

**ECONOMICS AND INDUSTRY  
STANDING COMMITTEE**

**INQUIRY INTO THE MANAGEMENT OF  
WESTERN AUSTRALIA'S FREIGHT RAIL NETWORK**

**TRANSCRIPT OF EVIDENCE  
TAKEN AT PERTH  
FRIDAY, 13 JUNE 2014**

**SESSION ONE**

**Members**

**Mr I.C. Blayney(Chair)  
Mr F.M. Logan (Deputy Chair)  
Mr P.C. Tinley  
Mr J. Norberger  
Mr R.S. Love**

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**Hearing commenced at 9.47 am****Mr DALE HUMPHERY PARK****President, Western Australian Farmers Federation, examined:**

**The CHAIR:** On behalf of the Economics and Industry Standing Committee, I would like to thank you for your appearance before us here today. The purpose of this hearing is to assist the committee in gathering evidence for its inquiry into the management of Western Australia's freight rail network. You have been provided with a copy of the committee's specific terms of reference. At this stage, I would like to introduce myself and the other members of the committee present today. I am Ian Blayney, the Chair. Deputy Chair, Fran Logan, and Shane Love are with us. Two other members will be along a bit later. I am not sure when they will be in. They have been held up with other things. The Economics and Industry Standing Committee is a committee of the Legislative Assembly of the Parliament of Western Australia. This hearing is a formal procedure of the Parliament and therefore commands the same respect given to proceedings in the house itself. Even though the committee is not asking witnesses to provide evidence on oath or affirmation, it is important that you understand that any deliberate misleading of the committee may be regarded as a contempt of Parliament. This is a public hearing and Hansard is making a transcript of the proceedings for the public record. If you refer to any documents during your evidence, it would assist Hansard if you would provide the full title for the record.

Before we proceed to the inquiry's specific questions we have for you today, I need to ask you the following. Have you completed the "Details of Witness" form?

**Mr Park:** Yes.

**The CHAIR:** Do you understand the notes at the bottom of the form about giving evidence to a parliamentary committee?

**Mr Park:** Yes.

**The CHAIR:** Did you receive and read the information for witnesses sheet provided with the "Details of Witness" form today?

**Mr Park:** Yes.

**The CHAIR:** Do you have any questions in relation to being a witness at today's hearing?

**Mr Park:** No, I do not think so.

**The CHAIR:** I better declare at this point that I am a retired member of the WA Farmers Federation. We always ask if you have an opening statement.

**Mr Park:** We have made a submission. This is the first inquiry I have actually been to that I have had to do on my own rather than with an offsider, so bear with me a little bit. Normally we bounce off each other a little bit. We have made a submission to your inquiry and I am happy with what is there. I suppose I would just like to make a couple of comments that pertain to the whole thing.

[9.50 am]

First of all, I suppose, I would express my frustration at what has happened over the last four or five years in terms of grain freight on rail. In our view, it has gone beyond tier 3. We are coming down to tier 2 and I think some of the things that have just happened as far as the Miling line indicates that it is just going to be a steady erosion of rail capability in this state under the Brookfield system. One of the things about the Miling line actually demonstrates that the Brookfield system does not

work. I think it indicates that their idea of fixing things up, when they are almost broken, to a very good level and then letting them run down again over what we were told originally would be a 15 to 20-year period seems to be more like eight to 10 years. I do not think that that is workable. I suppose the frustration is because there does seem to be a commercial solution for this. The frustration started a long time ago when we had Queensland Rail and Brookfield operating and there was just a steady increase of rail freights which just happened to coincide just underneath road freight.

The other thing I suppose I find a little bit frustrating is that people do not understand the difference between a shareholder limited company versus a shareholder cooperative. The cooperative is very much focused on keeping the costs down and it is more about trying to keep the viability of its shareholders, whereas a shareholder company is more inclined towards, and a lot more interested in, keeping their shareholder price up, so their points of reference are quite different. To that end, our shareholder company, CBH and the growers through CBH, bought rail stock, you will know. Even though the access fee stayed the same or actually went up, they were able to bring the cost of freight to the growers down. I think Narembreen has come from about \$32 down to \$26, which is a fairly large chunk when you actually understand that 50 per cent of the cost of that is going to Brookfield, which has not changed or has increased a little bit. I suppose that is part of the frustration. That frustration I suppose is that when we are looking for efficiencies in an industry, we either have transparency, which we have almost none of in the Brookfield system, or you have competition. One of the problems is that with the grain on rail freight, we have neither. There is no competition and there seems to be no avenue for other people to actually participate. We have got some participants who would be quite happy to participate in rail maintenance, I suppose is the best description, and they do not seem to be able to get into the market. So if you are not going to have competition, well we have to have transparency, and, as I said, we do not seem to have either.

