



ENVIRONMENT, RESOURCES AND DEVELOPMENT COMMITTEE

SOUTH AUSTRALIA'S RAIL LINKS WITH THE EASTERN STATES

Old Parliament House, Adelaide

Wednesday 7 July 1999 at 10.10 a.m.

(OFFICIAL HANSARD REPORT)

PARLIAMENT OF SOUTH AUSTRALIA

MEMBERS:

Mr I.H. Venning MP (Presiding Member)
Hon. J.S.L. Dawkins MLC
Hon. M.J. Elliott MLC
Hon. T.G. Roberts MLC
Ms S.W. Key MP
Mrs K.A. Maywald MP

WITNESS:

JERRY JOHNSON, Principal Investment Manager, Department of Industry and Trade,
GPO Box 1264, Adelaide 5001, called and examined:

505 THE PRESIDING MEMBER: Welcome to the committee this morning. I refer
you to sections 28 and 31 of the Parliamentary Committees Act 1991, which set out the

SOUTH AUSTRALIA'S RAIL LINKS WITH THE EASTERN STATES

privileges, immunities and powers of this committee, and the protections offered to you as a witness. Section 26 of the Act provides that members of the public may be present during the presentation of the evidence unless the committee resolves otherwise but may not be present during the deliberations of the committee. If at any stage you wish to go off the record, the committee will consider that request and, if it agrees, no record will be taken by *Hansard*. Please proceed as you wish.

MR JOHNSON: I am the Principal Investment Manager, Department of Industry and Trade. I have particular fronts for physical infrastructure investment attraction in the State. Things such as investments into Adelaide Airport, the Darwin railway and some of the work early on involving standardisation came under my purview. I am also the State's Executive Officer on the Alice Springs to Darwin railway project, and I understand that, from discussions with the committee staff, there is some interest in the relationship of the railway to the Eastern States, on which I will help as much as I can. However, we may have to go off record for parts of that evidence.

My understanding is that the committee has had presentations from David Marchant and Andrew Rooney—amongst others—so you have a reasonable understanding of the technical issues in relation to transport in the Eastern States and certainly from the key primary agencies. The committee's interest in my presentation is primarily where the economic development interests of Government fit into the issue on which the committee is focusing and how we interact with other arms of Government, in particular, transport, in trying to bring forward a coordinated approach. I have couched my presentation on that basis.

As committee members will see from the slide, our agency recognises the importance of transport, along with communications, as probably being the two most pivotal facilitators of economic growth in the infrastructure area. Without good transport and good communication links, it is very difficult for a community to trade and grow. We have taken a reasonable role in trying to enhance transport infrastructure and transport competitiveness in support of the Department of Transport and other agencies.

506 THE HON. M.J. ELLIOTT: Is that true of regional areas as much as it is true of capital cities?

MR JOHNSON: Yes, very much so. The level of importance has driven the way the State's policy objectives of transport have gone in particular over the past decade. There has clearly been a shift in recognising the economic development importance again of transport over the past decade, so there have been significant changes in transport, the approach to transport entities and the approach to the management of transport Australia wide as well over that period. As I said, they are focused Government policy objectives.

I would like to talk about five areas where we have been trying to drive changes together with the other agencies of Government. Transport, price service levels and

SOUTH AUSTRALIA'S RAIL LINKS WITH THE EASTERN STATES

market access are what we would regard as the three most essential elements in relation to economic development in the transport area. If you look at competition between transport modes, you see that it is an essential requirement. It is important that a range of modes operate on particular routes; for example, on the Adelaide to Darwin route we have competition between rail and road.

From Adelaide to Alice Springs you might have a rate per net tonne kilometre which reflects that competition between roads. Whilst getting actual rate figures is always difficult from transport providers, all the anecdotal evidence suggests that the rate from the Darwin to Alice Springs leg of the journey, which is equivalent to the Adelaide to Alice Springs link, is considerably higher. The only one difference is the absence of another competing rail model. We have done a lot of work on trying to ensure that there are a range of modes on specific routes. The work we did on the standardisation of the Adelaide to Melbourne rail corridor is in sync with that.

One of the things that is becoming more and more important is the seamless transfers between modes. In the intermodal interchanges as part of the One Nation fund we argued very strongly for a rail loop into the Port of Adelaide to facilitate the efficient, cost effective movement of goods between ship, rail and road, so we could use Adelaide as a bit of a hub in transporting goods not only around South Australia but also interstate, using Adelaide as a gateway port. We are focusing a fair bit of effort on intermodal issues and to make sure that the transfers are fine.

In terms of a range of destinations, it is the same sort of problem. This is probably the single most difficult of all the areas on which we focus. Getting additional air services into Adelaide is an exceedingly difficult task and getting new shipping services into Adelaide is an equally difficult task. It involves a lot of work; it involves convincing commercial operators of the value of servicing these ports, often in competition with other ports, or trying to get in behind the commercial thinking of the transport operators which is not always straight up and down.

You have to understand how they position themselves against their competitors, and a raft of different issues are associated with that. Getting a range of services to a range of destinations is a difficult task but it is an essential task. We have been a lot more successful in the shipping area over recent years. There has been a rapid growth in the movement through the ports, and that has been due to a very successful effort of the Ports Corp together with Sealand in convincing the shipping companies to move through Adelaide.

507 THE HON. T.G. ROBERTS: How do you do your modelling? Is it based on the pure science of moving around and transport or do you build in those vagaries of the market which, at the moment, will be very hard to model, because there are positionings going on between competitors that really do not reflect any of them as being a position at all? Do you do two or three lots of modelling?

SOUTH AUSTRALIA'S RAIL LINKS WITH THE EASTERN STATES

MR JOHNSON: Yes, you must. Transport SA is very good at doing the freight movement modelling; in other words, working up the base case of how much good is produced in South Australia and how it moves around. It does that very well. We can now use much better data from the ABS and from our own information sources to build a base case. However, the trick is getting in behind what is motivating a carrier at any one time, and that is quite different. For instance, in the aviation industry, which I know a little more about, the alliance arrangements make this extremely complex. The historical antipathy from one airline to another means that occasionally you see breakouts which you would say commercially seem somewhat at odds, but you can understand how they might fit into a broader game plan.

