. That was where the lease stands and the frustrations of trying to get that lease to get back into business.

I do have some research which I have sent through. It was prepared for the Premier and it is on five other tourist railways, as to the viability of them. A different tourist railway of which you are probably all aware of course is the Puffing Billy in the Dandenong Ranges. It has 39 full-time staff and 16 part-time staff. I am not sure of the exact FTEs of the 16. It carried, from the last figures, 349 790 passengers last year. They are a huge input into the area and the small towns that Puffing Billy goes through.

One of the other outstanding ones is the Kuranda Railway in far north Queensland, a large regional town, up the mountains to Kuranda. That has been successfully run for 120 years by the Queensland government. Its current passenger carrying figures for the last year are just over 500 000. The highest priced ticket, which is quite interesting, for a gold class family ticket on the 20-odd kilometres up to the top of the mountain and back again, is \$582, which I find a quite remarkable earning that that railway makes.

A lot of these railways do not make huge profits, but they have huge input into the community. Puffing Billy has 39 staff and 16 part-time staff. Dunedin Railway in New Zealand has 40 full-time staff and 40 FTEs of part-time staff. I can leave those figures for reference to what we see as the potential profitability of a tourist railway. Our railway, the track we are looking at trying to operate on, is in a similar situation, in fact a much better situation than a couple of those railways. Pichi Richi is a long way from anywhere and it is still a very successful little railway which employs people and puts input into the area.

Ms FORREST - Kuranda Rail is also linked with the Skyrail, and that is more recent obviously. A lot of people buy their tickets and go up with the rail and go back with the Skyrail or the other way around. There is a community at Kuranda as well. People live up there as well. I don't know what the population of Kuranda is.

Mr JONES - It is fairly small.

Ms FORREST - I understand what you are saying but you do not have the same sort of population support.

Mr JONES - No, but the fact that the numbers that are travelling are well in excess of Cairns' population, but probably what you are saying does account for that very, very expensive gold family fare.

Ms FORREST - You've still got to catch a bus out to the station, though.

Mr JONES - Yes. It has always been extremely successful for a very long time. The country that it is running to is wonderful rainforest, as is the country we want to run to.

Mr ARMSTRONG - The business community in the Derwent Valley, they would be right behind you with this project?

Mr JONES - We have recently been requested - under comment from the Infrastructure minister - to look at our support. I presented to council and council unanimously supported the Derwent Valley Railway. The previous tourism body, the Derwent Valley Tourism Association, was unanimous in support of us. I have sat on that committee and the new economic and growth special committee of council. The support over the years I have seen from the operators and accommodation operators in the valley and food-related and wine-related areas. They see it as a link. We work strongly with Inland Fisheries and we have cooperation there. They can see we can possibly deliver up to 207 passengers on a full train to Salmon Ponds, which is their property, so they are extremely supportive. At the moment I am working with Inland Fisheries and Tony Wright, the deputy, on a new venture in drift boating to be carried by train and to utilise the river. We have always looked at carrying kayaks, bikes and fishing gear to bring people to those various places up the valley. I think I could say from the time I've sat on the two tourism committees that the support from the operators is very high.

Mr ARMSTRONG - Have they indicated whether they would financially back you in any way?

Mr JONES - A lot of them are very small bed-and-breakfast operators, but there is the brewery and some large wineries and other operators. National Parks would be very interested in having those passengers.

Mr ARMSTRONG - I suppose until they get it up and running they're not going to get a financial benefit, so it's a bit hard.

Mr JONES - Yes, and the other thing with National Parks is that the Derwent Valley Railway would again leverage off their numbers. With the small operators, some of them are struggling up there and that's why they are keen to see the new ventures coming into the area - utilisation of the river and the rail track to deliver passengers.

Mr ARMSTRONG - I was reading in your submission that you are working on your rolling stock all the time. Is your rolling stock ready to move now?

Mr JONES - I'm not on the engineering side but I will answer that as best I can. There are two locomotives that are operational now. A third one, a retrieve locomotive, is just having the bearings done. There is a steam locomotive that has had extensive work done on it. I think over \$100 000 was spent on bringing that up to full standard again. That is waiting for a steam check. Like car registration, that is done every year and until we can get railway to run on we are not expending that money because it is approximately \$10 000 to put it through its next stages to get it back on the line.

We have been working extensively on a double set of passenger carriages, which are being done from the floor up and the floor down, completely rebuilt, restyled and refitted. All those vehicles have to pass an accreditation and be signed off by an engineer. We have recently established a relationship with a rolling stock engineer in Queensland of high quality. He has agreed, when we are ready for that, to come down. He has agreed to go through the checks because the engineer has to meet the qualifications required by the Office of the National Rail Safety Regulator, and that applies to all areas for training for people for accreditation of rolling stock and track accreditation. The rolling stock is ready to move to the next stage. Relating to the conversation before from the rail regulator, we totally understand the line has to be rebuilt. Our plan, with the help of TasRail in supplying steel sleepers, is to totally rebuild it in four stages from New Norfolk to National Park, and then rebuild it back to the Boyer block.

Mr ARMSTRONG - There are three bridges.

Mr JONES - Yes, three bridges. Pitt & Sherry, the engineering company, carry out the required checking of all bridges for TasRail. They last carried out the checks on the three major bridges and two minor bridges in, I think, 2005. I spoke to them a couple of years ago and they gave me quotes for the reinspection of those bridges. Being very heavy structures of iron, steel and stone, they do not expect any deterioration but they have to be checked.

Mr ARMSTRONG - I reckon they inspected them when they were talking about freighting the woodchips from Bell Bay.

Mr JONES - Yes. TasRail has a schedule of all bridges to be done. When they are on the main line they are done on a much faster roster.

CHAIR - On that point, unless I misunderstood it, I think the rail safety regulator was saying they had done a run through the line and had identified there was some significant work required on the bridges.

Mr JONES - Yes. There is significant work required on the bridges but not on the major structures, apart from the Plenty floodplains bridge which is a low-level, totally timber structure. In Pitt and Sherry's quotes, that was by far the highest quote, four or five times as much as the check of the big bridges, because they have to core-test timbers and it's quite a complicated process. The stone and steel structures need other testing but not that very onerous boring of the very large timbers.

CHAIR - In your business plan - and I am looking at your executive summary on page 3 - you say the expected total cost to reinstate the railway line and the rolling stock over a 10-year period is \$1.632 million and if this amount is anticipated, a capital injection will be required of \$1 178 450 from sources external to the Derwent Valley Rail. That \$1.632 million, when you talk about the railway line, you are talking about the bridges and the railway stations and all the other infrastructure as well as the re-sleepering of the line?

Mr JONES - Pitt & Sherry or somebody of that qualification would have to give an updated figure, but I believe most of the work is in the sleepers and timbers on top of the running area of the bridge. Those figures over the 10 years was under volunteer labour on the line but during this process we have recently trained, at our expense, 10 people in track infrastructure level 2, which enables them to do work under the post-work inspection of a qualified engineer.

CHAIR - I guess we'll have to wait until we get the National Rail Safety Regulator's report, that Mr Farrell has managed to get, before we know what the view is.

Mr JONES - Yes, that's right. After conversations with the Premier, we were discussing those figures, which I will leave, with some updated figures of the shortened plan, using five fully trained, full-time work people on the line. Instead of 10 years it brings it back to four years if we have five fully trained infrastructure level 2 people working on the line.

Under the suggestion of the Premier there is a tremendous difference between the estimated costs for running heavy axle-loading high-speed freight and because those bridges aren't to those tolerances, as far as I know, that probably means major rebuilding because they're heritage bridges.

The difference between our figures is low axle-loading, light, speed-restricted because if we're separated by the Boyer block we're an isolated line so they can speed-restrict there, rather than have 70 kilometre per hour freight. Under the suggestion of the Premier we're approaching WT Partnerships, a highly respected quantity surveying company from Sydney, and we're in the stages of appointing them to do an independent quantity survey of the line. They have a very high track record in rail structure. They've just recently done the Glebe line in Sydney and they did the feasibility study for the line

north of here. They have tremendous credibility there. We're in the process of appointing them to come up with a figure for our usage, not the heavy high-speed freight.

CHAIR - You talked about your asset base, your infrastructure and the workshops and the rolling stock you have now - what is the value of that? The asset base?

Mr JONES - It's an incredibly hard thing and I wouldn't have the expertise to value it against what recent sales have been made in the market. Bellarine Railway took a lot of Tasmanian rolling stock because they're 3'6" too. I honestly wouldn't be able to estimate that. It is a very valuable area. I do know that for one of the steam locomotives in Dorrigo in New South Wales the last offer made was \$450 000, and that was for an obsolete steam locomotive. It's a bit rare, but it's a really strange market.

CHAIR - I can imagine. Not like going to a used car yard, I wouldn't have thought. I haven't had a chance to go fully through your business plan, but what sort of annual operating cost do you imagine in current dollars would it take to run a regular heritage rail line?

Mr JONES - On frequency it varies, but with the volunteer labour and membership you are taking a huge chunk out of that cost, so you're basically coming back to maintenance and checking and your fuel costs. Some of those vehicles, the DPP cars, for instance, which are the little rail motors - and we're looking at the possibility of leasing one of those for running - have an incredible running economy. We did an estimate from New Norfolk to Launceston and it takes something like 45 litres on the single motor. It is the efficiency of running steel wheels on steel tracks; they're cheaper to run in a lot of ways. The running costs come down to that. We'd probably take on paid staff as well, so that would increase it, but that would be determined by the frequency. If we can get the frequency we can create the jobs that make it worthwhile to someone coming on full time.

CHAIR - We already have a heritage tourist railway in the West Coast Railway running on the old Abt line between Queenstown and Strahan. We are struggling to find a commercial operator for that and in fact the Government has had to take it over again and is operating it at a substantial loss at the moment. Do you see the Derwent Valley being any different, and why?

Mr JONES - Yes, I do for quite a few reasons. One is that when the Abt was established I think you needed a gold or copper mine behind you to actually establish it in that country. As you know, it is incredibly rugged country.

Mr JONES - The other thing is the huge rainfall difference that is going to bring washaways, undermining, culvert work all the time. The closeness of the environment means your sleeper life is not as long. The Derwent Valley line is quite open in most of the places. Its weather is much more clement and now we are changing over there to steel sleepers, which extends their life.

The other thing with the West Coast Railway, it is a fabulous trip, but it is a long way from the city centre. It is like Pichi Richi and one of those other railways. Puffing Billy can call on, I forget the exact distance, the whole of Melbourne, and Bellarine can call on the whole of Geelong and a big chunk of Melbourne. It is still a long trip to the west coast, whereas we are 40 minutes from here. That is tremendous because it allows that day trip. Not many people are going to go to the west coast.

Ms FORREST - The travel agents tell them they can and when they stop vomiting after they get there they realise they cannot - to Strahan that is. Travel agents have told them they can get a taxi from Hobart to Strahan.

Mr JONES - I know, having lived in Queensland for a while, that they do it on Queensland measures. They look at the sign post of Strahan and the kilometres and you say you will do that in an hour and a quarter.

Ms FORREST - That is exactly right.

Mr ARMSTRONG - Of your volunteers, and you were saying you will probably have to employ some staff, have you got any train drivers in your volunteer group?

Mr JONES - Yes, we do.

Mr ARMSTRONG - You have to renew a license every so often.

Mr JONES - Yes, and have to come up to the standards. When we get back on to the line all our drivers will have to go through their accreditation again and their training again, because the whole ballgame has changed. As with the track infrastructure, there were two people we trained. That is a whole different thing now and especially because, since we ran, the Office of the National Rail Safety Regulator has come into existence. It is a different ballgame.

CHAIR - I notice that your start point is going to be west of Boyer. I think some of the great pictures were from starting somewhere in town and going up the whole length of the Derwent rail.

Mr JONES - That is a possibility and that is what we want to look at. The TasRail network is insured only - and as Bob Annell's letter says, aspires only - to internodal freight. It runs freight trains to Boyer, and the Boyer block is just a tail and a logical place to chop it. That is on that overpass bridge. There is a block on each side of the bridge so we cannot overrun them and they cannot overrun ours. The thing is that is part of the main line, so by their operating and by their insurers we could not operate on that piece at the moment because it would be flying in the face of their legislation.

CHAIR - It would seem, though, that if that impediment could come up it would be a much better thing to be starting in Hobart occasionally and running up the line, which will then put you closer to your population catchment.

Mr JONES - Yes. That is what we aspire to, and working in hopefully in the future with the aspirations of the transport museum to use that line and connect it. At the moment, coming off to Boyer is still part of the main system.

Ms FORREST - It will be interesting to get this report that the national regulator referred to and hopefully stop you going round in circles. It is a little bit premature here I guess in trying to look at how the term of reference it relates to for tourist passenger rail service. I guess it would be helpful if you want to provide any feedback after that report is released about the ongoing challenge that you may foresee at that point.

Mr JONES - Yes, that would be good. I got everyone at the station to do their track safety awareness. Under track closures with TasRail we have done our own inspections of the track. There are some wonderful bits of track and some very awful bits. We are completely aware it is not patching up here and there; it is doing some major rebuilds of the track in a staged process.

Ms FORREST - In terms of the rolling stock, do you know whether that meets the standard that would be required to get accreditation?

Mr JONES - It will meet specifications but that means we have to have it checked off by the rail engineer from Queensland. It is not my area, but before we go anywhere it has to meet the Office of the National Rail Safety Regulator's standards. We are aware of that.

Ms FORREST - So you haven't undertaken that work as yet with your rolling stock?

Mr JONES - We are well through a lot of it but there is still a lot of engineering work to do there. Even if it all went perfectly, it is going to be a year or so before we get the first stage, and then it speeds up because we're getting income from those stages. Once we can get that lease agreed to, I can return to the marketplace where we have financial bankers in the private sector. All those processes have to be done. I have mentioned to Peter Clements many times that we're quite aware there is no wriggle room there. It's got to be right or it doesn't go.

CHAIR - Thank you very much, Derek. We wish you well in some of the bridges you have to cross yet.

THE WITNESS WITHDREW.

Mr RODNEY PRINCE AND Mr GREGORY LANGE, TASMANIAN TRANSPORT MUSEUM SOCIETY, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR - Welcome to the public hearing of Government Administration A Committee's 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, even if they are a repeat of something you said inside the committee. 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, the procedure we intend to follow today is that you are provided with the opportunity to speak to your submission if you wish to do so, and following that, the committee will address questions to you. Perhaps you could start, gentlemen, by putting for the public record your areas of interest and what expertise you may have on this topic.

Mr PRINCE - Our areas of interest and skills relate to volunteers who are members of the Tasmanian Transport Museum. As part of our activities we run short train services at the museum on the first and third Sundays. We have a number of volunteers and members who have skills and proper qualifications. We have a couple of members who are in fact employees of TasRail but over the years that has varied. We still have two steam engines in service with their certificates just renewed and I think that in itself underlines the skills and ability of our members to maintain two locomotives. We also have rail cars.

We have had a connection with the various railway operators over the last 32 years from the days of Tasmanian Government Railways. I had 30 years in finance and a further 15 years as an administration and finance manager for several organisations with special interest and skills in bookkeeping and accounting.

Mr LANGE - I have been a member of the Transport Museum for roughly 40 years and pretty active during that time. I have been treasurer, rail operations manager and immediate past president. I have also had an active interest in the affairs of TasRail over the past 40 years and have been a keen observer of their comings and going in that time.