The last thing I would say probably is that what contributes to that frustration is that in CBH we seem to get a gold-plated service. One of the criticisms of CBH is that they give a service which is very, very high quality at a very, very reasonable price. I have actually said to CBH that they should concentrate on giving not quite a gold-plated service because they are giving a gold-plated service at the moment at pewter prices. But then when we have a look at Brookfield, we seem to be paying a gold-plated price for almost a stone-age service, so I suppose that multiplies my frustration, but I will leave it at that for the moment.

**The CHAIR:** Thank you very much.

**Mr R.S. LOVE:** Could you outline how important is, in the farmers' federation view, access to grain freight as opposed to access to an efficient road transport network? What are your general comments around a preference for one over the other? Surely, the price is the determiner of farm business as the best option, I would have thought. Why are you so concerned about the rail freight network? What is it about road that —

**Mr Park:** I think there are two aspects to that. The first one is that I think what we should be doing—we are moving in this direction; we are going to have to lift our sights a bit on that—is sitting down and saying, “What’s the best way to get a 20 million tonne crop to port?” At the moment we have got capacity to load probably more than 70 million tonnes out of the ports in Western Australia. That is not actually possible because we have got the road or rail capacity to get about probably only 15 million to port in a year. So the port capacity is not the problem; it is getting the grain to port. We should sit down and have a look at how we do that most efficiently. That will be a combination of road and rail. One of the problems with that is that we have got a road infrastructure that will not handle the road component that will give us the most efficient use of those roads. The roads we have got out there, especially in the tier 3 area, are roads that were made 50 years ago. We know from numbers that WALGA has done that we have been putting in only half the amount of money that is needed to actually keep the standard of those roads at what they

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were, so it means that the standard of the roads is deteriorating at the moment and they were not built for anything bigger than a semitrailer. Now we are expecting to do the most efficient, we should be having B-trains and probably quad trains to do it most efficiently. In reality, to compete with rail, that is what road has to do, yet we have not got the infrastructure that will handle that. The other part of that question is that we have demonstrated that rail is a lot more efficient. As I said at the beginning, even when you consider that we are paying, I usually say, at least twice as much as we should be for access to the rail—and I have seen some numbers that says it is up to four times too much—we have still demonstrated that the cost of putting grain on rail is a hell of a lot less than putting it on road. That is why the concentration. You talk about competition and that is what we had—competition between road and rail—but we had operators in the rail system who were more interested in just pitching their price just underneath rail rather than trying to find efficiencies.

**Mr R.S. LOVE:** Just in terms of the future shape of farming in Western Australia, what influence do you think developments such as more grain out of the port of Albany, for instance, from a particular corporate entity that might be interested down there, and the Bunge grain in Bunbury will have? How do you see changes like the entry of new players in the port system, so to speak, playing into the viability of the existing infrastructure, which, in the case of tier 3, seems to be concentrated in the Kwinana zone?

[10.00 am]