Where the industry department comes in, it tries to look at those other commercial and internal political drivers and marry those in with the work that Transport SA is doing. Transport SA also has pretty good marketing intelligence on this. It is really a matter of gaining market intelligence, looking for one in which you can get a win:win situation, how you can build an argument to the carrier that matches where we want to be and where we understand their emotive issues to be.

508 THE HON. T.G. ROBERTS: So you have taken into account the artificial marketing ploys of some of the big players in the lead up to important political decisions being made?

MR JOHNSON: Yes.

509 THE HON. T.G. ROBERTS: That becomes an important factor. How can you determine which way the Government will go in either case, given that logic in many cases plays no part in the final analysis?

MR JOHNSON: There is logic in everything—it is just a matter of working out the logic. I move onto the removal of impediments. As the industry department we have played a reasonably supportive and, in many cases, leading role with transport. The Crafer's Freeway extension is seen as a way of removing an obstacle to trade. It is also removing an obstacle to community health problems and we worked primarily on the trade and realised that an answer was needed to deal with it. With the runway extension at Adelaide Airport you could not make a commercial case—it needed an economic case. It is a good example of where the State needs to come in behind a commercial operator, recognise its commercial realities and build an argument about how it needs a piece of infrastructure that makes the facility work and opens new markets. Our department worked heavily on that with the Department of Transport, the Premier's Department and other agencies of Government.

Rail standardisation was another such matter. An issue that has emerged more recently, but is a critical driver that we perceive out of the process of change in transport over the past decade, is the move from transport companies being seen as public companies

SOUTH AUSTRALIA'S RAIL LINKS WITH THE EASTERN STATES

that provide a public service and move freight and passengers around but are not seen as being integrated parts of a commercial development process for the community. We have seen, through the attraction of companies like Sealand, through Adelaide Airport Limited, through ASR in the rail area, that bringing in commercially focused rail operators or transport operators brings a different dimension to the way they see their tasks. As a little but very good example of that, Adelaide Airport Limited was able to steal from Brisbane Airport one of the Qantas services soon after it came into existence by judiciously working with the carrier and finding a proper way of moving it in. It has been working assiduously with the other carriers to try to grow markets that would otherwise not have been considered.

We are seeing the same sort of thing happening in rail and at sea. Another side line is that each of those commercial operators are keen to export their services out of South Australia. Soon after Manchester Airport came to take over Adelaide Airport, it was providing consulting services in New Zealand, and was using people from the old FAC at Adelaide to work with them and help them as part of the process. I refer to the current dynamics in the national rail industry. Having read the presentation of Andrew Rooney and David Marchant, I know that you are aware of most of the developments going on. I will try to put it in an economic development context, which is where we are coming from because many have been driven by economic development outcomes.

The changes in ownership being brought about in the rail industry now have to be seen in the context of where we have been. In the early 1980s rail was something in public ownership universally, so if you had a competition it was a relatively level playing field. There were numerous glitches in the system, which David and Andrew have touched on, that came out of that system, but one of the things that was not there was a slightly uneven playing field. We have seen from the late 1980s to now that we are moving in a transition period in a range of different approaches from corporatisation, private ownership, commercialisation of Government entities and purely Government entities. That in itself creates a problem in competition between modes.

The sorts of problems it breeds are that you have operators that are currently Government subsidised operators or making considerable losses competing head to head with wholly private operators who have to make a commercial return from process. Rail is a high capital cost item and that sort of competition leads to great difficulties in competing equally by private operators and they have been under strain during this transition period. There is a concern about that and we have tried to help move that process through. If you look at two directions in establishing a national rail network, we have seen first the creation of AN in 1975, followed by a fairly large hiatus until the late 1980s, when it was clear that there needed to be a real national rail, particularly for freight operators.

Whilst we were keen to see AN take that role, it was not to be. National Rail was formed. The National Freight Rail Corporation, as it was originally known, was established to provide on the main line corridor from Brisbane to Perth a consistent freight

SOUTH AUSTRALIA'S RAIL LINKS WITH THE EASTERN STATES

operation. David and Andrew have provided chapter and verse the problems that have gone on with National Rail in doing that. I do not see much point in progressing that at this stage other than to say that the Commonwealth Government has also realised that there is a need to move forward and National Rail is now being sold.

The final main step in the movement on this line has been the establishment of the ARTC, which David Marchant talked to you about. It is critical because, as you move to a system where you have multiple rail operators trying to operate on a national rail network, you need to have a capacity for them to have fair commercial access with their competitors and the ARTC. If it does nothing else, it will drive that process. It also provides a way of driving the sort of improvements and taking out the glitches in the system that make rail less competitive than road, so the ARTC initiative is very much to be supported. I now move to infrastructure issues. A fair bit of that has been dealt with in the previous presentation, so I will flick through it quickly.

To support the changes that primarily reflect an approach to economic reform in the rail industry, a number of activities have focused on enhancing the rail infrastructure within the State, which we have been supporting as a Government. The compatibility of interstate rail systems is an important one and David talked about that. Standardisation of the Adelaide-Melbourne rail link is an important one as is making sure that there are appropriate crossing loops along the line and on the Perth corridor. Upgrading of the axle loadings and removal of impediments to double stacking of containers we have encouraged and it is moving forward. The State is supportive of the move for a radical change to the Melbourne-Sydney line because that sort of change will help rail nationally. It will help convince people to put goods on to rail and help the competitiveness of the rail system generally. We see things broader than our borders in that sense. Opening up of new routes such as the Adelaide-Darwin rail line is an area where we see the industry department playing a primary role.