The submission we have put forward relates to the capability of TasRail in relation to its ability to be able to look to supporting rail heritage and tourist services. To put that in context, TasRail, as we all know, in its various forms over the years has struggled to make a profit in a financial sense. It is turning the corner at the moment, there is no doubt about that, but in order for it to be truly viable to the majority of the Tasmanian population, community, government - whatever you want to call it - we think it needs to broaden its scope to be not only a freight operator but the operator of railways in Tasmania.

We have a number of documents from TasRail, including the most recent strategic directions document, which states at 1.1:

TasRail's core business is the provision of rail and associated freight services in Tasmania.

We feel there is too much emphasis on continuing the business that was taken over from Pacific National as a freight operator. TasRail would be much better serving the Tasmanian community generally if it were to open up and facilitate access to its systems much more as a keeper of a key strategic asset for the Tasmanian people rather than just a freight operator. We think the freight operator role has come in to play through taking over a freight operation rather than seeking to maximise its benefit to the Tasmanian community.

In that regard we have put forward what we see as some potential starting points for TasRail to go down the path of being more than just a freight operator and giving more value back to the Tasmanian community. One of the obvious things we see in that regard is the synergies in being a below-rail infrastructure provider with the West Coast Wilderness Railway. The West Coast Wilderness Railway operates on a similar gauge track and still requires train control and that sort of thing. Obviously there are no synergies at all with the steam railway operator, we understand and accept that, but we see opportunities to save the state Government or the people of Tasmania generally in bringing those two operations closer together and from there leveraging on those opportunities created to come out wider to the rest of the Tasmanian network through heritage and tourist-type operations.

Ms FORREST - To clarify the point you're making there, are you suggesting that TasRail take over just the below-rail and have private operators for the above-rail?

Mr LANGE - Absolutely. We see that as a pathway forward. It would be what I believe a low-risk pathway, because the Tasmanian Government at the end of the day operates both railways at the moment. For instance, you have two sets of accreditation in terms of rail track maintenance occurring: one for TasRail and one for the West Coast Wilderness Railway. I believe it would encourage private investment in the West Coast Wilderness Railway because they wouldn't be saddled with having to maintain the track. I do emphasise that TasRail has no business running steam trains.

Ms FORREST - I may be wrong on this, but my understanding with the West Coast Wilderness Railway was that currently the Government are doing a lot. They are managing and funding the below-rail and also operating the above-rail, so how is it different from what you're suggesting?

Mr LANGE - Both at the moment are vertically integrated railways. Both manage their own track, their own train control, their freight or passengers respectively.

Ms FORREST - There are different requirements under their accreditation, passenger as opposed to freight.

Mr LANGE - But at the end of the day you're still running a 3'6" gauge track and you still need to have a train control system that safely controls the trains on the network and that's where the commonality is. From that common point that could be leveraged through to managing third-party operators on the main network as well.

CHAIR - What you are suggesting is similar to road, where the Government basically builds, maintains and upgrades the road network and private operators run trucks across it and

then pay a fuel excise on the diesel, which in turn should be funding the continual work on the road.

Mr LANGE - In a simplistic sense, yes, that's an appropriate analogy.

Ms FORREST - Following that line, I just want to put to you a view that maybe wrong, maybe not. We have a government business that is funded and subsidised heavily by the taxpayer through TasNetworks and continues to require significant taxpayer funds in terms of the upgrades and everything like that. Some might say they should focus on the knitting and stick with freight. Branching out into another area where it is costly to maintain the track, particularly with the West Coast Wilderness Railway if another landslide or mini-tornado goes through again - all the things that happen there - that imposes a significant cost that the taxpayer ultimately bears. FT went into tourism operations when times were good and they branched off into areas they probably should not have been in and now they have all wound back. Could the same criticism be levelled at TasRail? Should they branch out into this area when their focus is freight?

Mr LANGE - The basis of our submission is that TasRail should be treated as a manager, if you like, of assets of Tasmania, not a business in themselves. You have in essence two parallel businesses in the West Coast Wilderness Railway and TasRail, with some commonality, in terms of the task in front of them, be it track or whatever. It seems ludicrous that we have two government businesses both being supported by the taxpayer in various ways and we do not try to leverage some sort of arrangements from there.

As I said a minute ago, it really comes down to what the state of Tasmania, through the Government, is looking for from TasRail. Are they looking for it to be a freight rail provider, in which case the Transport Museum, the Don River Railway and the Derwent Valley Railway may as well pack up and go home now and stick at running static museums? If the Government is serious about wanting to facilitate tourism and therefore leverage onto the significant investment that has been made into TasRail through rail tourism or heritage trains, whatever you want to call it, then there is the opportunity to leverage on that investment.

Ms FORREST - Obviously we are talking much bigger than the Infrastructure minister, then; we're also talking about the Tourism minister, the Premier. It is a whole-of-government approach.

Mr LANGE - It becomes a whole-of-government issue. We can continue down the path as the people of Tasmania, the taxpayers of Tasmania, and perpetuate the freight rail business that Pacific National ran, to the betterment of the state - and there is no doubt it is to the betterment of the state - or we can perhaps look at leveraging further on the investment that has been made in TasRail and have TasRail become the gatekeeper, if you like, to the state's rail network rather than just freight transport.

Mr FARRELL - So you can see some conflict between TasRail having a dual role?

Mr LANGE - TasRail have quite clear expectations put on them at the moment. On the TasRail website there is a member statement of expectations that goes back to March 2012, the previous government. However, it is quite clear from the strategic direction that TasRail's core business - and indeed the act they operate under - authorises them to

operate a rail freight business as economically and commercially sustainably as they can in Tasmania. The arrangements with passenger tourist rail are all side issues and TasRail is not authorised under the act to invest too much money into that sort of thing.

Hence we come to the situation where TasRail has to protect itself from a potential financial threat and, indeed, in the TasRail submission it talks about making any passenger train operator 'hold harmless' I think is the term used. What it essentially is looking at here is for TasRail to protect itself against other people operating on its network. We are questioning whether that is appropriate as an agency of government, with all this taxpayer money that has gone into investing in the system over the years, for that to be the case in terms of TasRail being at arm's length from tourism or heritage providers trying to access the network.

Ms FORREST - You are suggesting there needs to be a change to the legislation to facilitate that.

Mr LANGE - Absolutely. It has to come from government. TasRail at the moment, I believe, are operating within the bounds of their authorised arrangements. To go further, government has to redefine the rules and essentially through things such as the members' statement of expectations and the strategic direction agreed with the minister, actively and correctly facilitate passenger and rail heritage.

Ms FORREST - Have you had these discussions with the relevant ministers?

Mr LANGE - No. I think Rod had some discussions with Rene Hidding in relation to a proposal.

Mr PRINCE - No, I haven't spoken to Mr Hidding since about August-September last year. Can I just give a practical example of what Phil's saying here? The Transport Museum is trying to procure access to three kilometres of track from Glenorchy to Berriedale. TasRail doesn't have a problem with giving us that track per se, but they don't want any liability whatsoever with our operations. Under the way the act is set up TasRail can be the only infrastructure manager of the track network in Tasmania. That means before we can operate it they have to take that three kilometres out of the network and it goes back to the state Government which will then give us a lease or licence to operate it. We then become the track infrastructure manager which means that to operate we are going to have to be like a mini TasRail. We're happy to try to work towards that goal but the way the act sits at the moment TasRail can't even say to us, 'You can have that', because I understand if they did the insurance would go through the roof.

Mr LANGE - It's important to distinguish between the act TasRail operates under and the Rail Safety Act. The act TasRail operates under sees them as a commercial rail freight operator and the Rail Safety Act talks about only having one infrastructure manager. There have to be clear lines as to who is responsible. There are some waters that are somewhat muddy in that regard at the moment, but it comes down to what government really wants from TasRail.

CHAIR - Is there any other railway in the national scheme of things where we have a distinct below-rail operator and multiple above-rail operators?

Mr LANGE - The ARTC - the Australian Rail Track Corporation - is a prime example. It is the major operator of the standard gauge network in Australia and facilitates exactly that. They manage the tracks essentially from Sydney to Perth, with a few exceptions.

CHAIR - And there are different people who manage the above-rail structure?

Mr LANGE - Yes. Pacific National runs above-rail. There are even organisations such as the Canberra Railway Museum that operate above-rail on that network. ARTC recognises one of its responsibilities is to manage four passenger trains, for instance, as part of their network arrangement. It comes back to an historical quirk. Since 1978 we haven't had regular scheduled passenger trains in Tasmania, therefore there has been no need to make provision for them when drafting legislation, rules or whatever. If government made a conscious decision they could change that.

CHAIR - There is a legislative impediment but it is within the remit of any government to change that if they choose to do so, which is exactly what you're arguing for.

I would like to take you back to your submission. It seems to me you're saying the current focus on freight, given the work that has gone into it and the fact it is unlikely to ever become financially sustainable in its own right by recovering the costs of running the entire operation, needs to expand. It seems that expanding an financially unsustainable operation would create an even more financially unsustainable operation.

Mr LANGE - The alternative is to shut it completely. It can be reasonably argued that there is a need for TasRail to facilitate the commercial economy of Tasmania in lots of regards. If we go from the start point that we want to retain TasRail, it becomes a matter of how much return the community is getting from TasRail through having made that investment. That is why we are arguing for that increased scope for TasRail.

CHAIR - On the assumption it will always require to run the rail network and, if you are doing freight it will require some subsidy - it won't be financially sustainable in its own right, so someone from somewhere is always going to have to be contributing some extra money to keep it running - if you now expand into rail services, that will require even more funding to continue an financially unsustainable operation.

Mr LANGE - We are not talking about expanding into rail services.

CHAIR - Or passenger services?

Mr LANGE - No, not at all. The rail services are about private operators, as per the distinction we made with West Coast Wilderness Railway. What we're talking about is changing the legislation to enable TasRail to facilitate passenger train operators in a meaningful and sustainable way, bearing in mind that a lot of the potential main line operators within the state, in fact all of them, are volunteer organisations, so you are leveraging off that volunteer capability but utilising the professional capability of TasRail to form a partnership, which comes out with a positive for the state.

CHAIR - I have clearly been misreading page 2 of your submission:

Accordingly this society contends that it is time ... with a wider set of State Growth goals that benefit the wider community, including the heritage tourism sector as well as the traditional freight sector.

Are you suggesting, then, that is a below-rail statement rather than an above-rail statement?

Mr LANGE - Correct.

Mr PRINCE - I know that we would get nowhere if we suggest that TasRail start running passenger services.

Mr LANGE - That's not their area of expertise.

Mr PRINCE - They already have the infrastructure for freight, and passenger just sits on top of that. In most cases the actual loading is lighter.

CHAIR - Are we talking here about running passenger services on the existing rail lines, or are we talking about, which is what most heritage passenger runs are, actually running on separate lines? The Derwent Valley and your own Berriedale to Glenorchy are examples of a line that would probably need some significant additional investment.

Mr LANGE - Potentially. Given that TasRail control both the non-operational and operational network at the moment, there is still a directive from government to facilitate access, whether it be to non-operational or operational lines.

For instance, and I put this in the submission, at the moment TasRail is still responsible for maintaining the corridor on the non-operational lines. That might be as simple as going through and spraying the weeds once every two years or year or whatever it is. That is the sort of fairly low-risk activity that volunteer labour could be involved with to actually take some of the load off TasRail, but without taking on the whole corridor management, as an example.

Mr FARRELL - Out of historical context, that is what the Derwent Valley Railway did with their agreement before Pacific National. They maintained the Derwent Valley line in lieu of paying access fees.

Mr PRINCE - ATN.

Mr FARRELL - Yes, Australian Transport Network.

Mr GAFFNEY - You made comment regarding the relationship between a very strong volunteer group currently and the government. A lot of your volunteers, I would suggest, have experience and good memories of rail in Tasmania and that is why they have volunteered. My question, I suppose, concerns the longevity of the volunteer base with that expertise into the future. I know you want the legislation to be able to change [inaudible], but how do you see that working with an organisation because there is some risk if the volunteer group or base does not continue into the future?

Mr LANGE - That's a valid comment, however if we don't facilitate the running of those trains then there will be no inspiration for future generations to join and continue that work. The same rationale could be levelled at a purely museum environment that isn't dynamic enough to attract younger people. Indeed running trains is what actually attracts people to become involved and bring their skills into the fray. In that regard, a number of the younger employees of TasRail now actually started out in the rail preservation arrangements and they're now driving trains for TasRail. It goes the other way as well.

Mr GAFFNEY - Do your numbers fluctuate within your -

Mr LANGE - Absolutely, as with any volunteer organisation, they fluctuate.

Mr GAFFNEY - Have you found them diminishing?

Mr LANGE - No, to be fair we haven't. The mix has changed. We do find that we have a number of retired folk that can now spend time there, for instance, on a Tuesday, rather than being weekend warriors purely. We continue to attract younger people with engineering interests, with rail interests. As Rod alluded to earlier, a number of those have gone on to be employed by TasRail - from beginnings in the rail heritage sector.

Mr GAFFNEY - Do you guys have a relationship with the Don River Railway or whatever? Do you guys meet as a conference or a group on a yearly basis, because some of the issues you are raising are the same across the state?

Mr LANGE - There is a Tasmanian group, the Tasmanian Association of Tourist Railways, and there is a mainland and a worldwide group. It is important to understand that each of the groups distinguish themselves with slight variations in their aims. For instance, Tasmanian Transport Museum is a museum. Our focus on heritage rail, not so much tourist rail. The Derwent Valley Railway is very much aligned with opening up tourism within the Derwent Valley. Subtly different, but lots of parallels. We come together through those parallels through the Tasmanian Association of Tourist Railways.

Mr GAFFNEY - With the support for the legislation that you have identified, would you say many of the groups involved with rail see it as a necessary step?

Mr LANGE - That particular arrangement has not been put forward to the Tasmanian Association of Tourist Railways. That is only something that has come within our organisation through recent interaction with TasRail through identifying some of the parameters and hurdles.

Ms FORREST - Following on from your comments around the statement of expectations, that does not have a time frame, as I am aware, unless it is contained in the act of 2012. Are you aware or have you approached the new Government to review that?

Mr LANGE - I understand this is reviewed every 12 months around this time - by November.

Ms FORREST - It is only the new one if it changes?

Mr LANGE - I do not have access to the new one. This is the only one that is on the TasRail website. However, the strategic directions, statement of corporate intent by TasRail for 2014-18 does not make any reference to passenger trains at all. It starts out very clearly that the direction of TasRail is as a freight service provider in Tasmania.

CHAIR - In conclusion, if you got your way and we took TasRail and we turned the below rail into a government infrastructure department, and then the above rail was to private operators, what business opportunities would you see in order to leverage off above-rail services from the perspective of your society?

Mr PRINCE - I was involved with the consultant who prepared the river view rail business plan that the former government funded. The Hobart to Derwent Valley, New Norfolk, Plenty is a no-brainer as far as tourist rail is concerned. The Government was repeatedly talking up the number of tourists we are going to reach 2021. It is one of the most picturesque journeys you could find in the state. The rail line could run down to Macquarie 2 - this is all in the plan. From there you could probably run a daily service through to Plenty. Derwent Valley Railway have talked about that in their submission, and that would be one. Borrowing ideas from other organisations. The Bellarine, which is a volunteer-run organisation on 3'6", have a blues music train every Saturday night and it is booked out months in advance. You could have a restaurant train. We know there is a partly converted carriage already. We were really focused on Hobart to northern suburbs, MONA and Cadbury. Cadbury was going to be the bread and butter for our river view rail, but when Cadbury didn't go ahead my own instinct suggested that you would have to have more. The MONA traffic is basically catered for by ferry. MONA told us they would not be able to support a rail connection actively or financially. The Cadbury factory would have been ideal for our rail river view plan. That was to be the bread and butter in the short term. In the longer term, there are all sorts of issues with track access. One we look like going onto TasRail you have to have your drivers accredited et cetera.