**Mr Park:** It is definitely. From speaking to the federal department of agriculture just the other night, they actually see Bunbury as being in the same port zone as Kwinana, which was interesting to me. As I said to you before, the actual port capacity is way, way above what we can actually get into the port, so that is not going to affect in a great way the whole viability. What might affect it is that we find that efficiencies that CBH have been able to get by doing the whole crop might drop off a little bit. My best example of that, and something that I know a little bit about, was the way AWTA, which is the Australian Wool Testing Authority, used to test, and still does, the whole clip of Australia. They only actually made money on the last few million tests that they did, so when you take those last couple of million off, what you actually do is increase the whole cost of the whole operation. So when you have a look at the grain freight exercise or task in Western Australia, even taking a few million tonnes out of the top of CBH, what you are actually going to do is probably increase the cost of the whole operation. I think that will be marginal; I do not think there will be a great deal in that. But the actual port capacity is not a problem; it is actually getting the grain to port to get it out through the ports that is the real problem in Western Australia. I am not sure whether that has answered your question. I sort of thought when you started asking the question was: how is that going to affect the grain industry as a whole if we have these inefficiencies in Western Australia? My answer to that would be that we have to recognise that we are an export state. We export nearly 90 per cent of the grain that we produce in this state, so therefore we are competing against the rest of the world; and, if we have situations where the inefficiencies are driving up the cost of grain production in this state, it really does affect our ability to compete with the rest of the world. We are not just competing grain versus rail; we are competing with the rail system in Canada or the US or Europe, so we need to be able to get the cheapest way of getting grain to port. It is not just competition within Western Australia.

**Mr F.M. LOGAN:** Dale, in the WAFF submission, you have stated that the strategic grain network is flawed for various reasons and should no longer be used as justification for any future decisions, which is an argument we have heard from a number of farmers and alliances and groups around Western Australia. Brookfield, though, argue that the strategic grain network report involved basically all the parties. All the parties put their submissions in, all the parties signed off on it and the minister of the day made a decision based on the strategic grain network report to close the tier 3 rail lines about this time, and everyone agreed. What was the position of the WAFF on that report and what are your comments about Brookfield's view, "Well, everyone signed off on it; what are you grizzling about"?

**Mr Park:** Let us start right back at the beginning on that one. I was not involved in that, but certainly WA farmers were. My understanding—I must say that this is my understanding of what went on with the strategic review—is that there was a report put through and the final report did not necessarily reflect everything that they ticked off because they did not tick off on the final report; they ticked off on the preliminary report, but that is part of the argument. It is also my understanding—it is quite reasonable to actually look at the situation as it was at the time—that we had Queensland Rail and Brookfield working in concert to make sure that they made as much money out of grain freight as they possibly could, thinking that their only competition was road. As I said to you before, since then, CBH have actually invested \$175 million into rail. You would think that buying new rail would actually make their costs higher rather than lower. They have actually lowered the cost. As I say, Narembreen is the one that sticks in my mind; I think they have taken it from, I think, \$35 down to \$23 a tonne, keeping in mind that half of that is basically a fixed cost because Brookfield is getting on that one, I think, about 50 per cent of the total cost. So 50 per cent of what a farmer pays goes straight to Brookfield. The other 50 per cent actually has the train drivers, has the fuel, has the new rolling stock in this case and pays the interest on it, and still they have dropped the price. So the whole situation changed quite significantly as far as rail went. I am told that the cost of rail was increased to that committee. The other part of it is that that committee was also told that they should put around about \$250 million—I think it was \$250 million—into doing up the roads to make that viable. I am also told that that was probably about 50 per cent of what they really needed, and what the committee was actually offered was \$100 million. So, in real terms, they have got about a quarter of the amount of money that they should have done to put into roads and we have actually decreased the cost of rail. Nothing stays the same. I think the circumstances have changed quite drastically for both road and rail. You have to recognise that things have moved on and it is about time Brookfield actually realised.

I go back to where I started off my evidence this morning. The evidence that was put to that committee was that the Brookfield system worked, and I think that the Miling line has demonstrated that the Brookfield system does not work. I know Brookfield have said that they have put \$2 billion into the rail system. What I would like to know is: how much was actually their money and how much was from growers and how much was theirs and how much was government money? The lack of transparency means that we know none of those things. It is a great argument, and it is not only Brookfield that have used that; quite a few politicians have tried to belt me over the head with the same thing. But things change, and I think things have changed quite drastically. CBH actually having the capacity to run a rail is probably the biggest change and has demonstrated that rail freight is very, very much competitive. It is not competitive; it is just absolutely miles in front of road these days, even given that everywhere else in Australia pays about half as much, or less than half as much, for access.

**Mr F.M. LOGAN:** Can I just follow up on one other issue that you talked about in that response but also in the WAFF submission? It is just a simple issue, and that is the money that came out of the government decision at the time following the strategic grain network review for roads. I think it was \$150 million as opposed to \$100 million.