Turning to the Governments' role, I will try to give some clarity to the different roles that different parts of the State and Commonwealth Governments play. I will deal with the State first. In doing this, might I add that the Department of Industry and Trade and Transport SA have an excellent working relationship and cooperate pretty well on all main issues in a coordinated sense. So, in answer to the member's earlier question about how we undertake proposals to operators, for instance, that is a good area in which we work closely together. Transport SA in the rail area is the owner of the land in South Australia. It has the ground lease of the land on the rail corridor. It has established a light-handed access regime in South Australia designed to encourage new entrants into the rail industry. It has input into the policy development and it is the primary driver on policy development matters for both State and national rail industry issues. Over the past five years, it has employed a freight coordinator to focus on how we ensure we get the best out of our freight movement and how we identify areas where there are problems in freight and feed them directly into the system. That coordinator works very closely with us as well.

SOUTH AUSTRALIA'S RAIL LINKS WITH THE EASTERN STATES

I am with the Department of Industry and Trade and we see our role as identifying gaps similarly to the freight coordinator in service provision and pricing impediments through interaction at the firm level. Our agency has the most direct relationship with firms, as you would expect. They discuss their various problems. Transport tends to be one of the problems that arises from time to time and we are able to feed that through to the transport policy makers. We aim to better marry the economic development objectives of Government with rail and other transport modes for the reasons I talked about previously. We are the supporters of the developments for the Adelaide-Darwin railway, primarily because of the commercial opportunities that can come from that. We are seen as the primary driver, but we work closely with other agencies of Government.

Transport SA is part of the rail task force, as is Premier and Cabinet, Treasury and Finance, and we have also obtained advice from our Crown Law. So, we have a fairly coordinated approach to those sorts of matters. We support Transport SA, where appropriate, to build a case to the ARTC (or the Commonwealth and State) along the lines that we talked about previously to upgrade rail infrastructure and we have been reasonably successful to date. It is not easy, because, as we discussed earlier, it involves a lot of lateral thinking as well as hard data work, but we have seen some successful outcomes in that area. Overall, the department's role is to stimulate private investment in this State, including areas of key transport infrastructure. This may involve building a case to facilitate investment in transport infrastructure such as Adelaide Airport and AN.

I will now explain how the Commonwealth fits in. There are five main arms. The Department of Transport and Regional Service is the policy arm for rail and transport matters generally in the Commonwealth. The Office of Asset Sales has been heavily involved as a shareholder with ARTC. As the Commonwealth is selling its assets, the department has brought in its financial and the commercial expertise. The ARTC (which is a Commonwealth entity and about which we talked before), in line with the need to ensure third party access, has ensured that the National Competition Council and the ACCC have roles in ensuring that rail operators can get access to rail lines competitively and fairly. So those plates have been instituted. You sought, as I understand, an understanding of where the Adelaide-Darwin railway fits in. You will appreciate that we are currently in a negotiating stage with the preferred consortium. The preferred consortium chosen by the Australasian Rail Corporation is Asia-Pacific Transport Corporation, a corporation comprising Kinhill (now known as Brown and Root), McMahon Holdings, John Holland, Barclay Mowlem and a number of other entities. Australian Southern Railways through Genesee Wyoming is their preferred and proposed rail operator and they are part of that consortium as well. I need to be reasonably circumspect in any questions that might arise on this.

510 THE PRESIDING MEMBER: I understand.

MR JOHNSON: I am happy to put the broad issues, which I think are

SOUTH AUSTRALIA'S RAIL LINKS WITH THE EASTERN STATES

reasonably understood. We would hope to be able to move forward with the preferred consortium to a successful conclusion around about November of this year, hopefully with construction starting some time early next year. I am sure you would appreciate that, as a private sector build own operator, in transfer proposals such as this where the overall cost is somewhere in the order of \$1 billion or a little more, the operator would be very keen to move ahead with construction very quickly. All things going well, we would anticipate the line being operational at some stage in 2003.

The Darwin railway will be an integrated railway. Initially the ARTC will operate the line between Tarcoola and Alice Springs. Discussions have been had with ARTC. It has been very important to integrate the railway into the overall rail network. We do not want a repeat of last century's problems in rail and a lot of effort has been made to ensure that that will not happen. Part of that integration means that you would assume that there will be an element of land bridge traffic for the Darwin railway: that is, traffic coming out of Adelaide through to Asia through the Port of Darwin using the rail land bridge or traffic coming out of Melbourne (or other parts of Victoria) and New South Wales as well destined for Asian markets via the quicker route of Darwin. For that to happen, the transport connections between Adelaide and Melbourne, Parkes and Crystal Brook through to Tarcoola and so on need to be capable of handling the sort of traffic levels that would be expected. At this stage, we are pretty confident that the right sort of developments are happening on the Adelaide to Melbourne corridor—and this was discussed with David Marchant earlier—which will help facilitate that from that corridor. Work being undertaken through ARTC is trying to open up the Parkes through to Crystal Brook corridor and we would support that.

511 THE PRESIDING MEMBER: You said 'Parkes to Crystal Brook'?

MR JOHNSON: Yes, Parkes through to Crystal Brook.

512 THE PRESIDING MEMBER: That is the line to Broken Hill.

MR JOHNSON: Yes. Once the consortium has reached agreement with the Government, we would anticipate that they would go into negotiations with, amongst other people, ARTC about what sort of freight traffic they expect to have on that line and whether any further upgradings are required. To date, I can say that we are not aware of anything substantial.

513 THE HON. M.J. ELLIOTT: We have had a fair bit of evidence about the Melbourne to Adelaide line and about what is being done and what needs to be done. We have had very little evidence so far about the Parkes to Crystal Brook line; for example, whether or not it is capable of carrying fairly high tonnages fairly quickly, whether there are restrictions such as bridges or various other things that might be causing a serious restriction and what sort of moneys are necessary. Can you identify any of that at this stage?

SOUTH AUSTRALIA'S RAIL LINKS
WITH THE EASTERN STATES

MR JOHNSON: I cannot identify it in detail. I understand there are some problems in the Parkes through to Sydney side of the journey and to overcome that it will require reasonably high levels of expenditure compared with the sort of money that is being expended on Adelaide to Darwin and Melbourne.