CHAIR - And I think you mentioned Glenorchy to Berriedale.

Mr PRINCE - Yes, that will at this stage only be a Sunday-type operation by volunteers and it will only initially be using rail cars. There is potential to use our steam engine or the diesel engines but there are issues with having to reverse back. On the third Sunday we usually get 100 patrons out there and about half that on railcar days. I am very confident that, if we could build our current 450-metre experience into six kilometres return, we would attract visitors. This year we are going to try to connect with some Taste of Tasmania patrons.

Mr LANGE - The initial focus is on heritage trains rather than tourist trains. Whilst the Berriedale operation will interact to some degree with MONA, the primary thing we are after is the heritage experience rather than going anywhere for stage 1.

Mr PRINCE - If the situation evolved where TasRail was the infrastructure manager for the below rail and the legislation permitted them to have passenger services, you would probably have a private operator, maybe even the Derwent Valley, that would pay access fees to run passenger trains from Hobart. TasRail gets access fees, so there is revenue for them. The track is chronically underused. There are two trains a day on between

Bridgewater and Boyer. I think it is about one hour a day that the track is occupied so there is plenty of room to run a tourist train through there.

Ms FORREST - The statement of corporate intent is a three-year document that goes to 2017-18, so if that is the guiding principle, which it appears it is, between the two stakeholder ministers and TasRail, nothing is going to change in that period.

Mr LANGE - I understand this is reviewed on a rolling basis every 12 months, round about this time of year.

Ms FORREST - The statement of corporate intent as well?

Mr LANGE - That is my understanding, that it is a three-year revolving thing.

Ms FORREST - Do you take the opportunity to make a submission and representation to put your case?

Mr LANGE - I don't know that this is open for public submission.

Mr FARRELL - You were talking about the model that is operating on the mainland of Australia. Do you think that would be worthy to look at for a model for the Tasmanian experience? Would it fit? Is it something you can lift off and drop on?

Mr LANGE - To some extent TasRail practices above and below rail have sectorisation at the moment and that is reflected in their annual report and their finances et cetera. However the below-rail aspect within Tasmania at the moment sees itself as only having one customer, which is the above-rail aspect of TasRail, and that's the bit we think needs to change.

Mr FARRELL - That would seem to you the biggest impediment at the moment?

Mr LANGE - I believe if we can get from government a directive that TasRail needs to facilitate open access to all parties. There are impediments to parties getting appropriate insurance, accreditations and whatever, but I don't believe there is an underlying process in place at the moment for TasRail to facilitate access to a third party.

CHAIR - Thank you.

THE WITNESSES WITHDREW.

DISCUSSION WITH Mr PHILIP LAIRD.

CHAIR - Hello, Philip. Because we are doing this by teleconference the normal procedure of being sworn in does not apply and as a result there is no parliamentary privilege attached to what you say in the committee. I would have you bear that in mind should that occur. I might ask you to start by giving us some background about yourself and your experience and expertise in the area of inquiry.

Mr LAIRD - I am a semi-retired academic at the University of Wollongong. I have been working in the area of land freight for about 35 years and have co-authored three books, a number of academic papers and conference proceedings. I have visited Tasmania about five times.

CHAIR - We have your submission but, for the record, would you like to summarise the brief points you are making?

Mr LAIRD - The basic thrust is that the rail system is worth retaining but you need to get a bit more freight onto rail whilst encouraging the use of tourist passenger trains. The submission also looks at the issue of privatisation. It may have started off looking promising in the late 1990s but within a few years had turned around very much and can now be seen as a failed experiment, so I don't think either the state or Federal Government ought to go down that route again.

In respect of Australian National, I think they did a good job with the resources they had in rehabilitating a very run-down rail system they acquired in 1978. I also found the report by Pitt and Sherry helpful and I have looked at the annual report 2014-15 and the tonne kilometrage, the freight task, which is the tonnage times the average length of haul that is still under half a billion tonne kilometres a year. It would help get some loads off the roads if it could be increased. I also note from the annual report there were two derailments which were costly, so that might indicate a need for more attention to the track.

CHAIR - The contention to get more freight onto the rail, how do you see that happening? There is already a link between the major port of Burnie for containerised ships and rail but there is no rail service to Devonport which takes a lot of container cargo. How do you see getting more freight onto rail?

Mr LAIRD - Under the current situation, as I see it, there are heavy subsidies to the operation of semitrailers and B-doubles under recovery of road system costs. This is a long-running argument I do not see being resolved any time soon. If you are looking at development consent for a freight traffic-generating proposal such as a new pulp mill, you need to take a very careful look at how the bulk commodities will be transported with full regard to the environmental costs. Often it is cheaper to the generator of the traffic to put it on road but when all costs are considered it is often better for the community as a whole that it goes on rail.

Ms FORREST - One of the challenges of that is who bears the cost. If businesses put freight on a truck they are subsidised through that process and the state funds roads for all users, not just freight users. Isn't it an issue of where the cost burden falls?

Mr LAIRD - Yes, I think the point is well taken that the road system costs are picked up by all vehicle users and owners. From the work I have done over the years in Australia there is a fair amount of cross-subsidy from the light vehicles users to the heavy vehicle users that do long annual distances. The way forward on this would be mass distance location pricing which has been raised in reports for at least 30 years, I would think, and incidentally has been in successful use in New Zealand since the late 1970s. Whilst that situation continues, I think you are looking at hidden subsidies to road and the more open subsidies to rail to try to keep some balance between the two.

Outlying that is when should government see fit to regulate certain commodities onto rail? It is out of fashion now, but at page 5 of the submission I outline the Government of Western Australia's approach to timber products, where they said:

It is proving impossible for the timber companies and the rail operators to reach agreement on a realistic price because of the amount of product being lost to competitors using road transport.

Ms FORREST - Another point you raised in your submission was that the social cost-benefit analysis suggests that society would benefit from the retention of TasRail, but you go on to say:

However the full realisation of potential benefits available would depend on a restructuring of TasRail.

That is a quote from a study done by the Bureau of Transport Economics, I understand. If you agree with that point, how do you see TasRail being restructured to realise the benefits?

Mr LAIRD - As I understand it, the Bureau of Transport Economics - now BITRE - reports were done some years ago, I think one of them over 20 years ago. The basic conclusion was we are better off keeping the system but getting it to operate more efficiently. We tried privatisation, which I would submit did not work, so we keep it in public hands as an integrated railway, encourage the management to do the best with what they have and at the same time upgrade the track to allow them to improve efficiency. For track improvements, first of all, anything that causes derailment needs fixing.

Ms FORREST - There was one derailment that was human error, so track work doesn't fix that.

Mr LAIRD - Agreed. I didn't know the cause of the derailment but I said it might indicate a need for more attention to track, but if it was human error by the train operator or controller, then it is a different matter.

Moving on to the next one, the amount of temporary speed restrictions. I can't say what the number is like at the moment. I went on a tour of the system organised by a New South Wales rail operator using Tasmanian equipment. We went over the whole system and it was just littered with temporary speed restrictions, indicating a need for better maintenance.

The third one is the permanent speed restrictions, often in the form of very tight radius curves which require freight trains to slow down to take the curve and then speed up again.

The fourth one is axle load restrictions. I think I mentioned bridges in the submission. There is an old wooden bridge over the Jordan River - I saw that 10 years ago - getting towards Hobart. You wouldn't want that bridge to fail if it hasn't been fixed in the meantime.

CHAIR - It has been replaced.

Mr LAIRD - Thank goodness for that.

Ms FORREST - One of the points you raised is about the containers only going one way and not having the backfill, which is always an economic challenge for any operator, whether it is truck or train. That is a reality at the moment. You say we need to increase freight but if freight really is only travelling in one direction predominantly - there are some freight tasks going in both directions - do you have any suggestions as to how you address that issue to ensure backfill transport occurs so you don't run at a loss?

Mr LAIRD - Not without having a detailed look. If it is taking containers from the northern port down to Hobart, presumably there are empty containers that have to find their way back.

Ms FORREST - That's a problem on the boat as well.

Mr LAIRD - Yes. I guess there is another issue as to how many ports you should have in Tasmania.

CHAIR - To pick up on that point, you mention that for containers to be moved from Burnie to Hobart - on page 3 of your submission - it can be moved either by articulated truck or rail. I don't think are too many containers going to Burnie by road. We have two main operators: one, trucks to Devonport; and the other one rails to Burnie. Short of closing down the port of Devonport and forcing the truck operator out of Devonport into Burnie, I am not too sure how we are going to deal with that issue.

Mr LAIRD - I would find it hard to advise. Devonport is a viable passenger port; Burnie has presumably bulk materials working through it.

CHAIR - Basically Devonport is a container port that is serviced by road travel. It is also a passenger port, which is the roll-on roll-off ferry. It is has a railhead in there which is on the other side of the river from the passengers and containers, which is bulk cement into silos. That is the nature of the port. The point is that other than bulk materials you really cannot rail material to the Port of Devonport.

Mr LAIRD - I see.

CHAIR - That's where the whole issue turns up. I'm not too sure you would get much favour around this table for closing the port of Devonport to cargo containers.

Mr LAIRD - I wasn't suggesting it. It's an issue that sometimes comes up - the number of ports in Tasmania.

Ms FORREST - The major container port is Burnie.

Mr LAIRD - Which has the rail connection.

Ms FORREST - Yes, and bulk container facilities as well.

CHAIR - With your knowledge and expertise of rail it has been suggested to the committee that the nature and size of Tasmania's rail freight task would be that, given the public good to be had by taking as many trucks as possible off the road, perhaps we should adopt the road model and have a system whereby there is a government department that looks after the rail infrastructure and then allowing operators, as they will, to use the above-rail network. What is your view on that given that at the moment the track manager is also the rail operator?

Mr LAIRD - My personal preference is for the integrated model where the track maintainer, owner and rail operator are the same, particularly in this case where there is such a small freight task. The nation's freight task on the mainland exceeds 200 billion tonne kilometres. The New Zealand rail freight task exceeds 4 billion tonne kilometres, and that is an integrated railway now. Yet your one is trying to get to 0.5 billion tonne kilometres. I don't see any advantage with such a small regional freight task in splitting the two. It has been advocated and is in use in parts of the mainland. I think it works better in America and Canada with integrated railways, but I don't see any advantage for Tasmania going down that road - or track, should I say - at all.

CHAIR - Are there any other comments that you would like to say to the committee?

Mr LAIRD - Only to express my appreciation of the committee looking at the issue and I look forward to seeing your report in due course. Thank you for the invitation to appear.

CHAIR - Thank you.

DISCUSSION CONCLUDED

Mr ROSS HARRIS WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR - Welcome to the public hearings of Government Administration A Committee inquiring 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. A copy of the information for witnesses is available if you have not read it and/or are not aware of the process. The evidence you present is being recorded and the *Hansard* version will be published on the committee website when it becomes available. Perhaps you would like to start by giving us your area of interest and expertise.

Mr HARRIS - I am here as an individual; I'm not here representing any parties or groups who have anything to do with the Tasmanian rail network. My background is as a volunteer for many years with the Derwent Valley Railway Society at New Norfolk, of which I was one of the founding members and on the committee board of management for six years. Part of my role was to oversee the operations of the train excursions in terms of staffing, volunteer coordination and the service we delivered to tourist passengers on our railway. I have also been a past member of the Tasmanian Transport Museum Society, where I spent considerable time on their committee of management helping to oversee the daily running of the museum which has a significant collection of rail equipment.

More latterly, I am on the committee of management of HTRAMS, the Hobart Tram Restoration and Museum Society, which is looking to oversee the preservation of the collection of trams that have been restored by the Hobart City Council in recent years with a long-term vision to operate those trams in a similar style to the Launceston Tramway Society, from Macquarie Point to the Royal Tasmanian Botanical Gardens. Today, however, I am not here representing any of those societies, I am here purely in an individual capacity.

I always find that visual communication is a better way to get the message across of what has happened in Tasmania and what can happen in the future. I have an opening statement and I want to quote from a former premier of Tasmania, David Bartlett, in his 2009 'State of the State' address. He said:

Another of Tasmania's tourism attractions that I believe we can make more of is our network of heritage railways. A Tasmanian Visitor Survey result shows that just over 53 000 interstate and intermodal visitors have a heritage rail experience in Tasmania during their visit.

I recently announced more than \$180 000 to support the Don River Railway to upgrade and refurbish their rolling stock and steam locomotives. Many of our small railways are run by small preservation societies supported by a dedicated and passionate team of volunteers and enthusiasts.

We have an opportunity here to harness that passion and create a world-class network of rail experiences across Tasmania. To do that we will need

to help existing operators face issues including access to main lines, public liability insurance and better marketing opportunities.

I announce today that the Government will commission the preparation of a four-year strategic plan of rail tourism in this state to resolve those issues for the long term. Heritage railways are not a part of the problem for rail in this state; rather, they can be part of the solution.

As a follow-up to that I want to go through how recent action has made the situation for tourism and heritage services worse and increasingly hard to return in terms of main line access.

Since 2006 the societies have been unable to access the main line network which had been a significant source of revenue for them. Even with state government takeover of the system, significant upgrade of the network and train control et cetera, there has been little interest shown by government or TasRail to help the societies return to the network. The removal of points, blades and frogs from Bridgewater and Hobart yards by TasRail for reuse on their current network makes it increasingly hard for tourist and heritage rail services to return to the main line network. The removal, for no apparent reason, of the main line arrival route - around 50 metres - into the Hobart railway yard by TasRail, makes it increasingly difficult for tourist and heritage rail services to return to the main line network.

The removal of a section of the main south line - around 20 metres - to make way for temporary cyclone security fencing by the Macquarie Point Development Corporation, an action which is completely illogical and bizarre, short-term and costly, makes it increasingly hard for tourist and heritage rail services to return to the main line network. There was the removal of the points connection from Coles Beach in 2006 linking the Don River Railway. These points were paid for by the Don River Railway, costing many thousands of dollars, making it increasingly hard for the tourist and rail heritage rail services to return the main line network. Yet the points connection to the Transport Museum at Glenorchy has remained untouched. What was the difference? Removal of various sections of the western line at West Park, Burnie to seal over the level crossing makes it increasingly hard for tourist and heritage rail services to return to the main line network.

There is the pending removal of the western line at West Beach, Burnie to improve public amenity, but it is removing a whole section of scenic and once popular stretch of railway between Burnie and Wilshire Junction previously used by tourist and heritage rail services, making it increasingly hard for tourist and heritage rail services to return the main line network.

The removal of level crossing warning equipment, light and bells, from 19 level crossings in the Hobart area after closure of the suburban line last year, despite written assurances to the contrary, makes it increasingly hard for tourist and heritage rail services to return to the main line network.

TasRail's reasoning was for safeguarding and storage of equipment whilst not in use. This is logical and makes sense. However, the logic has been inconsistent and does not make sense because electronic warning equipment - the lights - have been left in situ at

the Hopkins Street level crossing with one pair of lights simply turned to face away from the road. At the Midland Highway crossing at Granton the whole electronic set of lights has remained in place until last month, when a post was damaged in a collision. Only then was one light set removed, with the others still remaining onsite. This makes it increasingly hard for tourist and heritage rail services to return to the main line network.

I believe some portions of TasRail's submission to this inquiry are misleading in terms of tourist and passenger rail. TasRail seems to lay the onus on the rolling stock operator societies for not having accreditation, as if this is the major stumbling block. I believe this is misleading.