**Mr Park:** I do not think \$150 million has been spent.

**Mr F.M. LOGAN:** It is \$120 million. That is basically the question I am coming to. There is \$120 million that was effectively supposed to be put into the roads as a counter to the closure of tier 3 rail. Do you believe that money has been spent, and do you believe the money has been spent on the roads that would carry the freight, given the closure of tier 3 rail?

[10.10 am]

**Mr Park:** Yes, there are several aspects to that. It is not a simple thing of saying, “Righto”. If you had a road system that was in reasonable nick when you started that and you had said, “Righto, there’s going to be extra traffic because there’s going to be another million tonne of grain onto these

roads,” that would have been fine, but as I said earlier, my understanding was that the committee was told that they probably need about \$250 million. The government really said they would only take half that amount, or that they would only get half that amount. I actually believe that the amount was probably twice what the committee was told, so really, it was probably nearer \$400 000—sorry, \$400 million. Sorry, there are so many zeros running around! I sometimes wonder whether we should not be saying “billion”. I actually believe that there probably has been \$120 million put into roads out there. The whole problem is that for many, many years, we have actually had a declining asset out there. As I said earlier, WALGA tells us that there has only been half the amount of money put into the road asset to actually just keep the asset value at that level, so we have had a declining asset for quite a few years; many years. Then it comes to: where do you put the money for those roads? It is assumed that all the grain would go sideways onto the tier 1, and that assumption is flawed, especially when we look at Quairading, which was closed this year. Quite a bit of that grain is actually going to go west because once you get it onto a truck, it actually costs you to get it off and put it onto something else. The least cost—this is something that Mr Love was asking about earlier—there is going to be competition within rail, and one of the classic examples was the Nukarni bin, which needed to be emptied on the changeover between Queensland Rail and CBH doing it. The amount of money that Queensland Rail wanted to have—Nukarni is only 25 miles out of Merredin—it was a hell of a lot cheaper to put it onto a truck, and so that is what you do. That is one of the criticisms that has been made of CBH, saying, “Well, you’re not committed to rail”. No, they committed to rail with the sole idea and purpose to keep rail freights down. They are not going to be held to ransom by other people so that they can profiteer, so I think that CBH has demonstrated that they are committed to rail—spending \$175 million is a fair commitment—but they have also demonstrated that they have been able to find efficiencies, because I do know that they have the option to pay off their rolling stock quicker than they thought they were going to. I have suggested that maybe what they do is just reflect that saving in the cost back to growers, because as I said before, the whole thing about a cooperative is that you cannot distribute the profits to anybody else; you do it in lower costs, and I think that is what they should reflect.

**Mr R.S. LOVE:** Just in terms of where to from here, you have spoken about the concerns about tier 2 and tier 1, but perhaps you might elaborate to the committee how you feel that the government could in some way cure some of those concerns.

**Mr Park:** That is part of the frustration that I talked to you right at the beginning about. I think there is a way forward, but before I go into that, I will say that—I think I said this earlier—the whole thing is that I actually believe that competition does work; competition usually finds the lowest price, but you have to actually have competition. In the situation of rail freight in Western Australia, or grain freight in Western Australia, there is no competition, and if you do not have competition then you have to have some transparency. You actually have to have total transparency if you are going to see where the costs are, and we have a situation where that has not happened. One of the problems is that we have not been able to see the contract under which Brookfield are operating. We have seen some of the earlier iterations, and certainly at the beginning our understanding was that if Brookfield gave lines up, other entities could actually apply to be able to run those lines. In a practical sense, that does not seem to have been able to happen. I know that CBH is convinced that they could run the lines a lot cheaper; their contract is what is run along similar sorts of lines in the US. Their system is quite markedly different to Brookfield’s; they actually fix things when they go wrong and keep them up to a reasonable standard rather than letting the standard drop. Certainly in our submission to ERA, we said we did not have a problem with the way ERA was valuing the services that Brookfield were giving, and that is where you say, “This is what it would cost to build that asset today”, and then the return on capital should be done on that number. What we said was that that was fine, but that you should also then compare the sort of efficiencies or service that you are getting out of that new asset, and I would argue that if we