514 THE HON. M.J. ELLIOTT: What about Parkes to Crystal Brook?

MR JOHNSON: My understanding of the Parkes to Crystal Brook line is that the line has not been maintained as brilliantly as the other lines simply because the use of that line has not been as consistent as the others. However, at this stage, I am not aware of any significant problems on the Parkes to Crystal Brook line that would prevent any long-term use or that would require any significant Government funds or private funds to be invested. I am not aware that that is a major impediment and the operator has not made us aware of that.

515 THE HON. M.J. ELLIOTT: The economics of the line to Darwin will be reliant upon not only traffic from Adelaide but traffic from other States.

MR JOHNSON: Partly.

516 THE HON. M.J. ELLIOTT: That route, particularly in terms of getting, if you like, New South Wales interested in using the Darwin line will be crucial, will it not?

MR JOHNSON: In terms of getting New South Wales traffic, I would agree it would be pretty critical. This is an area about which I do need to be relatively careful.

517 THE PRESIDING MEMBER: Do you wish to go off the record?

MR JOHNSON: Yes, if we could.

518 THE PRESIDING MEMBER: Have you finished your presentation?

MR JOHNSON: Yes.

519 THE PRESIDING MEMBER: Do you want to continue your statement now off the record?

MR JOHNSON: Yes. Are there external people present?

520 THE PRESIDING MEMBER: Do you wish to clear the room of other people?

MR JOHNSON: Yes. We are in a commercial negotiation phase at the moment.

[Evidence continued in camera]

SOUTH AUSTRALIA'S RAIL LINKS WITH THE EASTERN STATES

521 THE HON. M.J. ELLIOTT: There has been some focus in South Australia on the Darwin line and not a lot of public focus on the lines to the east. It appears to me that the lines to the east are important, first, because they affect the economics of trade with the Eastern States and, secondly, because those routes to the east, if we get them right, affect the economics of the Darwin line as well. There has been some discussion of a potential route between Melbourne and Brisbane via Parkes, with Parkes becoming an intermodal centre and sending freight into Sydney. That would tend to reinforce the possibility of Parkes as an intermodal centre, thus increasing the role of the Parkes to Crystal Brook line. Ultimately, what happens in the Eastern States is of interest to us. Are we in South Australia playing a role in the national debate, not just in terms of the route to Darwin, perhaps even the direct routes from Adelaide-Melbourne and Adelaide-Sydney, but are we buying into the arguments about the Melbourne-Brisbane route because that can affect the performance of our railways as well?

MR JOHNSON: In its early days, and even today, the Parkes community considered itself a potential air, rail and road hub. It was very keen to see 747 freighters coming in and out of Parkes because of its perceived strategic position. We have kept an eye on what has been happening at Parkes, but I think it is reasonable to say that it has not been our primary focus of the way in which we have developed things further. To date, whilst there are some developments going on there, we are yet to see the primary building blocks that would make it happen. I think, however, that being said, there is a growing momentum on the Melbourne to Brisbane corridor via Parkes, and this is not to be confused with the Melbourne to Brisbane to Darwin corridor which has a long way to go in terms of its coming to fruition.

In relation to the Melbourne to Brisbane line, there are some things within that which make an element of sense, but some of the problems about the Melbourne to Darwin via Brisbane link also impact on the sorts of problems with the Melbourne to Brisbane line. Freight is a long haul via rail. You really want to reduce the number of stops to the minimum to keep the freight moving reasonably quickly. One of our concerns about the Melbourne via Brisbane via Darwin route is that the number of stops would be substantial; the value of the freight being picked up would be at the lower end rather than the higher end in terms of commercial rates to the rail freight operator. That will make it difficult to make that sort of investment pay.

522 THE HON. M.J. ELLIOTT: The promotion of the Melbourne to Brisbane line with Parkes as a hub would, in fact, eventually encourage New South Wales traffic to come via the Adelaide-Darwin line; it would make the other line superfluous and, therefore, it would be in South Australia's interest.

MR JOHNSON: If we could see a development through Parkes that would be an advantage to us, I would agree with you, and we would be more than happy to stand behind that and encourage that to happen. I know that Transport SA is working with the relevant authorities, having discussions with them, about Parkes. They are aware of it. At this stage, it

SOUTH AUSTRALIA'S RAIL LINKS
WITH THE EASTERN STATES

is not, as we see it, an impediment to the growth. I see your point and I understand your point that it has a potential to enhance our growth.

523 THE PRESIDING MEMBER: You are talking about Melbourne-Parkes in lieu of Adelaide-Melbourne?

MR JOHNSON: No.

524 THE PRESIDING MEMBER: Are they not counterproductive to each other if freight went Melbourne to Parkes then to Crystal Brook? It is longer but they can double stack. Are they alternative routes in opposition to each other?

MR JOHNSON: In part they can be. One of the things we are trying to do at Port Augusta, for instance, is build up a capacity in order to have good intermodal facilities at Port Augusta so that we can reap the same sorts of benefits being talked about there, that is, a gateway town. The option of Melbourne via Parkes via Broken Hill and then out to Darwin is a possibility. I do not think it would be necessarily the most desirable route commercially. That is pure land bridge freight. You are not picking up any load via Adelaide on that route.

525 THE HON. J.S.L. DAWKINS: You mentioned that your office has been keeping an eye on developments at Parkes. My question is in relation to what Mr Elliott is talking about, that is, the possibility of a Melbourne-Brisbane, north-south, line which is linked through Parkes to Adelaide to Darwin. Are you aware of whether the Parkes people are eyeing that as a possibility?

MR JOHNSON: I am sure they would be. The Parkes people for a number of years have been keen to see themselves as a major transport hub. I think they see themselves as the food belly of the area, a natural catchment area and natural transport area. I am sure they are looking at that, amongst a variety of other options.

526 THE HON. T.G. ROBERTS: When we are talking about the economics associated with the construction of the line, we rely on an increased movement of freight through rail, that is, transferring from road to rail. But, we have not had a lot of evidence on competition between sea freight and road-rail. It appears to me that the benefits of seaport movements of freight will be difficult to overcome. Will the Government still have to subsidise freight movements to encourage investors to invest in this infrastructure?