To operate on the track, in my understanding, there needs to be a two way agreement between the societies and the rail infrastructure manager, TasRail. Agreements with TasRail leads to the society completing their NRSR accreditation to operate on the main line network. My understanding is that accreditation includes making a safety interface agreement with the rail infrastructure manger, TasRail, and the rolling stock operator, the societies. TasRail says its insurance does not cover passengers but the network had passengers before the Tasmanian Government bought the system in 2009, so there must have been insurance cover for passenger before this. What went wrong? Why weren't the societies included in the network sale process? Passengers had been using the network for 22 years, between 1983 and 2005. Why is it different now?

TasRail says it insurance premiums would rise significantly for passengers. Why? The track network has been upgraded with over \$250 million of upgrades in recent years - of track, concrete sleepers, track control systems - safety has improved, so surely the risk has reduced.

TasRail says significant capital investment is required for non-operational lines to be in fit-for-use condition for tourism and heritage. This statement should not go unchallenged as far as the Hobart suburban line is concerned. Until last year, the line was being used for heavy freight. I do not believe significant capital investment is required for slow-speed, lightweight tourism and heritage services. Except for that level crossing equipment, which was removed just on 14 months ago, this additional cost could have been avoided had there been agreement reached between TasRail and societies by now.

My understanding at the moment is that TasRail is looking at transferring their operational lines to the Department of State Growth. Will this have a detrimental effect for the societies? Will DSG have to become an accredited rail infrastructure manager for owning and maintaining the track? Will DSG undertake maintenance and upgrading of the track? Can DSG guarantee that track infrastructure will be left in situ and maintained fit for purpose as a requirement of NRSA accreditation? Will DSG be willing to lease its track to the societies or other RSOs for their use? If not, what is the point? That concludes my opening statement.

CHAIR - In your questions about why TasRail moved some infrastructure and not other pieces of kit and equipment, you stopped short of basically accusing them of sabotage of the non-operational line.

Mr HARRIS - I don't think I am accusing them of sabotage at all. I am accusing them of being inconsistent to what they have stated. An example I gave was where they removed the main line connection at Coles Beach which had up until then had allowed the Don River Railway access to the main line network, however, the connection to the Transport Museum up till today remains in place.

CHAIR - I was thinking more of some level crossings where the lights were removed but not on two of them.

Mr HARRIS - Yes, that is correct. I think there is a general understanding that as the lessee, the manager of their equipment and assets, it is perfectly reasonable for TasRail to remove portions of the equipment such as the lights and so forth in terms of security from vandalism and collision damage, but as I highlighted in my opening statement, that has not been consistent because there are two level crossings where the lights have just remained. Whether they have forgotten about them I don't know, but to me as an observer looking from the outside in, there has not been a consistent approach.

CHAIR - Regarding your last point about transferring the non-operational lines or tracks and below-track infrastructure to the Department of State Growth, there has been a suggestion from others that TasRail should become the below-rail track manager and other entities run the above-line services. That would seem to agree with what you are calling for here rather than State Growth become the track manager. Would you still believe in the integrated model for freight but a dis-integrated model for heritage rail?

Mr HARRIS - I am not too clear on what specific point you're putting to me. The question is how DSG will take over responsibility for these disused lines, given that certainly one has been in the possession or care of one of the major rail societies. Here's hoping there is not going to be a detrimental effect for those organisations to progress their plans.

CHAIR - The point I am trying to make is that it has been suggested by others that TasRail should remain responsible for below-rail infrastructure on all rail lines, whether they are freight or not.

Mr HARRIS -Yes, I understand. I would support that as well. TasRail has the expertise in running rail and the below-rail infrastructure. Ideally, you want one body in the state that oversees all of that, regardless of who is operating the above-rail asset.

CHAIR - The committee is concerned about the financial sustainability of TasRail in the future. There are lots of questions already about its future financial sustainability in terms of the freight task. If we are now talking about below-rail infrastructure as well for what are now non-operational lines and the amount of work it would need if required, would that make it not even less financially sustainable as an entity?

Mr HARRIS - Do we question the financial sustainability of the Tasmanian road network? Is it ever put to question that we have to rationalise roads? I am failing to understand why this pressure is put on the Tasmanian rail network as if somehow it needs to make money. Let us be honest, the track infrastructure doesn't make money, but neither do roads or airports.

Ms FORREST - There's no expectation that roads will, though.

Mr HARRIS - So why is there an expectation that rail will? That's the question. Where does that discrimination stem from?

Ms FORREST - Going down this path for a minute, whether you impair an asset or depreciate it, it depends on the purpose to which it is to be used in many ways. Roads are for the benefit of everybody. We all use the roads, whether we drive or are a passenger or walk or cycle. With rail, we don't, particularly when there is no passenger rail. We may rely on the freight that is transported on it but when you have a state-owned company there is an expectation they will operate in a way that generates profit. The above rail hopefully will ultimately but the road infrastructure is not because there are so many other uses for it besides the carriage of freight.

Mr HARRIS - Yes, there are so many more uses for it other than the carriage of freight. One of those uses I am pushing for is for tourist and heritage rail.

Ms FORREST - Coming back to that, then, there is an expectation that if TasRail was to take it on, under its statement of corporate intent there is no provision at all for passenger rail, whether it is commercial passenger, tourist and heritage or whatever. Even if there was, unless there was a change to the statement of corporate intent and the members' statement of expectations that there was no expectation that that would be a proper part of it. There are a number of things that have to happen, wouldn't you agree, before you could say we would have passenger rail transport, whether it is part of a freight train or a separate train. If it is going to operate profitably, because it is above rail, and TasRail would still own the below-rail infrastructure, are we realistically looking at a product that could be profitable?

Mr HARRIS - I can't answer that because I don't know the ins and outs of that. Let us go back to freight requirements - and I am not expert in this area - who is to say the economy of Tasmania may or may not change in future years? For example, there may be a need to transport freight out of the north-east. What have we done up until this point? We have almost virtually removed that whole rail track from the north-east.

Ms FORREST - The same into the north-west.

Mr HARRIS - Yes, the same as the far north-west - if you look at that dairy expansion that is happening now. As a state we have gone ahead and ripped out the line without any long-term planning and infrastructure requirements. My opinion is that TasRail ought to be maintaining its non-operational network to keep those lines ready for use, whether by tourism and heritage or future freight opportunities that come up. Why don't we put this pressure on roads and the road network?

Ms FORREST - Wouldn't it be important, though, if we are going to be serious about expecting TasRail, which is heavily subsidised by the taxpayer -

Mr HARRIS - So are the roads.

Ms FORREST - Yes, they are, but TasRail is too under a structure that requires them to operate profitably - or aim for that, at least. So if above rail you put passengers, whether they be commuters or tourists, and operate at a profit, don't we need to know whether

that is a possibility and do some modelling around that? Our House in Parliament used to sit at 2.30 pm on a Tuesday because that is when the train arrived. That is when the members from the north could get here by train. The Standing Orders still haven't been changed but we have suspended the Standing Orders, so that will probably change. Some of our rules are around this notion that it will be profitable. Even if we could operate a passenger service on these lines, it would be slow. Freight would be slow in terms of regional trains in Victoria, for example. When you get to Europe it is a completely different kettle of fish there - and China. We are looking at an opportunity that is not really going to appeal to a lot of people who live in Tasmania. It is not like a taxi; you can't call it up when you want it.

Mr HARRIS - I am certainly not talking about commuter transport; I am talking about tourism and heritage rail opportunities.

Ms FORREST - Do you think that could operate as a profitable aspect to a business? TasRail probably don't want to operate that if they could make the facility available to a private operator, but a private operator is not going to come unless it is profitable. The Government still can't get anyone to take over the West Coast Wilderness Railway.

Mr HARRIS - That opens up a whole kettle of fish in terms of the mistakes that were made when setting the whole West Coast Wilderness Railway up by using second-hand sleepers and rail from the old defunct north-east line, which caused further problems, which is why we have had to recently spend \$6 million.

Ms FORREST - Yes, we can thank a certain person who did that. Even so, with the government funding the below rail there, we still cannot get an operator to operate the above rail. They do not have to pay below rail. We still cannot get an operator to operate the above rail, which is essentially the profitable part of it..

Mr HARRIS - It is interesting that TasRail state in their submission when they talk about the below rail asset as not being profitable, and it isn't. I am speaking well out of my league here, but when you take in all the funding, over \$200 million that has been poured into bringing the trade up, of course it is not going to return a cash profit as such. I just think as an individual, as a Tasmanian, that we have a road network and that we should have a rail network, which at this point in time, thankfully, is owned by a state-owned company, not a private company, because we have been there and done that, and look what happened. It is owned by the state and therefore it should be available for a mix of uses for the greater good, whether it is freight that makes profit, or tourism, which in my understanding, in this lifetime, on this island, is what really Tasmania should be about.

Mr FARRELL - I refer to your submission, Ross. There was some good historical detail in there. I note for the 20 years or more that societies were operating heritage trains, you have a table. Once you take out funds and grants given for studies, of which there were quite a few done, and this is a pretty comprehensive table - over that entire period of time - and you just referred to the \$200 million from TasRail - if you look at the money that actually went into these societies over a 20-year period, it is probably under \$2 million.

Mr HARRIS - It was under \$3 million. That was my calculation.

Mr FARRELL - Yes, the total was \$2.7 million, but if you take out some of these studies that went into the rail, it was, say, around \$2 million for 20 years of state and federal funding. Do you have access to any figures? It would be really interesting to see a comparable table of what the societies and different rail groups generated. I know you would probably have to file through all their reports, but that seems like a fairly insignificant amount of money for that period of time. Is that the total? It looks as though you have researched everywhere.

Mr HARRIS - This is what I came up with out of newspaper reports over this period of time. Firstly, the point I was making with doing all these calculations is how a situation in Tasmania right now where the societies - various groups - had been operating and had been allowed access to network for tourism, and now they are not through various reasons that we are very familiar with. Until that point, societies had applied for and had been given, in my mind, quite a significant amount of money for track upgrades, for rolling stock, all in line to get them onto the track and to keep them going.

No, Craig, I don't have any figures in front of me in terms of what societies would have generated. Again, I would refer you to representatives of those societies. If I hark back to my experience with the Derwent Valley Railway Preservation Society, at the time I was actively involved we ran monthly excursions on the Tasmanian main line network and for a period of time up the Derwent Valley line. We also ran weekly and fortnightly trips on short sections of the Derwent Valley line. I can remember those trains being full virtually every time. If there were fewer bookings we reduced the number of carriages, so that would reduce our costs.

I can remember excursions up to Ross and Parattah in the southern midlands in the dead of winter, and local people would come out and open up market stalls and organise buses to take them into neighbouring towns such as Oatlands, Campbelltown, there would be barbecues, they would open up heritage halls and there would be markets. We thought then that rail tourism will always be of greater benefit to regional economies than ripping up tracks and making bike trails ever will. The logic of that is based purely on numbers. A heritage passenger train can take between 200 and 300 people up the Derwent Valley, the north-east or the north-west, and the spin-offs would be never-ending in terms of the money that would be poured into those regional economies.

Mr ARMSTRONG - The north-east has had bike trails up there now and the feedback has been that it's really great for the north-east as far as the economy is concerned because they're going up there and staying overnight.

Mr FARRELL - There is the Blue Derby, which is a mountain bike track, and the other one is the line from Scottsdale out to -

Mr ARMSTRONG - Herrick, is it?

Mr FARRELL - No, it doesn't get to Herrick, it only gets halfway across Billycock; it is a rotary trail, a walking/bike trail. I think when they talk about the bikes they refer to the Blue Derby mountain bike thing.

CHAIR - Let us forget below-rail at the moment because that seems to be the sticking point, but in terms of the above-rail, one of the issues we keep hearing is the public liability

cost of running passenger as opposed to freight and the insurance cost. We have done the standards the rail needs to be to death with some pretty reasonable assurances if it's good enough for freight it's good enough for trains and you slow them down and all the rest. This issue about insurance costs seems to be the big blocker because the insurance cost has to cover the risk of passengers, and a lot of that is actually borne by the below-rail operator because it is the track -

Mr HARRIS - Yes, and fortunately in the past three years there has been a massive upgrade of the Tasmanian main line system. One would think, therefore, with the investment that has been made by the Australian taxpayer that the line is much better equipped not only to handle heavy freight, but also the odd tourist, lightweight passenger version over the same portion of rail.

CHAIR - From your experience from running the line -

Mr HARRIS - I have no experience of running lines myself but of being a volunteer.

CHAIR - No, but from your experience as a volunteer, are you aware of what has happened to the cost of insurance between when those things were operating and today?

Mr HARRIS - I know public liability insurance was always an issue from day one. I've done some reading latterly to suggest that on the mainland there was a big hump in the cost of insurance that swept around the world after 9/11. It particularly affected all those public event scenarios and rail preservation in Australia was particularly affected. A number of preservation operations on the mainland closed because the public insurance killed them. The mainland has now pulled through and more recently the insurance has come down and has settled to be more affordable, but it is an ongoing issue, I agree.

I wanted to give the committee an idea of what is presently happening on the mainland as far as rail tourism is concerned. In New South Wales, various societies and groups are running tourist and heritage services on non-operational and operational rail lines throughout New South Wales. These include the Lachlan Valley Railway running steam haul excursions from Sydney to regional centres, which has accreditation and access agreements with New South Wales Trains and the John Holland Group.

Locomotive 3801, presently being overhauled, is operated by the New South Wales Rail Transport Museum on operational lines throughout New South Wales and has accreditation and access agreements with the various owners and operators in that state. Operation is underpinned by the New South Wales state Government through the creation of Transport Heritage New South Wales and supported by parliament, the New South Wales Government having made a solid commitment to the advancement of tourist rail heritage. The Rail Motor Preservation Society runs vintage rail cars on operation lines throughout that state and has accreditation and access agreements with New South Wales Trains and Sydney Trains.

The Richmond Vale Railway, running on a portion of non-operational branch line in the Hunter Valley, has accreditation. Zigzag Railway, attracting 80 000 passengers per annum, operates steam excursions on a restored non-operational main line in the Blue Mountains.

The New South Wales Government realised the enormous value in rail tourism by actively supporting the establishment of Transport Heritage New South Wales to consolidate and promote rail tourism across the state and to centralise matters regarding accreditation and public liability insurance. The body also oversees regular public festivals, celebrating New South Wales transport heritage, such as one held at Central Station earlier this year with steam haul excursions running throughout the suburban network, attracting thousands of passengers and sightseers.

Various societies and groups are running tourist and heritage services on both operational and non-operational lines throughout Victoria. These include R707 operations, a steam locomotive and train running on operational lines throughout Victoria, which has accreditation and access agreements with Big Track, Metro Trains Melbourne and V/Line. Steam Rail runs main line steam, diesel and electric rail tours throughout Melbourne and Victoria, is accredited and has access agreements with Big Track, Metro Trains Melbourne and V/Line. The group also on occasion leases out its locomotives to various rail freight logistics operators. The Diesel Electric Rail Motor Preservation Society of Victoria runs vintage classic rail cars throughout Victoria on operational lines, has accreditation and access agreements with Big Track, Metro Trains Melbourne and V/Line.

The Morning Railway Society, running on a non-operational former branch line on the Mornington Peninsula, has accreditation. South Gippsland Railway, running on a non-operation former branch line, is accredited. Victorian Goldfields Railway, attracting 20 000 passengers per annum and running on a non-operational former branch line in central Victoria, is accredited. The Yarra Valley Railway, running on a non-operational former branch line, is accredited. The Seymour Rail Heritage Centre restores and operates heritage main line trains in Victoria, runs tours on operational network, is accredited and has access agreements in place with Big Track, Metro Trains Melbourne and V/Line. It has also leased out restored diesel locomotives to rail freight forwarders for their use.