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built a railway today—either tier 3 or tier 2, it does not really matter—it would have at least 25 tonne axle loadings and it would probably be between 120 and 150 kilometres per hour speed limits, and you could use it 24 hours a day, 365 days a year. When you actually compare with what we are getting out of tier 3, it is something that I should have gone back to with you, Mr Logan, when you were asking about that. Part of your question was that when the decision was made to close those tier 3 lines out of that committee, they actually took \$16 million or \$17 million—I cannot remember which—out of tier 3, or what was going to go into tier 3, and put it into tier 2. Even though that money was not spent there, we still had tier 3 running, even though—and this is where I get back to what I am going to say now—the service we are getting out of tier 3 is that we are limited to 16 tonnes axle loading. In places we are down to 10 and 20 kilometres an hour speed limits. They cannot use it during the summer, they cannot use it on hot days, they can only use it at night in some places, and the service they are getting, we estimate, is between one and five per cent of what capacity would be if you actually had a new rail. If you then go back, and I do not know what the numbers are, but you should only be looking at about a one per cent value put on that to what that rail is worth. As I say, the whole system just does not seem to stack up in any way. As for a way forward, there are other people in the market who say they can run a rail like the tier 3, for instance, on the sort of money that growers are paying to upkeep this rail at the moment. As I say, half the amount of money that is paid for in transport of grain in Western Australia at the moment is going to below rail, and Watco says that they could maintain that rail with that sort of money. In other words, they might need, I think the number was about \$30 million upfront, but they reckon they could run the rail for what was coming in on an income basis on that. That is the way forward, and then we could have some competition between rail. I actually think that the reason that Brookfield does not want other people coming in is that its system would be shown up.

[10.20 am]

**Mr F.M. LOGAN:** Can I turn to the PTA and the role of the PTA in your submission, about the fact that they should be held to account for their mismanagement of the lease, particularly —

**Mr Park:** Fit-for-purpose.

**Mr F.M. LOGAN:** Yes, their view, and lack thereof, of fit-for-purpose. Can I also just take you back to the original privatisation? I want to hear what you say about the PTA in that comment, but also, in light of the philosophy that you have quite clearly stated around the policies of the original privatisation in relation to the PTA's role, that it was expected that the regulation of the network would be with a light touch, and it was stated consistently.

**Mr Park:** I suppose your definition of “light touch” would be the thing —

**Mr F.M. LOGAN:** That is the thing; I want to hear your definition of light touch. On the one hand I can understand people criticising the PTA, but on the other hand if that is the direction they have been given, what do you expect them to do?

**Mr Park:** It is interesting that when you talk to the PTA, they do not actually say they have a light touch; they say we are looking over their shoulder at every spike that is being put into the rail and all the rest. I suppose the only interpretation you can put on that is that there were not many spikes put in. A light touch would be fine if there was some competition. The reality is that there is almost no competition in fact, and when we go back to right at the beginning, the assumption was that the competition would come from if the people who were administering the rail did not want to administer that part of the rail or that section anymore, someone else who thought they could do a better job could actually go in and do that better job. In reality what we have found, in practical terms, is that that has not been the case. We see that if Brookfield gives the rail up, no-one else can touch it either. As to the light touch, I just go back to the auditor's report: the auditor thought it was not a light touch, it was no touch at all.

**Mr F.M. LOGAN:** That is right.

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**Mr Park:** I think there is difference between light touch. As to light touch, I would have thought that the PTA's role is to actually make sure that the people of Western Australia are getting a reasonable service at reasonable value. I do not think they have that, and I do not think the Auditor General thought that either when he did that report. I actually do hold the PTA a little bit responsible. It is not too late; they can go back and start doing and making sure we actually get a service that is fit for service. So what does fit-for-service mean? I think we have had a rail out there at the moment, and it is interesting that we look at, say, the Miling line that has a worse track record than any of the tier 3, and that is why, probably, it is going to be closed soon. But that was also a rail network that actually had a whole heap of money put into it less than 10 years ago. The system they used—even down to the fact that they used equal number of steels to wood, and I am told they should have actually had three times the amount of wood in there rather than steel—just indicates to me that everywhere you look you cannot help get the feeling that Brookfield really do not know what they are doing. I suppose that is part of my frustration. If these people are supposed to be experts in this field, as we thought, you would not have the things that are happening now. I suppose that is my frustration. We have an asset there that did cost our state quite a lot of money years ago, and we are only, what, 13 or 14 years into a 49-year contract. If we have had this deterioration that short a period, what the hell are we going to have left at the end of the forty-ninth year? If you extrapolate that out, you sort of think that there will not be a hell of a lot left. I suppose that is my real worry.