MR JOHNSON: In the Darwin railway?

527 THE HON. T.G. ROBERTS: Yes.

MR JOHNSON: The Government's very clear statement is that it will not be underpinning any freight movements on the railway. This will be a commercial risk for the

SOUTH AUSTRALIA'S RAIL LINKS WITH THE EASTERN STATES

operator, and that is what they are building a case around. As you would be aware, the Government has offered \$100 million to the project; the Commonwealth has matched that and the Territory has matched that. That is seen as the Government's contribution to the project. I would be very surprised if there was any change on that matter in terms of underpinning freight costs. There are ways in which the operator of the project can build in efficiencies which deal with the sea issue, for example, by having a holistic operation which involves a shipping carrier, by building that into the land bridging cost, and by targeting certain freight that is time sensitive. There are ways in which you can build up that process. Equally, there is a fair bit of freight that goes up and down the line which services Darwin itself. There is the opportune cost of potential to open up new resources along the route. All those things have been factored in by the bidders for the railway and are being worked on by the preferred consortium.

528 THE HON. T.G. ROBERTS: At what point do they become advantaged or disadvantaged in relation to the cost of fuel? In relation to Avgas, petrol, diesel, heavy oil for shipping and gas for road transport, at what point do those costs become more?

MR JOHNSON: I am happy to take that question, although I feel I would probably relay it to the Department of Transport. If you would like to direct the question to Andrew, or direct it through me, I will bring it forward.

529 THE PRESIDING MEMBER: You mentioned the rail link from Port Adelaide, which has been discussed for years. Is the Government any more involved than it was years ago or is it becoming more important because we see other tenants wanting to take the land?

MR JOHNSON: The rail link I was referring to was the \$8 million loop that is in place at Outer Harbor at the moment that came as a result of the One Nation funding.

530 THE PRESIDING MEMBER: There is also the wheat terminal, which was under discussion?

MR JOHNSON: It was an intermodal issue around that area and there are ongoing discussions with the operator there on that matter. We are trying to identify the most commercially appropriate way of bringing in the grain to the silos and getting it back out. That work is going on.

531 THE PRESIDING MEMBER: I refer to passenger services. Do they come into this at all? Can it be advanced by any upgrades?

MR JOHNSON: The upgrades to the line will assist passenger services.

532 THE PRESIDING MEMBER: Are you pushing for the reintroduction of passenger services anywhere?

SOUTH AUSTRALIA'S RAIL LINKS
WITH THE EASTERN STATES

MR JOHNSON: The Department of Industry and Trade has not taken a strong role in the area of passengers. We see our primary focus being on economic development outcomes through enhancement of movement of freight. Passenger services, which is a common issue, is one we have been touching on and are starting to get more involved in. We work with the Department of Tourism on that.

533 THE PRESIDING MEMBER: Is your department aware of the different safety codes between States and the problems it causes and who should address it?

MR JOHNSON: We are aware and the Department of Transport is the appropriate agency to address it—it has been addressing it through the various Transport Ministers forums.

534 THE PRESIDING MEMBER: Would the upgrade of the Adelaide to Melbourne line affect Port Adelaide as a port?

MR JOHNSON: It has the potential to do so. It is one of the matters that we considered in the whole process of looking at the standardisation of the Adelaide to Melbourne operation. On balance we want to be a keen competitor in transport and to be able to be a keen competitor in transport we had to remove the inefficiencies within the system. Sometimes that opens up greater competition as it did with the Port of Adelaide, but the Port of Adelaide has helped them move to a more efficient position and they have grown at an extremely good rate over this decade.

535 THE PRESIDING MEMBER: These upgrades have been going on. Who owns them?

MR JOHNSON: The standardisation to the Adelaide-Melbourne line is a Commonwealth and Victorian line. David Marchant provided information to you about how he would be leasing the track from Victoria. At the end of the day I would expect that any improvements would go back to the owner of the track. That would be my crude understanding.

536 THE PRESIDING MEMBER: Will double stacking to Melbourne ever be an option?

MR JOHNSON: The biggest single impediments to double stacking to Melbourne are the Adelaide Hills and the Footscray Bridge—the entry into Melbourne—and the costs of removing that are substantial.

537 THE HON. M.J. ELLIOTT: More expensive than upgrading the tunnels?

SOUTH AUSTRALIA'S RAIL LINKS
WITH THE EASTERN STATES

MR JOHNSON: I understand so. The detail is best addressed to Andrew Rooney.

538 THE PRESIDING MEMBER: I am referring to your perspective?

MR JOHNSON: In discussions with transport and with AN, that has been the issue that remains.

539 THE PRESIDING MEMBER: Has the recent issue on fuel excise changed the equation?

MR JOHNSON: We have had some work done for us on the Darwin railway in relation to that. It is a long haul railway and we would see that overall it is more likely to be positive, but I do not know that I would like to go further than that. On short haul you have had evidence that there are concerns about that.

540 THE HON. M.J. ELLIOTT: On Monday I was reading a rail magazine which said quite plainly that rail had a significant benefit over road as a consequence of the GST package. Do you agree?

MR JOHNSON: Overall that is the view of transport and is our view.

541 THE HON. M.J. ELLIOTT: We had evidence that the original GST proposal would disadvantage rail, but we now have a significant benefit for rail.

MR JOHNSON: We understand that that is the case. It has moved.

542 THE HON. M.J. ELLIOTT: How much work has been done in terms of how much more cheaply we will be able to put stuff into Asian markets? I was in Asia a couple of years ago and saw real oranges. I presume material had gone to Singapore and into smaller freighters. I imagine the Port of Darwin will run smaller ships right through the archipelago—Philippines and Asia. How much more cheaply will we be able to put things into the archipelago?

MR JOHNSON: As part of the memorandum of understanding between the South Australian and Northern Territory Governments, we have done a fair bit of work on transport movement. The executive officer works for Andrew Rooney.