The Victorian Government, realising a long time ago the importance to the state's economy of rail tourism, legislated the Tourist and Heritage Railways Act 2010 to promote the long-term viability of rail tourism and the provision of lease agreements between the T&H operators and access to the network and its assets. Annual turnover for the T&H rail sector in Victoria is around \$9 million, is supported by around 1 800 volunteers and employs around 50 full-time staff.

Various societies and groups are running T&H services on both operational and non-operation lines throughout South Australia. These include Steam Ranger, which attracts 45 000 passengers per annum, runs heritage steam tours in the Lofty Ranges on a non-operation former branch line, is accredited and carries out maintenance of the track. The South Australian Government funded repair of the branch line to enable T&H services to operate, recognising the economic return on its investment.

The Pichi Richi Railway runs heritage steam, diesel and rail car tours along a 39 kilometre section of a non-operational former main line to central Australia and is accredited. In 2000, the South Australian Government and Port Augusta City Council provided major funding for the extension of the Pichi Richi Railway from Stirling North to Post Augusta, the society's long-term ambition. The extension was dug out to pass

under the transcontinental railway line avoiding complicated safe-working being implemented at this junction. This extension was completed with a four-siding yard, platform and carriage shed at Port Augusta running parallel to the stopping point for the Indian Pacific and Ghan transcontinental service, providing a huge explosion for the tourist railway to interstate and international tourists. The South Australian Government realising the economic value and investing in T&H rail tourism in South Australia.

State of Western Australia. Various societies running T&H services on non-operational lines throughout Western Australia. These include the Hotham Valley Railway running on a non-operational former branch line, and has accreditation. The Pemberton Tramway Company runs on a non-operational former branch line and has accreditation.

The Australian Capital Territory. Canberra Railway Museum, running steam tours on operational and non-operational lines, has accreditation and access agreement with New South Wales trains.

State of Queensland. Various societies operating T&H services on non-operational and operational lines throughout Queensland. These include the Ravenshoe Steam Railway running steam trips on a 40-kilometre non-operational former branch line from Atherton, is accredited and has a lease agreement with Queensland Rail. The Mary Valley Heritage Railway has been running steam excursions on a non-operational branch line, is accredited and has access agreements with Queensland Rail. The society is presently working for the state government and Queensland Rail to secure funding to upgrade tracks to allow resumption of these services.

Sunshine Express Rail Tours - running regular steam tours throughout Queensland from Brisbane using the operational network. The group utilises locomotives from Queensland's rail heritage fleet, has accreditation and access agreements with Queensland Rail. Queensland Rail recognising many years ago the economic and cultural value in retaining heritage rolling stock and in partnership with volunteers who want to restore, maintain and operate them. It is a win/win situation.

Southern Downs Steam Railway - operating steam excursions on the main line operational network maintained by Queensland Rail. Queensland Pioneer Steam Railway operates heritage trains on a semi-operational branch line maintained by Queensland Rail. The Rosewood Railway Museum operated by ARHS Queensland running heritage steam and rail car excursions on non-operational branch line and has accreditation and access agreements with Queensland Rail.

The Queensland government has long recognised the value of maintaining and promoting rail tourism on its state network and has worked with volunteer groups to retain disused or semi-operational branch lines for the benefit of tourism to those regions. The Queensland Government Railways itself operates tourist railways and trains such as the Kuranda Scenic Railway, the Southern and the isolated Gulflander. This year Queensland Rail celebrated 150 years of railways in Queensland by working cooperatively with the various societies running steam-hauled excursions throughout Queensland. In some instances, preserved steam locomotives replaced motive power on normal regular passenger services.

This brings us back to the State of Tasmania, perhaps the best state in terms of scenic, cultural and historic values that are accessed by rail. The state that prides itself on its tourism image and desperately wants growth in this sector. Three mainline rail societies that had been running excursions on the Tasmanian network individually and cooperatively until stopped in their tracks in 2006 by Pacific National. In 2007 the state Government successfully applied to the National Competition Council to declare the Tasmanian rail network available for third-party operators, creating an enforceable right for additional bodies to access the line. Why has this not been enforced? Why is it so hard in Tasmania?

CHAIR - Thank you very much, Ross.

THE WITNESS WITHDREW.

DISCUSSION WITH Dr KEN DAVIDSON VIA TELEPHONE.

CHAIR (Mr Mulder) - Welcome, Ken. You are on a teleconference so the normal procedure of swearing in witnesses does not occur. Parliamentary privilege is not extended to anything you may say here or outside the meeting.

Dr DAVIDSON - I have been a transport planner for 50 years, including in the Tasmanian context sorting out issues about the collapse of the Tasman Bridge. I was part of the group that built the Bowen Bridge. I looked at all the land use impacts on the Old Beach area and all those things. I have been an academic in transport planning. Many years ago I was head of transport for the ACT. If I was in a state I would have been director general of transport. I ran Brisbane's bus and ferry service. I did a big consulting job for Metro in Tasmania, doing a similar improvement system for the Hobart service. I have been a consultant transport planner for 25 years, particularly in rail issues more than anything else.

CHAIR - Your submission to the committee deals mainly with the transport network issues in the north-east, and particularly in the Dorset municipality. Although there is some mention of roads, and there is some connection between them, the committee really is into the financial sustainability of TasRail. I think we can take on board all your recommendations about the need to look seriously at the road hierarchy and the network there.

Dr DAVIDSON - The reason I decided to communicate with you about this was that I believe if you're looking at rail issues you are much better to look at them from a strategic point of view. In the Dorset case you have a situation where you have some significant problems with the roads, particularly heavy logs trucks using inadequate roads at the same time as children going to high school in Launceston and a lot of tourist traffic. Also, with the growth of the timber industry it seems it would be clever to try to associate the development of the timber industry with the transport network needed to serve it, and in particular trying to locate treatment plants for woodchips or sawn timber as close to the plantations as possible so you are not transporting things you don't need. Also, to allow the more efficient transport of them, particularly not on inadequate roads, as is happening at the moment.

It did occur to me that given the distance of a railway already to Scottsdale with the possibility of linking that back to George Town and Bell Bay, if you were to build a turning loop at each end you could run a unit train picking up woodchips from new woodchip plants close by at Proserpine, Tonganah or Scottsdale and any other treatment place as well. It just seemed to me that if you were to look at it in a unified way, taking into account the land use development issues in the north-east, which is pretty subdued at the moment in comparison to the north-west, and the inadequate road network in the north-east and the development of the timber industry altogether, rail might play a useful part in that and do something to restore the fortunes of the rail industry in the process. I think you could do that very efficiently from a rail point of view.

CHAIR - I notice that is the central point you make on page 13 of your submission:

If most timber or timber products trains had Bell Bay as their destination it would be desirable to build a direct link between the Tonganah line and the Bell Bay end of the Bell Bay line.

Others in the committee might be a bit more aware of the geography and topography in that area, but can you give me some idea of what that involves?

Dr DAVIDSON - It is simple. At the moment there is a Y junction with the bottom of the Y facing Launceston, so it is really just a matter of putting a curve in there to allow trains to go from Scottsdale to Bell Bay directly rather than having to shunt. You would use the existing network but you would put in a few little things to make it more efficient to use.

Mr FARRELL - When you were doing your report on the transport strategy for the Dorset area, did you take into account the irrigation system going on line up there? There is a fairly major irrigation project happening that is probably going to have quite an impact on primary produce in the Dorset area -

Dr DAVIDSON - No, I wasn't aware of that. I did my report in 2008 so it's getting a bit old now. I was basing it on the idea that the amount of plantation timber grown and produced would increase dramatically in the north-east. I guess what I am saying is less true than it might have been once.

Mr FARRELL - It seems at the moment there is a bit of push to remove the north-east line while at the same time there is some projected growth in primary industry up there. It seemed to some to be a little bit of a premature move, I wouldn't dare suggest politically motivated, but it looks like the north-east line is probably not going to be around much longer.

Dr DAVIDSON - That was certainly the thought when I was there too, but it just seemed to me that a clever developer of the timber industry could bring it bear. The north-east railway could be a very useful adjunct to the development of the timber industry in that area, and indeed any other intensive production industry. The link between that area and Bell Bay, or Launceston for that matter, by road are all pretty dodgy. If you could take some of the very heavy log trucks off the road onto rail you are enhancing the tourism industry and all sorts of other things as well, as well as giving some growth potential for the north-east.

I say often in the report that it seemed to me the north-east has been very poorly treated compared to the north-west in accessibility terms over the last few years. You have built a new highway and upgraded the railway to the north-west and industries are moving from the north-east to the north-west. It seemed to me that maybe one way to halt that is to set up the timber industry in a strategically efficient way.

Mr FARRELL - It seems to me to be chicken and egg because if you take the rail link out that doesn't encourage industry and the industry is not keen to go there because there is no rail link, and it spirals down and down.

Dr DAVIDSON - Exactly. Is the irrigation for horticultural purposes?

Mr FARRELL - Yes, for dairying, vegetable growing and all the things they do fairly well in the north-east. I think it is to give them a more certain water supply in that area.

Dr DAVIDSON - The unit trains with loops at each end is a very efficient way to run a railway and if you had fairly constant production rates of any sorts of horticultural products that could be loaded efficiently onto a train running round a loop, that would be a very efficient way to run a railway. If you locate the factories or chip mills on the railway, you are allowing the lion's share to be run by rail, which is much better than on road which would cost a huge amount to upgrade. It is a way to reduce the amount required to upgrade the roads and finish up with a more efficient system.

CHAIR - I put a proposition to you. It seems to me that you are saying we should restore the north-east line, improve that junction, put in the loops, and if we do not do those sorts of things there needs to be a massive investment in road upgrading which, given the topography and geography of the area, might not be very cheap. It sounds like the investment in rail might be a very cost-effective means of solving the transport issues of the Dorset Council.

Dr DAVIDSON - I believe that is something which would pay looking at because the existing Tasman Highway and the road through Lilydale would both be very expensive to bring up to a standard which could happily accommodate log trucks and tourists at the same time.

The fact that all the chip mills are at Bell Bay rather than spread around the region adds a lot of transport - transporting logs is much messier than transporting chips. Why would you lump all the chip mills in one place rather than distributing them through the district where the chips could be efficiently transported to the port, rather than taking logs all the way to the port on trucks that are too heavy for the roads?

CHAIR - Ken, is there anything you would like to say by way of closing?

Dr DAVIDSON - To raise another matter altogether, when we did the Bowen Bridge as a consequence of the Tasman Bridge falling down, one of the obligations Tasmania agreed to was to build a four-lane road from Lindisfarne and points south as far as the Bowen Bridge. It is my understanding that there are only two lanes from Risdon to the bridge itself. If and when the Tasman Bridge gets knocked down again it will be a problem if we didn't complete that four-lane section there.

CHAIR - There is also two lanes at Geilston Bay where it chokes from four to two to four and then to two again.

Dr DAVIDSON - It seems to me that part of the reason for building the Bowen Bridge was to protect Hobart against a further collapse of the Tasman Bridge. The protection is less than it could be at the moment because the four lanes haven't been completed on the southern approach to the bridge.

CHAIR - There are some Aboriginal heritage issues involved there, as you probably well know, and it is a little outside the terms of reference of the committee, but thank you for the commentary.

Dr DAVIDSON - I just thought I might ask a Tasmanian parliamentarian. I cannot help myself doing it because I am probably the last man standing at that committee. I am the only person who can possibly remember that was an obligation, which I think it is important for the future of Tasmania.

CHAIR - Thank you very much, Ken. Your experience and expertise in this area is much appreciated by the committee.

DISCUSSION CONCLUDED.

Mr CAMERON SIMPKINS WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR - The committee today is taking sworn evidence. 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 and that, by way of explanation, applies even if you repeat the exact words you use in here. Parliamentary privilege protection evaporates once you leave here. The evidence you present is being recorded and the *Hansard* will be published on the committee website when it becomes available.

Mr SIMPKINS - After I left the army I spent about 25 years in logistics. I managed trucks, boats, aeroplanes, helicopters, trains - I've done the full gamut. I have done international and national. I ran Toll Energy Logistics in Dampier, which is a \$50 million logistics business. We do the Gorgon project, [inaudible] island and Barrow Island. I hold diplomas in health and safety, in logistics, in project management, management and business. I think it is fair to say that I am both a logistics and project professional.

Ms FORREST - Who do you currently work for now?

Mr SIMPKINS - Like most Tasmanians, I work two jobs. My current base earn is that I work in a call centre at Vodafone, which pays the mortgage, and then I work for an organisation out of Queensland, which is consulting work. The principal part of that is a gold mine on the Solomon Islands. I'm doing logistics and security for that, trying to get that set up. It is a greenfield site and there are some complex logistics and security issues in the Solomons, but there is \$150 million worth of gold at the current estimate.

The point I wanted to talk about is financial sustainability. The two words are independent of each other, as a logistics professional. Rail is, in effect, a modality. It is just one modality of many. Whether it is air, sea, rail or road, it is a modality. It is a fairly restricted modality and there are some inherent benefits and some inherent issues from both. TasRail is a commercial entity and it has been handicapped by heritage and legacies.

Infrastructure today is ports, roads and railways, with a little bit of air movement, but that is pretty much for highly mobile fresh food - abalone, flowers, things like that are about air, a bit of people movement, but that is about the only freight we do from an air perspective. The rest pretty much comes across the most expensive body of water on the planet, as we all know, and then finds its way onto the island or off the island in the same way. At the end of it, as I said, there are three options which I put forward as alternatives for you to consider as part of your business.

If you think about the difference between how freight moves into Tasmania, in and out is the same way, and this a fundamental difference because the railway is just a modality. It is just a way of moving freight, but the issues with Tasmania are because it is so small. If you look at the top line, in terms of using road transport, a truck can be sitting at the loading dock at Woolworths in Melbourne up to 5 p.m. or 6 p.m. the previous night, so an order can be placed for Woolworths up to 5 p.m. or 6 p.m., and can be rushed out of the warehouse onto the truck. The truck then drives to the Port of Melbourne, it is driven on to the *Spirit*, the truck drives off, the trailer is left parked, the *Spirit* comes across, and they drive a truck under it. It arrives in Devonport at 0700 hours the following morning.

It can be delivering to Woolworths, all those big warehouses in Launceston, by 9 a.m. the next morning. Similarly, it can be at the loading dock in Hobart by midday the next day. It is effectively a 17-hour transfer of freight from Melbourne to Hobart by road. It is similar if you go Hobart to Melbourne.

Rail, by comparison, is that you deliver the freight to Melbourne Port. It comes in by truck still. It is not a container. There is handling as it comes off the truck to get put on to what they call a [inaudible] trailer. It is then loaded on to the boat with Toll. It is then discharged at Burnie at 7 the next morning. There is handling again as it comes off the boat. It is then handled and then put on to the train. So it is handled on another two occasions. Loaded on to the train, the train will go that morning and then travel down the line. It is about a 12 to 15-hour run. It will be delivered into Hobart - now it is Brighton, which is a phenomenal step forward. The relocating to Brighton was fantastic in terms of where it was, but it is still 41 hours.

Ms FORREST - On that point, Cameron, the freight loaded onto the train in Burnie, with the port upgrade there we will see it delivered straight onto the train, won't we?

Mr SIMPKINS - It has still got to be handled. The difference between road is it sits on the back of the trailer all the time. The only time it is handled by road is in Melbourne and it is handled again in either Hobart or Launceston.