543 THE HON. M.J. ELLIOTT: There may be another industry opportunity for South Australia. There was talk of trying to use small fast freighters. Is there a potential industry? Look at the Submarine Corporation nearing the end of its life—somebody will be building these ships. Is there an opportunity for South Australia?

SOUTH AUSTRALIA'S RAIL LINKS
WITH THE EASTERN STATES

MR JOHNSON: We have done a fair bit of work in the past with ship builders and the fast cat builders. You were probably aware that South Australian Ships was established to try to get into that niche. It was not able to find a strong enough position. The Australian fast cat market is a very good fast cat market and is located in Henderson off Jervis Bay down from Fremantle. There is a pocket in North Queensland and International Catamarans in Tasmania. From time to time we have worked with local ship builders to get them to the next level to help them. A combination of factors have got in the way of seeing that sort of industry generated from here.

544 THE HON. R.R. ROBERTS: I have an understanding that one of the Western Australian companies was interested in setting up in South Australia?

MR JOHNSON: I would be delighted to speak to that company. Previously in the department I had some involvement in this sector, so I would be more than happy to take advice on the company and speak to them.

545 THE PRESIDING MEMBER: The committee took advice from the Premier's Department on the ship-breaking potential. Did your department do any research on that?

MR JOHNSON: As to the ship-breaking potential, we have people in our department who have looked at ship-breaking and its potential for certain spots in South Australia. I am working with the Upper Spencer Gulf regions at the moment and one of a number of potential opportunities we will consider will be ship-breaking for the Upper Spencer Gulf towns. We are aware of the issues at Pelican Point and I would not like to go further than that.

546 THE PRESIDING MEMBER: Thank you for appearing before us today.

THE WITNESS WITHDREW

ADDITIONAL WITNESS:

STEPHEN BRADFORD, Chief Executive Officer, Great Southern Railway, Level 3, Suite 306, 434 St Kilda Road, Melbourne, Victoria, 3004, called and examined:

547 THE PRESIDING MEMBER: Welcome to the committee this morning. I refer you to sections 28 and 31 of the Parliamentary Committees Act 1991 which set out the privileges, immunities and powers of this committee and the protection offered to you as a witness. Section 26 of the Act provides that members of the public may be present during the presentation of the evidence, unless the committee resolves otherwise, but may not be present during the deliberations of the committee. If at any stage you wish to go off the record, then the committee will consider that request and, if it agrees, no record will be taken by *Hansard*. I invite you to address the committee.

MR BRADFORD: Thank you for the invitation to attend. I was planning to make a brief introduction of what the Great Southern Railway does, what business we are in and a few points that may be of interest to the committee before throwing it open to questions. Great Southern Railway was formed in November 1997 and we purchased the passenger rail services of Australian National in our competitive tender. The business is a consortium of operators and financiers consisting of Serco—which you would know in South Australia as an operator of buses and the Adelaide Airport—GB Rail and Rail America—which recently purchased the freight assets of Freight Victoria, Macquarie and Colonial Banks.

We operate without Government subsidy. We are a private passenger rail service operating on our own resources. Our three products are The *Ghan*, The *Indian Pacific* and The *Overland*. The *Ghan* now operates weekly from Sydney and Melbourne through Adelaide to Alice Springs. It does Adelaide twice a week and Sydney-Melbourne each once a week. It is a tourism train focusing on tourism and holiday makers and carries 45 000 passengers a year. The growth we are experiencing over previous levels is around 40 per cent and that is attributed, first, to marketing and, secondly, to the extension of business to the main markets of Sydney and Melbourne.

The carriages on the *Ghan* work very hard. They travel 600 000 kilometres a year. People tell me that is about a world record, but I cannot substantiate that. The carriages never stop. The *Indian Pacific* travels Sydney-Perth, two trains crossing the country every week, all via Adelaide. It carries 100 000 passengers a year. It is also a tourism train. The growth in passenger numbers since AN days is 15 per cent. It is marketed as a cruise ship concept which incorporates off train tours at major centres such as Adelaide, Broken Hill, Kalgoorlie, Perth and Cook—although Cook is not a major centre. It is similar to an Asian cruise ship service. The *Overland* is a different train altogether. In our view, it is a commuter train. It travels Melbourne-Adelaide five times a week, both ways, every night except Wednesday and Saturday. It carries about 80 000 passengers. The passenger growth is around the 18 per cent mark—and that is over the past three or four months. We have just completed a major refurbishment of that train to bring it up to appropriate standards, which cost a bit over

SOUTH AUSTRALIA'S RAIL LINKS WITH THE EASTERN STATES

\$1 million. We have now introduced a budget class concept in the back of the train at a cost of \$30 one way Adelaide-Melbourne or *vice versa*.

548 THE PRESIDING MEMBER: Is that a sit-up situation?

MR BRADFORD: That is a sit-up situation and it has been introduced to bring people back to rail and to compete with interstate coaches. We believe that people will get off coaches and get on the train if we make it economically available and easily accessible. It is not yet profitable. The other two trains are profitable. I do not think the *Ghan* was in AN days. The *Indian Pacific* is profitable. The *Overland* is not yet profitable; it needs far more passengers to be available. What does Great Southern Railway do? We negotiate track access with the owners of the track. We contract hook and pull to National Rail and we contract maintenance of the carriages to other companies, so that is outsourced. We operate a large customer reservation centre and sales centre in Adelaide, which is a national booking office, but we market the office through a combination of travel operators locally, interstate and overseas. Twenty per cent of passengers are international and that is growing at about 20 per cent per annum, so it is important to the Australian economy.

We employ 270 people, 95 per cent of whom live in South Australia. In relation to the future of passenger rail services, we see that trains will become longer rather than more frequent. The cost structure of the business in terms of the hook and pull locomotive cost and the track access says that the trains will become longer rather than putting another train on once a week or twice a week. The locomotives are designed to pull many more carriages than they are pulling currently. They are freight locomotives, the most powerful you can get in Australia currently, and the passenger trains are light. We see passenger numbers growing at quite a high rate, but particularly in the first class end. The growth is in first class where people want accommodation, good travelling and first class meals as a package. In holiday class (which is flat in terms of passenger numbers) and coach class, we are seeing moderate growth, but that is probably a reflection of our marketing. We have not yet promoted that area but we will.