CHAIR - By handling you mean putting on or off the -

Mr SIMPKINS - Yes, actually touching the freight. It doesn't move, and that is where your costs are. When you are running with freight your costs are in handling. Your costs are not in moving. In fact this is probably the point that often gets missed. When I used to run Toll I would run my line haul at cost minus - just under - because it kept the subcontractors honest and kept them hungry. Where the money is made is in handling and storage. As soon as it was in my yard that is when I could charge and that is where you make your money. Line haul is the cheap end of freight management. Honestly, it is the lowest margin. That is one issue I have with the railway - that is all it does. It does the cheap end of everything.

Straightaway, if you are a customer you would have an issue with delivery time and costs associated with that, because it has still has to be taken off the train, put onto a truck and still driven to a loading bay at the back end of it. So there is still another aspect of activity occurring off the front of the [inaudible]. Is moving freight by rail attractive if you are a customer?

CHAIR - On that, TasRail has made it quite clear to us that given some of the issues they have had with some of their lines they overcome this by reducing speed, which adds to travel times, but that isn't the critical factor for their customers today.

Mr SIMPKINS - Yes, that is a good point.

From what I can understand about the freight usage of custom distribution - this was an activity I did about five years ago and I did something similar for the Hodgman opposition. In terms of road and rail movement, that is in terms of TEUs - tonnes.

Cadbury will not use the rail. They have had so many issues with it that Cadbury just won't touch it.

This is probably the critical piece in a lot of the conversations you hear about freight. Do you understand the concept of 'hub and spoke'? That is our transport methodology. Melbourne is Australia's hub in terms of freight. Everything comes to Melbourne. The big ships come into Melbourne and then it is spoked out, either across the mainland or across Bass Strait to us. We will never see a 1 000-box ship into Tasmania. I will run naked through the mall if a 1 000-box ship comes into Tasmania. Melbourne will get the big ships and we will always see the smaller vessels.

CHAIR - By clarification, are we talking about container ships here? We aren't talking about bulk cargo movements?

Mr SIMPKINS - No, that's a bit different. In terms of container vessels, you are quite right. If you look at that in freight tonnes and expectation, our freight in and out of Tasmania has gone okay. It is increasing and steady but it is nothing to get excited about. In raw numbers it is an increase but it's not much as to the size of the vessels coming in. Effectively we run 70 containers each way every night, on and off every night.

Mr ARMSTRONG - What does TEU stand for?

Mr SIMPKINS - Twenty-foot equivalent unit - a 20-foot box. FEUs are 40-foot boxes.

Mr ARMSTRONG - We are talking about 140 containers across the Strait?

Mr SIMPKINS - Yes. [ONE LINE REDACTED]. We don't have the freight capacity in Tasmania to increase that need. As to tonnages, this argument about road contestable freight I hear is a furphy. As our ships have got bigger, the number of ships has remained constant in Tasmania.

CHAIR - If the ships are getting bigger but the number of ships berthing has remained essentially the same, does that mean there is less capacity?

Mr SIMPKINS - That is over the last 50 years. The key line is that in 1995-96 there were 5 700 tonnes or thereabouts and in 1997-98 it was 7 700. From a state perspective in total tonnes in and out across the state, there has been an increase but it has not been dramatic. It is nothing to say, 'Let's start high-fiving and building ports and railways'.

Mr ARMSTRONG - That would vary from month to month with fluctuation.

Mr SIMPKINS - Yes, that is right. That is their annual numbers, whole of state, and that is full total for the Tasports website. Burnie is the jewel in the crown. Burnie is our only port which is the fastest track to Melbourne. It is the only port that will go overnight, it is open water, fog-free, silt-free, tide-free compared to Devonport or Bell Bay. It is a good port and performs well and it is punching above its weight. It is hemmed in by rail and town infrastructure. If we could just get rid of all those dreadful houses and citizens - that's probably not a good thing to say.

CHAIR - Speaking as a logistic consultant, not a military expert.

Mr SIMPKINS - That's right. It is our only real rail heading in the north of the state in terms of the interface where land meets the water. It is the only real interface we have. The TEU movement has doubled but that is more about activity shifting. [THREE LINES REDACTED].

CHAIR – [ONE LINE REDACTED]

Mr SIMPKINS – [ONE LINE REDACTED].

Devonport is the second-fastest track to Melbourne. It has no rail port infrastructure. The railway line is on the wrong side of the port. If you were going to set it up as an interface, the port is performing well but if ships get bigger it will get left behind. It has no river and a port so it has tide and silt and fog issues. It is not a guaranteed resource to bring vessels in to set up that modality or cross-transfer. The shipping has doubled in 15 years but the ship sizes have decreased into that river. The TEU movements have quadrupled but that is from people putting trucks onto the *Spirit* rather than putting freight on the Toll boat.

CHAIR - This is your handling issue again.

Mr SIMPKINS - Yes, because it is cheaper to put the trailer on and drive off and then someone backs a truck in and drives it away.

Bell Bay is a waste. In terms of spending money in that place, it is time to step away from Bell Bay as a location. I know this will upset Mike.

Mr GAFFNEY - No, not at all.

Mr SIMPKINS - Bell Bay serves no purpose. It has silt issues, tide issues and fog issues. It is highly restrictive. It is too far from Melbourne to achieve an overnight transfer. To put it in perspective, if you own a \$70 million boat you are going to want to get that boat moving every night because that is how you get a return on your investment. Into Launceston you are looking at three to five transfers. In Burnie it is every night with guaranteed delivery. You are not going to do it into Bell Bay as an activity. This big container port, you will not see a 1 000 unit vessel, it will not happen in Tasmania. It is not going to stop by and pick up 200 units. It will go into Melbourne, drop 1 000 and pick up 1 000 and keep going. For the same reason, that is a huge vessel. You do not want to be mucking around in little ports. It will be on and off. Devonport handles double the TEU that Bell Bay does. That development was a 'Kevin '07' promise for the container port to try to pick up that seat in 2007 and it is not a good use of taxpayer money.

Mr ARMSTRONG - That's all built now, is it?

Mr SIMPKINS - Yes, it was being built, but I'm not sure it has actually been finished. These are the Bell Bay numbers. You will often hear about Hobart as the second biggest port in the southern hemisphere, deepwater and you can put the ships of the Royal Navy in there and that is all great, but we have no freight. Nothing gets made in Hobart. Nothing leaves Hobart. There is nothing to load onto the ships. Apart from Antarctica

and a ship out of Melbourne you are looking at two, maybe three, movements a week. You are not going to do it. You are going to run it to Burnie.

Mr ARMSTRONG - You say it is linked to the mining boom last year, where?

Mr SIMPKINS - EZ. EZ was doing good tonnes during that time. That was when the zinc was moving that is what was going on there.

Mr ARMSTRONG - The cost of taking a ship into Burnie, unloading it and then transporting it by rail or road to Hobart is cheaper than bringing a ship into Hobart?

Mr SIMPKINS - They bulk load it, so they were railing it to the ship loader in Burnie and then just bulking it around the ship into Hobart and then they were offloading it. This is the zinc.

Mr ARMSTRONG - No, I mean just ordinary products, the containers.

Mr SIMPKINS - It's cheaper to run it out of Melbourne on a truck onto the *Spirit*. We bought a freezer from Harvey Norman the other week. We looked at the local price and we went on line. The warehouse is in Melbourne and I had it within four days. It came out of the warehouse and was here. It is that kind of thing; it is just what people do now. They shop on line and that is where it comes from. All the warehouses are in Victoria, in Melbourne, and it just arrives.

Mr ARMSTRONG - That is what I am saying, though, to take something into Burnie, unload it there and bring it down to here is cheaper than bringing a ship into Hobart?

Mr SIMPKINS - It is because the ship is so expensive. It is more expensive to run the ship, all that diesel, wages and amortisation of the cost of the vessel, and then your stevedoring in here. It is cheaper in Burnie. In Burnie it is just a railroad on and off.

Mr ARMSTRONG - Are port costs the same?

Mr SIMPKINS - I don't know that piece. I would imagine it would be fairly similar. It would be a set rate. We had issues of concrete cancer here in Hobart - that is a different discussion and we are not here to discuss the ports. The point I was making there is that in terms of freight movement there are only two locations. There is Burnie, which is a standout and then there is Devonport, and you just would not go anywhere else. It is a key point in terms of movements on and off.

CHAIR - Don't we just have a new ship coming into Hobart?

Mr SIMPKINS - No, they're going into Burnie. This is the one up in the north-west.

CHAIR - I thought there was a ship coming to Hobart?

Mr SIMPKINS - That is just the Hobart tonnes.

Roads: as we all know too many Tasmanian roads are old bullock tracks that have been gazetted and bitumened. They have tight corners that are not good for trucks; family

sedans and tight corners are not good for government and we understand that. Road deterioration: your lifespan of roads in Tasmania due to poor routes and weather, so you are looking at about a 15-year ROI on a road. In mainland Australia you are looking at about a 25-year ROI. It is principally because of weather more than anything else. There are some geologies underlying it, which impact it.

We do need a major upgrade between Perth and Hobart and we need a longer road for B-double vehicles and passing lanes and all of the bits and pieces that go with it, which is along the lines of the election promises. We all know we have to fix the corner between Perth to Devonport because that is shocking. With road improvements comes the ability to increase your mass limits of trucks and your ability to introduce quad-axle trailers. They are a 60-tonne beast. They are a massive unit. They are being tested on the mainland and they are being allowed on the mainland, on Highway 1. Burnie to Hobart is part of Highway 1. The mass limits come in on the 60-tonne trucks, quad-quads. They are like a B-double on steroids. If they turn up you might as well pack the inquiry up because rail is gone. Everyone will tell you with the introduction of the B-double it took the logs off the trains. Logs occupied about 85 per cent of all rail traffic up until 1992. When the B-double was introduced, because the B-double tracked so well and with their jinker trailers you can run a truck right up to the coop. They can load the truck and the truck can go straight to the mill. Again it is about efficiency of movement of freight. With rail on the old single trailers, the old semitrailer, they do not track well so they had to bring little trucks up to the coop. They take it to the rail head, put it on a wagon, rail it to the sawmill, on a little wagon, so there is handling, handling, handling again. With the introduction of the B-double we basically saw logs removed from rail freight.

Mr ARMSTRONG - What is this new one?

Mr SIMPKINS - Quad-quad they call them. There are four axles on each trailer.

CHAIR - Must be fun to reverse.

Mr SIMPKINS - Yes. The advice they tell us, of course, is that with those 60 tonnes we will have less trucks on the road because we will have more freight on each truck. Every transport company will tell you that. I think that is a furphy as well.

Brighton has improved logistics in the state. Again it is hub and spoke, so it has taken away the issues. When I ran as the GM of the railway, every time a train left Brighton and crossed the causeway my heart went in my mouth because there are 42 crossings between Austins Ferry and Macquarie Point. None of those meet the Australian level crossing standard. There was a fatality after I left, where a lady ran in to a train. It was a terrible thing and it is a significant concern. None of those 40 crossings inside Hobart meet the current Australian standard.

CHAIR - On the existing lines they do?

Mr SIMPKINS - No, only one does.

If the highway is improved and built and the mass limits increase then the railway is doomed to redundancy, which is a key point there because those 60-tonne trucks over the

distances we are talking about, over about 500 kilometres, are contestable with heavy freight. At the moment the freight that cannot travel on road is the 60-tonne containers coming out of Norske Skog and the zinc coming out of EZ, because they are too heavy for road for the mass limits. They are the two things that have to travel on rail. If these 60-tonne trucks turn up then they can go on road. Again it is about efficiency of purpose. The truck can load two or three of those containers and run them up the road and put them on the boat.

Mr ARMSTRONG - The road would have to be built to a standard to take them.

Mr SIMPKINS - The road is built to a standard and the inspectors have been through it. They were coming through in 2012. The Commonwealth government were sending them through to make sure about bridges and culverts. Yes, you are right, the road does need to meet that standard.

Mr ARMSTRONG - That would be all the way to Hobart.

Mr SIMPKINS - No, not necessarily. It is Highway 1 only, so it would only have to go to Brighton, just to the hub, and then semitrailer it on in.

CHAIR - It is the freight corridor that needs to be -

Mr SIMPKINS - That is right.

CHAIR - The point is that you would not be putting quad-axle trailers on the road unless the road met the standard, anymore than you would be putting rolling stock on the rail line unless the line met the standard.

Mr SIMPKINS - Exactly. But if you let those quad-axle trucks into Tasmania, the railway is redundant.

You are probably sick of hearing the history of railway, but it was gazetted in 1876. There were a couple of routes selected but it impacted on local landowners and politicians where the politicians were the landowners. They didn't want the railway on their land so the railway was shunted around and that is why it goes up and down ridge lines and into valleys, rather than on a good line to Burnie. It was NIMBYism, self-interest and political involvement in the 1870s, and that is why we are sitting at this table today. That is why we have long sections of steep gradient and sharp curves. The competition of the day in 1876 was a sailing ship and a bullock dray with a mass limit of 20 tonnes for ships and 5 tonnes for a dray. It was running at about a two-week turnaround from Melbourne to Hobart on a sailing ship, so three days by train was a fantastic step forward. Your main commodities to move are wool, timber and meat. That Bureau of Transport Economics report that came out, the federal government report, in 1991, the railways run at an average loss of \$20 million since 1977-78. The last time the railway turned a positive buck was 1980. The last passenger service by rail was 1978, and no doubt you have all travelled on the Tasman Limited at some point.

The other point to make is that Pacific National, when they bought the railway off AN - it went through a series of iterations from state government to federal government and then to federal government quangos - the last alignment with the federal government was

that it had the Tasmanian railway but there was some wheat rail businesses in Victoria. They were second and third tier tracks with second and third tier rolling stock but they were cash positive, and that is what Pacific National was interested in when they bought this component. It wasn't Tasmania they were interested in. It was those wheat businesses in Victoria they wanted to complement their other activity in Victoria.

The Tasmanian government seeded full operation to the federal government in 1978. Doug Lowe was the premier at the time and he sold it for \$1 and then the Feds had it for a few years and offloaded it to Pacific National.

The rail business, as I know it and understand it - I haven't seen the numbers in the last 12 months - has a turnover of \$34 million and an operating cost of \$50 million. Anyone will tell you that doesn't work if you're looking at financial sustainability. There is an argument presented that a road isn't expected to turn a dollar, so neither should a railway, but there is only one operator on the railway and multiple operators on the road. The railway doesn't pay for itself, so it is a \$50 million loss.

Pacific National sold 34 locos, with 16 in the workshop at any one time. It cost about \$4.5 million. They were regarded as unreliable and have been replaced with 19 TR class special built locos from America. There have been some issues with the introduction from [inaudible] rail and some heating issues. I don't think that is a fault with TasRail about the locos. I think they had a spec, progress built them to a spec, and I think with any new implementation of technology you will have issues.

Mr ARMSTRONG - It says here they sold 34 locos?

Mr SIMPKINS - That was right, different grades and standards and there were locos that were sitting idle and not doing anything, sitting in yards.

CHAIR - Pacific National's were sold. There were 34 locos and [inaudible].

Mr SIMPKINS - One of the issues that we have is the specialised staff. It will take 9 to 12 months to train a loco driver. I know that Jenny Jarvis and I had massive issues getting train drivers properly qualified. The railway is not an RTO. We had train drivers who had undergone training that was substandard, was not to spec, and there was a period of time where there was a suggestion that we had train drivers driving trains who actually thought they were licensed and in effect they were not appropriately qualified.

Mr ARMSTRONG - Didn't you test them?