549 THE HON. M.J. ELLIOTT: That is an area in which you are competing with buses, too.

MR BRADFORD: Absolutely. We will see the requirement for station facilities, that is terminals, other than in capital cities will diminish and become very modest. The current requirement for country rail stations is basic facilities; that is, a platform to accommodate only two carriages and some shelter because passengers enjoy their time on the train not their time sitting on the station. The Victorian Government, for example, has just finished a new station at Geelong which was built in about four weeks costing \$190 000. It is a simple, functional platform which is now moving 50 to 60 passengers a week and we think that will triple very quickly. So, it is a functional service.

SOUTH AUSTRALIA'S RAIL LINKS WITH THE EASTERN STATES

I now turn to the issues facing us or issues nationally and what may be of interest to you. We believe that there should be one national owner of the national track. Currently, there are three, putting Queensland aside, which does not have a national track. If you had one national track operator you would have lower overheads to manage and operate it; one point of contact, in terms of getting timetables organised, servicing and train operations; and you would focus the upgrading of track on the basis of what the national economy needs and where the weaknesses are in the whole system rather than on perhaps a State based system. Similarly, we believe that safety should be a nationally accredited body. Currently, the individual States have their own safety accreditation. For instance, we are accredited in New South Wales and they then seek mutual recognition of our accreditation in every other State. We would see a national body as being a better use of resources, in terms of one set of safety standards with which all operators on the national track comply and when incidents occur, which, hopefully, will become few and far between, you then put greater resources into reviewing the outcomes of those incidents for any patterns that the operators collectively or individually need to address.

In terms of the building of track and the national debate on transport, in our view, rail and road should receive funding which reflects their importance but does not add a cost burden on one over the other. The current cost of track access, that is just for us to use the track—and putting it in dollars per litre of fuel used with which a bus operator could equate—is \$1.10 extra per litre. For example, if you said to an interstate bus operator, 'To go to Melbourne you have to pay \$1.10 extra on the cost of fuel and any taxes just to use the black top,' there would be a national outcry, but that is what Great Southern Railway in Australia pays for the track today. We do not believe there is a level playing field. We say it should be a level playing field so that those who operate in like markets are not disadvantaged by a cost structure not of their making.

550 THE HON. M.J. ELLIOTT: Is that not about to change?

MR BRADFORD: That \$1.10 will not change.

551 THE HON. M.J. ELLIOTT: You are distinguishing between a track access charge and the other fuel charges.

MR BRADFORD: The diesel fuel excise will change and the cost of fuel is on top of the \$1.10. That is just the cost of the steel rails. When you divide it by the number of litres of fuel used, it is around about \$1.10.

552 THE PRESIDING MEMBER: Why is it on litreage when it is track access? Why not per kilometres used?

MR BRADFORD: It is on a fixed rate for the weight of the train. There are two components to track access: an access charge to use that track for that path and then an extra

SOUTH AUSTRALIA'S RAIL LINKS
WITH THE EASTERN STATES

charge for the weight of the train. You equate that to cost per litre of fuel to show what happens in other industries. For example, if I was driving a truck interstate, what do I pay to use the road? Registration, I pay that. Safety accreditation, I pay that.

553 THE HON. M.J. ELLIOTT: Surely, in some ways, it would be unfair to charge by weight. It would seem to me that it is not the weight of the train so much as the weight on the axles, and therefore the weight on the track. As your trains would have relatively low axle weight, the wear and tear of the track would be much less for a passenger train than for a freight train.

MR BRADFORD: That is correct.

554 THE HON. M.J. ELLIOTT: I was looking at some country services some years ago and they were paying abnormally high charges, despite the fact that there would have been virtually no wear and tear compared to what freight was doing.

MR BRADFORD: We are suffering from that in that our weight is low. Half the equation is fair but not the other half where we have pay to open up the path. We have to have a high premium surface because we are travelling at 115 kilometres an hour—we cannot wait behind a freight train.

555 THE PRESIDING MEMBER: You do not begrudge paying but you need an open route.

MR BRADFORD: Yes.

556 THE PRESIDING MEMBER: Are there any plans to change it from 120 kilometres to 160 kilometres?

MR BRADFORD: I think the Australian record is about 200 kilometres. We have no plans to do that. In terms of speed, the tourist trains travel at about the rate we prefer. If the track became better in certain sections which allowed us to travel faster, we would probably make another stop along the track into a siding and incorporate it as a tour to entertain passengers. The Adelaide-Melbourne train is time sensitive in that ARTC is currently working assiduously on a major project to reduce that time to 10½ hours by early September. That will then make us competitive with interstate buses and allow us, if we choose, to turn the train around and bring it back as a day train. Currently, it is two night trains, and they cross each other each night. By reducing it to 10½ hours it would allow us to operate it as a day train, but we have not yet made the decision to put a day train on. We would believe that would make us competitive. We would meet the market. They are working very hard on it. We could not offer any complaints at all on their efforts.

557 THE PRESIDING MEMBER: Is that what you would do? Is that part of your

SOUTH AUSTRALIA'S RAIL LINKS
WITH THE EASTERN STATES

reason for the *Overland* not being viable, the time factor and the state of the track?

MR BRADFORD: That is part of the reason. People who are time sensitive, other than flying, compare the price of a bus and the price of rail and then look at the time. As long as it is equal, they say, 'Okay, it is about the same, I will get on a train' or 'I will get on a bus.' That is important. We have to grow the passengers on the *Overland* to make it viable by another 30 per cent. It appears possible.

558 THE PRESIDING MEMBER: How much time do you give yourself in which to do that?

MR BRADFORD: About five months.

559 THE HON. J.S.L. DAWKINS: With the introduction of a day *Overland* train, would that still be commuter based or would there be a tourist element in that as well?

MR BRADFORD: The people using the *Overland* include a smattering of business people in sleepers, but it is predominantly pensioners, backpackers and people looking for economical fares who cannot afford air and do not mind travelling overnight. The backpacker market is the growth end of the business because it is growing in Australia. Historically, all the growth on the Adelaide-Melbourne corridor has been backpackers. They like coming to this State, which is good, and they like overnight journeys because they do not have to buy accommodation.

560 THE HON. M.J. ELLIOTT: Safety would also be an issue for some people.

MR BRADFORD: Safety is a very important point. The previous speaker referred to the Adelaide-Darwin rail line. We are not part of any consortium or the winning consortium that is putting in the final bid, but we are providing the assistance they need because we believe it would be an asset to Australian tourism. If the track was built, The *Ghan*, subject to commercial arrangements, would almost certainly travel to Darwin. We would see the demand being there from passengers. They may get off in the Alice for three days and get back on the train (or *vice versa*) or go straight through.

561 THE HON. M.J. ELLIOTT: One of the world's big tourist trains.

MR BRADFORD: Yes, very successful. Perhaps others have undersold that benefit.

562 THE PRESIDING MEMBER: Are you involved in any of the bidding?

MR BRADFORD: Yes, but not as an owner or participant in the venture. However, we gave any of the consortia who asked extensive information on likely passenger

SOUTH AUSTRALIA'S RAIL LINKS
WITH THE EASTERN STATES

numbers, frequency and what the Darwin terminal would be required to look like in order to be effective.

563 THE PRESIDING MEMBER: So you could be involved at a later date with the winning consortium.

MR BRADFORD: As a customer, we would be delighted.

564 THE HON. J.S.L. DAWKINS: Would there be any potential for Darwin people to get on at Darwin and come to Port Augusta or Tarcoola and then link to Perth without going to Adelaide?

MR BRADFORD: Not to my knowledge. I would have to check that. However, a reasonable percentage of passengers come from Alice Springs to Adelaide and then connect on the *Indian Pacific* to Perth, but they tend to be tourists and usually like to spend three or four days in Adelaide, South Australia, as well. There is a pattern to that.

565 THE HON. J.S.L. DAWKINS: So that could extend from Darwin-Adelaide and then Adelaide-Perth?

MR BRADFORD: Yes. The pattern is that some are rail enthusiasts who are on the train because they love trains, but others enjoy Adelaide.

566 THE PRESIDING MEMBER: Have you finished your presentation?

MR BRADFORD: That is all I have.

567 THE HON. M.J. ELLIOTT: I refer, first, to the Adelaide terminal. Some discussions have been held about the potential to put it into the city. Does your company have any view about any advantages of having a terminal in Adelaide, and should the new Convention Centre take that into account?

MR BRADFORD: I will answer that in a roundabout way. Minister Laidlaw has a very active project group reviewing that matter. They are at the serious stage of having plans drawn up and looking at what would be involved. Fundamentally, we support the concept. We believe that, if you bring passengers into the centre of Adelaide, they will go into the mall and spend money or spend money in facilities around Adelaide. Whilst I live in Melbourne, I probably do not find Keswick as unattractive as some South Australians, but it does seem to have had a run in the *Advertiser* of being unattractive. It does have great benefits.

568 THE HON. M.J. ELLIOTT: If the terminal was shifted, it would be a Government decision.

SOUTH AUSTRALIA'S RAIL LINKS
WITH THE EASTERN STATES

MR BRADFORD: Yes, as long as we are not economically disadvantaged we would be support it. You would still need Keswick to clean the trains and to do maintenance.

569 THE HON. M.J. ELLIOTT: There has been discussion for some time about the potential to reopen the Mount Gambier line. In the first instance that would be as a freight route, but it seems to me it would have significant tourist advantages going through the wine districts and the like as a tourist train. Has your company considered that option? Has it been raised at all?

MR BRADFORD: No, it has not been raised. Our market is long distance tourist trains rather than short distance. I would have thought an operator such as Bluebird which runs the Barossa train would see that as a greater market potential than us. They are marketing to a different group of people: short day tours, get on the train, do wine tours, get off the train. It is a different market, but we would promote it. We promote the *Bluebird* trains.

570 THE PRESIDING MEMBER: There has been a strong push to reintroduce country passenger services. Has your company considered doing feasibility on that and being part of the action?

MR BRADFORD: No. The *Overland* has dropped six stops off its route in South Australia and Victoria to rationalise the number of stops because of the time it takes to stop. Economically, you are finding that, in a place such as Tintinara, it would cost \$120 in fuel to stop the train to pick up one passenger who would pay a fare of \$30. There is a big disadvantage to do it. We must also consider the integrity of the timetable. If someone was getting on at Port Augusta, and going through to Alice Springs or Perth, we sell the seats actively. We do not actively promote short journeys. We do that by making the booking window much less. If you want to go to Adelaide from Port Augusta, it is a one month booking window on trains whereas to go to Alice Springs or Perth it is nine months. We have not looked at intrastate passenger services, certainly not on the two tourist trains. On the *Overland*, we are seeing growth at Murray Bridge. At Bordertown, the Government spent modest funds on upgrading the Bordertown station, and that has been successful in that passenger numbers are starting to rise. They would be the two areas for South Australia.

571 THE HON. J.S.L. DAWKINS: How many stops in total are there on the *Overland* line now?

MR BRADFORD: Current stops are North Shore Geelong, Ararat, Horsham, Dimboola, Bordertown and Murray Bridge, but the train only stops on receipt of confirmed bookings. We do not stop for 'wave downs'. One must book in advance and then we stop. Dimboola has strong patronage for a small town.

572 THE HON. J.S.L. DAWKINS: The train stops at Dimboola and Bordertown well into the night.

SOUTH AUSTRALIA'S RAIL LINKS
WITH THE EASTERN STATES

MR BRADFORD: Yes.

THE WITNESS WITHDREW