Mr SIMPKINS - At the time it was an in-house activity from TasRail. Again it was a Pacific National legacy. Pacific National said they would hold it over for 12 months and TasRail could operate under their RTO status. Pacific National left at the end of the 12 months, as they said they would. TasRail were independent, had not taken steps to set up RTO status in their own right, and there were some in-house trainers who were operating to a standard that they thought was appropriate, but it did not meet the national standard at the time. Consequently, a level of training was delivered, but was it the correct training, was it appropriate and did it meet the standard? At very short order and in fact Jenny did a phenomenal amount of work and we got an RTO in at very short notice and qualified those train drivers. A lot of that was done by RPL because they weren't

operating trains. They were driving trains and they were driving trains well, so they obviously had something right, but there was a mismatch, so we got that sorted out very, very quickly. There was a period there where we were thinking we were going to have to stop all rail traffic completely until we got that sorted.

CHAIR - Nine to 12 months to train a locomotive driver and two weeks for a truck licence?

Mr SIMPKINS - Exactly. If you want to start carrying people on trains you are probably looking at about another two years, because to carry a box of freight on the back of a train to a standard is one thing as a loco. To carry your grandmother or your grandkids at 80 kilometres an hour is another standard entirely as a train driver.

Mr ARMSTRONG - How long does it take a pilot to get a licence?

Mr SIMPKINS - I could find out, but it is about two years. That time frame has come down significantly, because initially it was again - as Jen will attest - we were looking at about two to two and a half years when I first turned up to train a train driver because of the training that was supposedly being done.

We do lose train drivers to the mainland. The iron ore trains and the coal trains pay more, they go faster, it is better conditions and off they trot. It makes sense; why would you stay in TasRail and drive slow old trains when you can drive big, fast, new ones and make more money? So we lose them. We have a very much an ageing skill set. Our train drivers are getting older. I do not know what work has been done in the last 12 months but the bubble was looking particularly unattractive and by about 2016-2017 you are looking at the average age of about 55 years of age. We are looking at a significant loss of train drivers.

Speed restrictions on 60 per cent of the track, as you have already indicated there, is just maintenance, track, route. We have geology issues which impact underneath the track. There are some inherent Tasmanian geology issues and also it's about where the track was selected in 1876. That has impacted on the activity there.

There are approximately 200 rail crossing in Tasmania; not all are gazetted and legal. We have a lot of farmers who have a gate. It is not a gazetted or legal rail crossing but they use it and they cross it. There are 42 in Hobart that are currently not used. Only one in the whole of the state meets the ALC standard and that is the new one at Brighton with the lights, the boom gates and the whole bit. That is the only one that meets the national standard.

Ms FORREST - Are there different standards for different applications?

Mr SIMPKINS - There is an Australian standard, Ruth.

Ms FORREST - Should every crossing, no matter where it is, in outback Australia, have to have the boom gates and everything?

Mr SIMPKINS - You are right, there are different standards for different tiers of rail, but there are some things in terms of driver view, how far out from the crossing he is, early

warning and all that activity. As I understand it, currently there is only one that meets the standard for where it is on the railway at the moment.

CHAIR - We heard from the national regulator this morning that the rail track manager has to meet certain standards or they do not get their accreditation. I am wondering how -

Mr SIMPKINS - There is a line written about 'we are making progress'. As long as you can demonstrate we are making progress and we inherited this railway line, then the regulator says you are making progress.

Ms FORREST - The regulator would have a limit to that, though?

Mr SIMPKINS - These are questions for you. It is incredibly expensive to fix. It is about \$200 million as a ballpark number to bring all the level crossings up to standard, to go and speak to the farmers and say, you cannot put your sheep across the track here. If you do, this is the process we now need to go through and these are the requirements you now need to meet and this is how this has to happen. You cannot just put one bloke a kilometre down the road with a mobile phone, another bloke down the other way a kilometre with a mobile phone, and call me if you hear a train, and push your sheep across the track. That is what happen. Trains run over livestock. We have a discussion with the farmer and there are fences and the farmer is supposed to pay for the fence, but the farmer will not because fences are expensive when they are not making much money. There is livestock and all sorts of issues for crossings.

Trees are a safety issue. This is not the biggest issue in TasRail at the moment but trees are an issue. There are some massive trees inside the rail corridor. This is more about safety in terms of driver's view and cornering and things like that. The railway has moved some but there are about 5 000 trees that have been identified as dangerous and need to be removed. The report was done when I was there, as the general manager of freight services, and the cost to remove was about \$10 million. At the time the CEO decided we had more important things to worry about than chopping down trees, and it is a lot of money. It is probably not the biggest issue in the railway at the moment. It is not a massive issue, but as a safety risk it is something we need to be mindful of.

There is a high level of distrust between staff and management. No doubt staff may avail themselves to you. The number of people who have said to me, 'Well done in speaking up, but I am not going to speak because I value my job'. Fair enough. The relationship between the CEO and the executive is toxic. There have been 12 senior executives that have departed four positions in the last five years. In my role there have been five general managers of freight services in the last four years. They have just sacked the last one again - sorry, I think he opted to go before they began the process.

Mr ARMSTRONG - There were 12 in the last five years?

Mr SIMPKINS - Yes. In my position there have been five in four years. On the infrastructure side there have been a similar number, so you are getting this massive turnover. You are leaking corporate memory and a massive turnover at a senior level.

Maintenance contract is poor to parties. There is a high level of distrust between TasRail and the contractors. There have been issues there with work being done or not being

done, who has done it, how much, why and when. There has been all sorts of finger-pointing in that process.

Ms FORREST - Who are the lead contracts that do this maintenance work?

Mr SIMPKINS - You would need to talk to the infrastructure guys to get that information. Downer is one and there is another mob - I think the mob in Ulverstone is the better play.

Mr FARRELL - Vanek, is it?

Mr SIMPKINS - Yes, I think he is the better player in terms of being sensible.

There is an average of two derailments per month, including the yard derailments. Admittedly that statement is two-years old, so I don't know what their rate is at the moment. They have had some big derailments. This is probably a critical piece of information. The Colebrook corner is probably the most dangerous part of the track. It is a track that as you come out of the Hobart plain and go up through Colebrook to Rhyndaston - you go up onto the plateau - and it has had derailments every year since 1899. You only have to look at the National Library of Australia Trove website and Google 'Colebrook rail accidents' and you will see the number of rail accidents that occur. Deaths have occurred there. The two big accidents were 1916 and 1951. The track follows the old Mud Walls Road - we moved the road but we left the railway. The cost to move the railway is about \$1 billion. My point is that if we don't fix Colebrook in the south of the state then there is no point. It is an impediment to the railway if you want to be serious about running a freight railway, because it will continue.

CHAIR - Are you suggesting that fixing is relocation?

Mr SIMPKINS - Yes, relocation. A lot of the issue with Colebrook is the geology. Because it has that clay base there have been slips through there and you get the winter rain coming down through the soil, and so the ballast and the rail will move. Come summer, everything bakes, the ground opens up and it all shifts. A lot of it is underlying geology issues.

CHAIR - When you were in freight services or in that area, what was the means for inspecting that track? It sounds as though it would need to be inspected fairly frequently, or did we wait for a train to derail?

Mr SIMPKINS - No, they didn't. The infrastructure guys were pretty good; they were all over that. There is a regime, but I don't recall exactly what it is, but it is fairly intense through there. There is a car that runs up and down the line which, for want of a better term, uses an X-ray to X-ray the rail. They do that twice a year to check the welds and things like that, so there is a regime in place and they do try to keep it together.

CHAIR - I think the last derailment there was due to human error and speeding.

Mr SIMPKINS - If you talk to the drivers, you have two or three locomotives and 40 wagons running behind you, they come down and around a loop into a valley so there is all this weight pushing you down. They then have to cross a bit of a creek and then accelerate up and go around a corner, so if you have two kilometres of train behind you

still pushing you while you are trying to break and then you have to accelerate to get up and around, it is just not clever. The railway was built in 1876 for a steam locomotive and two carriages and a goods wagon - a length of four vehicles, not for 43 vehicles.

The ship loader, in terms of financial sustainability, is a state-owned asset. It is the only bulk loading capability in Tasmania that is a multi-user state-owned facility. Port Latta is privately owned and can say no to other commercial operators, whereas this is state-owned so anyone can use it. It was built in 1969 and it is nearly 50 years old. It has cancer through it and it continually breaks down and it desperately needs to be replaced. It has a replacement value of about \$20 million.

If we want to continue to offer west coast minerals or any kind of bulk out of Tasmania then we need to get that ship loader replaced as a matter of some urgency. The Burnie environmental issue, this is principally the reason why I asked for this to remain confidential, is that there are 14 years of heavy metal spillage underneath that berth.

CHAIR - I made the point to you outside the meeting, but I probably need to do it formally, is that this is a public hearing. What you are saying is being recorded by *Hansard*, so I think the plan of the committee is, once you have been through this, to lift the confidentiality of the submission itself, so it will be published on the website.

Mr SIMPKINS - It is an environmental issue in terms of we need to take note of it. There is heavy metal because of the overspray; as the ship loader drops into the vessel we have dust going over. If you look under that berth, if you have a look there is an aerial photo of the Burnie Port and you will see it is black. It is black because it heavy metal - lead, copper and zinc concentrate has been dropped onto that port under the sea. TasPorts cannot dredge or do not want to dredge because of the issue of stirring up the soil in there. I am not saying that it is toxic. I am not an environmental scientist. I am not an environmental engineer. I am not saying that it is dangerous, but I am saying that it is something that we need to flag. There is 40 years of heavy metal at the bottom of the Burnie Port. TasRail is responsible to clean that up under an agreement signed between TasRail and Ports.

The storage shed on the Burnie wharf, again it is the same issue. There is heavy metal dust. As it comes through off the tippler it is on a conveyer, the conveyer is sealed, it goes into the shed and the shed is sealed. Modern practice is that all that activity is removed from the wharf face and is now done inland. You only have to look at Esperance in WA and the lead issues that occurred in Esperance. Kids were getting lead poisoning from the wharf face in Esperance. They have had to move their whole facility inland. Similarly in Port Hedland, their iron ore facility has been moved 200 kilometres inland. Townsville have moved theirs off the wharf face. Modern practise is to move heavy metals off the wharf face and put it somewhere away from people. Where that is is right beside a town. It is introducing heavy metal dust into the air. It has been for 40 years. Is it an issue? I don't know. Is it worth noting, probably?

[ELEVEN LINES REDACTED]

CHAIR – [ONE LINE REDACTED]

Mr SIMPKINS – [ONE LINE REDACTED]

CHAIR - [ONE LINE REDACTED]

Mr SIMPKINS - [THREE LINES REDACTED]

CHAIR - [TWO LINES REDACTED]

Mr SIMPKINS - [ONE LINE REDACTED]

Mr ARMSTRONG - [ONE LINE REDACTED]

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Mr SIMPKINS - [ONE LINE REDACTED]

Mr ARMSTRONG - [ONE LINE REDACTED]

Ms FORREST - [ONE LINE REDACTED]

Mr SIMPKINS - [SEVEN LINES REDACTED]

CHAIR - [FOUR LINES REDACTED]

Mr SIMPKINS - [SEVEN LINES REDACTED]

The hidden agenda obviously is, this is in my opinion, that the Brighton Transport Hub does not appear to be have been built with a business case in mind. The Bell Bay container port, the works were completed but there was no shipping likely to be in. Why? The Bell Bay line works were completed when the line had not been operated since 2001. It was a big [inaudible] went in. Massive amounts of money were being spent through the Bell Bay line and the track had not been used since 2001. There was no likely need of the track being there.

The main line works between Hobart to Launceston were given priority for concrete sleeper activity, and yet Railton to Devonport should have golden rivets and diamond sleepers and the Melba line is the one that was actually making the money. The west coast line was the one that was positive. Money was not being spent there.

Mr ARMSTRONG - They built the Brighton hub but never talked to any of the operators there to see whether they wanted to use it or whether they would use it?

Mr SIMPKINS - That is as I understand it. I am giving the truth as I know it.

The George Town rail head was a 'Kevin 07' pledge, but you have to wonder why you want to build a George Town rail head when there is no freight activity there. It was all about the pulp mill and moving the southern forests to the pulp mill, in my opinion, and that is why the money was being spent in that area to set it up. The pulp mill is now not

a pulp mill. You needed that infrastructure in place to move the logs to the north of the state.

There is a direct comparison between road and rail. On road your freight rate is slightly more expensive but you have door-to-door delivery; it is reliable and is delivered in about 17 hours. On rail your freight rate is cheaper; it has an unwieldily delivery system, it will require extra handling and it still requires a road movement at the end of it, which negates your saving in your primary freight rate changes. It has been unreliable in the past and it is delivered in about 41 hours. This whole argument about road contestable I think is a furphy. However, every 800-metre train roughly equals 50 trucks on the road, so you have social impacts there. There are carbon savings and you are reducing wear and tear and damage to the road infrastructure. There are 700-odd jobs that are railway jobs in Tasmania. Under that BTRE report of 1991, when they looked at closing the railway down completely, you are looking at saving about three fatalities a year on the highway. How much is the value of a person's life?

CHAIR - There was a report done by Pitt & Sherry in relation to the economic benefits of rail. The chair of the board wasn't hanging his future on the figures he quoted, but the one I picked up was that there seemed to be a disparity between the BTE report on the likely road accidents compared to the Pitt & Sherry report. If you've had the opportunity to see both reports, and you're a logistics expert, what is the science behind working out how many crashes there are going to be? Is it 50 extra trucks on the road?

Mr SIMPKINS - I can find that out for you; I don't know. The other thing worth noting is that that 1991 report was written before the introduction of the B-double truck. The B-double truck has enhanced braking systems and enhanced safety systems, and cars are better these days too.

CHAIR - In your view, the modern road system would have fewer accidents than the 1991 BTE report?

Mr SIMPKINS - Yes, I would. The roads are better. When that was written that magnificent piece of road between Burnie and Launceston wasn't in place. There are some passing lanes and improvements on the main highway that weren't in place in 1991. They are very dusty but in 1991 they were talking about three deaths a year, so I would suggest it would be less or in the order of.

Car emissions - this is a 1991 report - trucks have become more fuel efficient since, obviously, and so have trains. It is common knowledge that a train will take 50 trucks off the road and it is much better from a carbon perspective to run trains rather than trucks.

CHAIR - Just on that, we heard from TasRail that the way they are managing the speed and other issues that you talked about in the section of Colebrook, with its tight curves and steep gradients, is they are putting three trains on there so they can travel slower and have the power to pull up the hills without the necessary run-ups. Three locos has to be more expensive to run than one, so I am wondering whether the carbon emissions are quite what you would think they would be if we now have three locos dragging.

Mr SIMPKINS - They'll turn one off and that is a standard practice within the rail industry. They will turn a locomotive off. They can do that remotely on these new locos, but they couldn't on the older ones. On the new ones they can remotely turn them off. That is not a bad thing to do. Whether they do or they don't I don't know, but drivers tend to do that. You would need the three to take them up through Rhyndaston, so you have to take three down.

Your return on investment; the last fellow on the telephone you were talking to, this is what I was shaking my head about. Railways have a 100-year ROI. If you put a track in you would expect to get about 100 years return on investment on it. This railway was built in 1876 therefore it ceases its expected usefulness in 1976. In 1876 your two-day bulk delivery by rail was a great improvement on the sailing ship. Today your road transport has improved and rail is regarded as short haul and unviable. Is it time to rethink and rebuild. The last time the railway turned a buck was 1978, which tells you that is about right in terms of your 100-year ROI. The railway was built for a steam locomotive, two carriages and a goods wagon. We are pushing three locomotives and 40 wagons on an infrastructure that the architect would not have even thought of as viable in 1873 when they were designing it.

There are a couple of options I have as alternatives to take away as ideas. The first one I call pragmatic, which is that the railway is redundant technology in the current intermodal freight delivery systems. What do you do? You keep your cement services because that makes sense. They work. That pays. It's good for Railton and it's good for Devonport and it pays for itself. You keep the coal because that feeds into Devonport. You keep the Melba line because that works, running your concentrates up onto the ship loader and it keeps that alive. Basically with the railway line you shut it down south of Conara, just turn it off.

CHAIR - There really is two sets of things happening in the railway. There is the container-type freight and then you have your bulk stuff running backwards and forwards.

Mr SIMPKINS - And logs.

CHAIR - What you are saying is that from a purely economic perspective, putting aside the social and environmental issues for the moment, rail is really suited to the bulk products in Tasmania's topography, but the containers, given the short haul, the gradients and curves on the tracks are always going to be problematic?

Mr SIMPKINS - Yes. The vast bulk of those containers are empty.

Ms FORREST - Less wear and tear on the road.

Mr SIMPKINS - Correct. One of my general managers used to describe them as a trainload of glider engines. There is money to be made in shifting empty containers around the world and there is good money in it and people do it. Yes, I would cut it off at Conara.

Mr FARRELL - What would happen then with Norske Skog?

Mr SIMPKINS - I'm talking in terms of putting the financial accountant's hat on and saying, okay, from a railway perspective what do you do? What is going to make the railway financially sustainable, turn a buck and how does it work?

CHAIR - That focus on improving road and sea interfaces in delivery of freight, that really means that your quad axles are coming in to pick up that sort of stuff, subject to the highway improvement.

Mr SIMPKINS - That is right, your quad axles come in. You actually improve Devonport, so Devonport becomes the gateway, because your quad-axle trailers will come in through Burnie. Devonport becomes your tourist gateway, improve that up and beautify it up and work through there.

Ms FORREST - You still have cement coming in there.

Mr SIMPKINS - Yes, you do. You remove the bulk storage off the Burnie wharf. That has to go inland; put it up around Ridgeway or somewhere behind the tableland. You upgrade and modernise Burnie port for greater volumes of bulk and TEU movement, and that will all be done by road - the container stuff.

You stop Bell Bay. Put your hand up and stop it. There is no pulp mill and whatever money that is left over from that Bell Bay port you then disperse back to Devonport and Burnie to improve those two facilities.

Brighton gets turned into a road transport only.

If you wanted to, you could then give the railway, the main line, to the Don and the Derwent Valley and they can run this thing up and down main line without concern, and that would be a pleasant trip. There are some ballpark costs there.

The conservative option is that there is always going to be a railway. The government is going to have to operate the railway; it is going to be a lost generator, the network is too short and too old to be competitive against the modern road transport delivery systems. Private enterprise is never going to purchase it. If it is going to be run at a loss anyway, then we may as look at introducing passenger services and introduce some kind of historic railway service. If it is going to be a loss, you may as well open it up a bit and there might be some revenue in that.

Ms FORREST - You could just make a bigger loss.

Mr SIMPKINS - You could, Ruth, but you isolate it so that the Derwent Valley Railway Association accepts all those costs.

Ms FORREST - A bit of cost-shifting then?

Mr SIMPKINS - Yes. You make the rail freight more cost competitive. The way you do that is increase your heavy vehicle road registration - ping your truck drivers.

Ms FORREST - A user pays system?

Mr SIMPKINS - Yes. Ping the truck drivers; make them pay a lot more for the road registration, basically driving the freight off the road and onto the rail in that instance. Drive them out of Tasmania effectively to do that.

You do not approve the highway because that quickly erases any revenue for railway. If you do not allow the quad-axle trucks into Tasmania and you keep it as B-double traffic. That will try to mitigate the activity of trying to get a railway back to a cost-neutral or just cost-minus activity.

The other option is the bold one, which is that the railway is past its use-by date, let us rethink it. There is the argument that some at point in the twenty-first century - and I have worked in the oil and gas industry - the Chevrans, the Texicos and Apache will tell you that at some point, the mid-point between 2020 and 2030, about 2025-26, petrol ceases to be attractive at the bowser.

CHAIR - Is this the peak oil argument?

Mr SIMPKINS - Yes. They reckon it will be about \$10 at the bowser in about 2015-2016 and that when it becomes cost prohibitive to drive a car on today's numbers. At that point, if it starts becoming cost prohibitive, then Tasmania is going to need a railway to move freight and move people. Do you then take the step to future-proof Tasmania because we have not seen an alternative for oil at this stage. You have to have a bet each way and you maintain a railway. As part of that process, you build a twenty-first century railway line, standard gauge, and axle weight needs to go up. Peter McKenzie's argument was fantastic. The issue is your axle weights, not standard gauge. The tilt train in Queensland runs at 160 kph on narrow gauge. The issue is axle weight to get to 25 tonnes. There is millions and millions of bucks to get your axle weights up. You build that on a standard gauge at 25-tonne axle weight. The new bridges that were built up between Devonport and Burnie have all been built to 30-tonne axle weight so they can take it no problems at all. You get a bit sensible about it and drive the NIMBYism out of it because we will not do what they did in 1876. You cannot build a railway now on every patch of land. There is about a 15-year gap in terms of planning, buying land, designing, building to build a proper railway between Hobart and Burnie.

Mr GAFFNEY - Just a question regarding the 60 tonnes and the 40 tonnes. There is no increase in length is there? It is just weight capacity.

Mr SIMPKINS - Yes. A shipping container will take it. Norske Skog are putting their paper, 60-tonne rolls, into a shipping container, so it is not a length.

CHAIR - That is two 30-tonne axles?

Mr SIMPKINS - No, there are four axles.

CHAIR - So it is 15 tonnes per axle.

Mr SIMPKINS - Yes. Once we build a specialised twenty-first century line we give the old railway line to the train buffs and they can move on with it.

CHAIR - What does it cost to run a train from Hobart to Burnie with, say, 30 carriages - I think the average is 26. How many carriages are we moving up and down that north-south line a day? What is the cost running a train up to Devonport and then back?

Mr SIMPKINS - That is a terrific question. I will correct you on one technicality: a carriage carries people and a wagon carries freight.

CHAIR - I think 'carriage' is definitely an oxymoron given current attitudes towards passenger rail, so we will go with wagons.

Mr SIMPKINS - To answer your terrific question, I do not know. It is something that I asked for and I know it is something my successors asked for, because they rang me up and asked, how are you doing your train costs? I said, I do not know. The accountants in TasRail do month-to-month accounting. I could not tell you. When I was a yard supervisor in Townsville running trucks, I would load a truck and I would know how much each piece of freight cost on that particular truck, how much each trailer cost, how much the truck would cost and whether that particular combination of trailers and truck movement would generate revenue on a positive basis for the company. TasRail operates on a month-to-month accounting system and there is no ability. They do not know how to do, and similarly they do not know how to tell you how much a sleeper costs. They do not know about sleeper replacement. They do not do it. They do not manage. Unless it has changed, there was no ability to understand how much a train cost.

CHAIR - I thought you made some statements earlier on that some lines were break-even and some were making a profit. How do you make that statement?

Mr SIMPKINS - You get an idea in terms of train movements and activity base and tonnes. Talking to the accountants, you get a sense. One of the first things when I took over the job was, okay, let us get the cost breakdown on a per train basis so I can understand. Your cost is in your locomotive. It is all in your locomotive. You put so many wagons on, there is a slight cost but there is little running cost. There is not much amortisation. It is, when do I put a second locomotive on, because as soon as you put on that second locomotive your costs go up exponentially. Then you add your wagons to bring your revenue down slightly to then get that. At what point do you then say, 'Let's not put a second locomotive on. Let's sit that freight. Let's leave it here today and we'll take it tomorrow', which is what I used to do in road transport. In the rail they can tell you on a month-to-month basis but they can't tell you -

Mr GAFFNEY - That's where Australian Cement say they are [inaudible] because of how close it is to the port. Because they can use the rail and it is so close to the port, they are not having to look outside that square and that's why it is profitable.

CHAIR - The Melba line and cement services are the only profitable lines. They are of course bulk lines with single-point automated loading and virtually automated unloading, so your handling costs have gone and your running costs are defined.

Mr SIMPKINS - It is really easy. In fact, the loading is very easy at Melba and Railton. Unloading at Burnie and Devonport is very easy. It's a gravity feed, a one-man operation.

CHAIR - So the only reliable guide we have is that one where you say it is a \$34 million business that costs \$55 million to run.

Mr SIMPKINS - Yes, that's an annual number.

Mr GAFFNEY - The fact you have an 80-year resource at Railton means they can cost it out over the years against the infrastructure, so its that longevity that makes it cost-effective.

Mr SIMPKINS - Yes. In fact the nexus for that business is the size of the silos in Devonport. That is what drives it, because the silos are a certain size and you can only produce enough cement. The sheds in Railton are huge by comparison -

CHAIR - There is a bit of stockpile which allows you consistency of delivery.

Mr SIMPKINS - Devonport drives that whole activity base in terms of the size of the silos. It is all gravity-fed so you can only unload at the rate of gravity. That is a terrific business and it is half the tonnage volume of the railway.

CHAIR - Of the total state?

Mr SIMPKINS - I don't know; it was when I was there. They now have bauxite and they have lost CMT because of the issues there, so I don't know. It might be more, it might be less, but when I was there it was half the rail tonnes.

There is lack of transparency of cost. The guy who replaced me would ring, and he and I had many conversations. When he left, the chap who replaced him, we would also talk and there were with issues how you try to work out how much a train costs.

Mr GAFFNEY - Is it a lack of transparency of costs or not knowing? For example, when councils are trying to get all the costing of their infrastructure for water and sewerage, at a best it was guesswork. You had some councils saying a metre of pipe was worth \$1.45 and other councils saying a metre of pipe was worth \$2.50 because they didn't know how else to do it. It was the same with the sleepers. How do you qualify on the sleeper carriage you've got or whatever. It's a matter of trying to figure out the role it has played, what it is going to do, how long it is going to last, and people are just guessing at that. When you say a lack of transparency, it seems you are inferring somebody is. If somebody read that and thought that a lack of transparency to me means somebody is trying to cover something up, when sometimes the lack of transparency might be they just don't know how to do it.

Mr SIMPKINS - Yes, you're right. It was a frustration of mine that I couldn't understand the cost of a train. When I was a yard supervisor in a road transport company I could work it out. We all knew. I would go and speak to -

CHAIR - It is unit costing, isn't it? You know how much it costs you to move this unit to there and what that unit needs to be to get an economic return on the cost.

Mr SIMPKINS - [FOUR LINES REDACTED]

Mr FARRELL - Is that a modern occurrence, not knowing the cost of the train? I know when passenger trains used to run by the societies there was a dollar figure per kilometre per vehicle, and you could work out exactly what fare to charge people to ride on the train by what the railways provided as a charge.

Mr SIMPKINS - I absolutely agree with you. Things like fuel; we are burning massive amounts of fuel and it could not work out. We do a dip when the fuel was loaded in the tanks but how much fuel went into a train. No-one recorded it, they didn't know; we would do a dip, another truck would turn up and put more fuel in and that was where you would have an idea. One month you would get your monthly P&L and you would have this massive fuel cost because all the tanks have been filled and the next month it is not -

CHAIR - All the tanks were filled in the last three days and don't require filling for another month.

Mr SIMPKINS - That's what it was like. It was crazy. That was one and I'm glad you asked that question. The other was grades and curves. Trains don't like, as a rule, grades and curves. They don't like steep and they don't like turns. That is a problem. The Tasmanian railway is never going to be any more than what it is until we get rid of grades and curves.

Crossings is an issue. Peter McKenzie's point I think is excellent. The crossing loop is a really good point because when you have two trains coming, we only have a single line of track. When two trains come at each other, one has to go into a crossing loop and the other train has to go past. It makes sense. On the mainland the standard length of a crossing needs 1 800 metres. You are driven by the size of the shortest crossing loop within Tasmania because at some point a train can only ever be that long. The shortest crossing loop is 750 metres, so a train cannot be any longer than 750 metres because it has to get into that crossing loop for the other train to go past. Again, with this whole argument about freight contestability with road and putting more wagons on, you cannot because the crossing loop will determine the length of the train.

I read with some interest the 2010 GBE minutes into TasRail. Ruth asked some really good questions in 2010. In a lot of this stuff, basically we are talking about train speed, travel time, increase of customers and how this is going to improve. Ruth and Jim Wilkinson were asking the right questions. I think you did not pursue them deeply enough because you didn't know. Since then to where we are now there has been \$200 million spent. You want to be asking what has changed because fundamentally nothing has changed since 2010, except for the fact we have some new toys. They gave you the answers, Ruth, but it hasn't been done.

CHAIR - There is some talk about the fact that the north-eastern line has been closed. It has now been planned for a bike path, and the north-west client line has been closed, with not much hope, in addition to Derwent line. In those two areas, as our previous speaker spoke about, there is a potential there for additional freight customers. From your freight management perspective it seems to me there are some areas where they could grow their customer base, but we are closing them down, so we are shutting off the future. Or is your proposal that it is only commercially viable on the rail for the direct Hobart-Burnie link and the bulk commodities?

Mr SIMPKINS - No, not at all. Queenstown is the middle of nowhere.

CHAIR - I am talking about the bulk, like the agricultural produce from both north-east and north-west with the irrigation schemes.

Mr SIMPKINS - There are a couple of points in there. I do not think TasRail understands what they sell, in terms of what they can offer, what they sell in terms of activity base. You are looking at a 100-year investment and it is a massive investment to bring all of that. If you did all that through, you would run it all with 25-tonne axle limits and you would have to upgrade. There are a lot timber bridges, a lot of culverts, a lot of money to be spent in there. Could you do it more efficiently on road? Probably.

CHAIR - Given the topography of that area, the north-east in particular, wouldn't you have to really ramp up your road network incredibly to handle those cargos coming out of those areas?

Mr SIMPKINS - What is the volume they are talking about? A railway needs about 5 million tonnes a year to be anything close to viable. By putting those two little lines in and the costs and the activity that go with that, where is the revenue that comes from that?

Mr FARRELL - In relation to that north-east line, TasRail seem okay with handing over the north-east line, not being responsible for that anymore, and also the line west of Burnie has been closed. Yet they seem to not want to hand over the Derwent Valley line. Is there any reason? It seems the same case for each of these extremities.

Mr SIMPKINS - Norske Skog. You would want to ask again and come back to your 2010 question. Ruth has asked the question in here about putting the switch in at Devonport at Don railway and it was supposed to have been done within three months of taking on, and it is still not done.

Is there a place for rail in Tasmania? Yes, I think there is. If you maintain the current status quo of what it does, then you will get what you get and it is what it is. It is nothing more; it is going to run at a loss and it will be what it is. You need to break the nexus and think a bit wider. There is a space for heritage traffic. In terms of a passenger service and heritage railway, done properly, you need to get level crossings up to speed and train drivers up to speed to carry passengers on a main line, then I think there is a space for it. There is an opportunity there for Tasmania; there is a space.

One of the issues we have is the training. It is very expensive because you have to bring all the mainland training organisations down and it is specialised services and we only have the one provider in Tasmania. In much to same as the Maritime School is in Launceston, there is no reason why the railway could not set up railway training as a working training environment because the Tasmanian railway is difficult railway line. We have issues of weather, geology and geography. We have tight grades, tight curves and we have snow and intense heat. It is a fabulous training ground which none of the other mainland railway lines offer. It is that kind of thinking that we need to introduce to break that nexus and think a bit wider and a bit broader because it is not working in its current structure.

CHAIR - Cameron, thank you very much for an in depth analysis of the business.

THE WITNESS WITHDREW.