**The CHAIR:** How might greater transparency into the lease arrangement assist WA growers, do you think?

**Mr Park:** There is nothing like a bit of competition to actually sharpen people up, and transparency certainly is the poor relation of that; you are almost depending on the glare of public scrutiny to make people actually do what they have to do. One example is, when CBH have gone to ERA to argue about what they should be paying for access, they asked to have a breakdown of what costs have been going into tier 3 and what costs have been going into tier 2, when what they really wanted was actually particular costs on each line. None of that has been available. So it really means that you are trying to compare things in the dark. You have no idea about what costs are going where. When you have competition, that does not really matter that much because you have people actually competing and you will sort things out. But when you have no transparency, you have really no idea; what you know is that you have been charged too much, but you are really not sure why you have been charged too much. One of the reasons CBH actually went into having their own rolling stock is that there was actually one more layer above that; they were paying the money for the whole transport task, but they could not even see Queensland Rail to see what they were charging because there was no transparency there, and that was fine. But they did not even know what the access charges were, so when they actually started getting rolling stock they then started find out what the access fees were. That is part of the transparency that has been lacking all the time. I know it is a lot blunter instrument than real competition, but it seems that we cannot get competition into this set-up so the other avenue to use is transparency.

**Mr F.M. LOGAN:** You have touched on this in your statements here today, but you have talked about the ARTC methodology of rail access compared with the current one. Could you just explain the benefits, how you see it, of the Australian Rail Track Corporation methodology of the accounting for rail access compared with Brookfield?

**Mr Park:** You are talking about the method that they use in the eastern states?

**Mr F.M. LOGAN:** Yes, the model they use.

**Mr Park:** My understanding of the Brookfield system is that they have a figure at the bottom, which is the base, then a figure—I think we have put it on here —

**Mr F.M. LOGAN:** The floor and ceiling.

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[10.30 am]

**Mr Park:** The floor and ceiling. The difference between the floor and ceiling makes no account of the usage. One of the things that we have had over the years is things like user-pays—those sorts of things. The whole principle of user-pays goes back to working out how many tonnes you carry and how many kilometres you carry it, which seems quite reasonable. That is not how the Brookfield system works. Just in the latest negotiations for access to the tier 3 up until 30 June for was it \$1.2 million? I cannot remember how much they paid.

But what is going to happen is that they will have paid quite a lot of money for the access and not used it because they have not cleaned out most of those rail lines. If they close them, which they say they are going to do on June 30, they will not have used the track to do that. I suppose this gets back to your question, Mr Blayney, about transparency: when you have just got a number at the bottom and a number at the top and we can charge anything in between which is not related to tonnages or distance, you cannot help feeling that you are being taken for a ride. Everybody likes, when doing a deal, to know roughly what they have paid for. Under the Brookfield system, you have got absolutely no idea, and they will not tell you. They will just say, “That’s the price we’re charging. We don’t have to justify that price.” That is where the transparency comes in. If you do not have competition, you should then have to justify how and why you are charging that amount of money. There is no justification. There is no pressure on them to do that. That is where I would see the big difference between what happens in the eastern states, where there is a lot of transparency, but you have justification for how they charge for those things. There is nothing here.

**The CHAIR:** When we start talking about the floor and ceiling cost determination for access, you submit that the floor price should be calculated on the basis of the cost of maintenance and train management, while allowing for a reasonable profit margin. What do you think would be considered to be a reasonable profit margin?

**Mr Park:** I think a 27 per cent profit margin is probably excessive. I know that is not official, but it is an unofficial rate that Brookfield think that they were making on their capital. Again, this is part of the transparency. We have got absolutely no idea what is a decent profit margin. Most of the growers out there are making two or three per cent. I suspect that it will probably get higher than that. To be honest with you, we have absolutely no idea what sort of profit margin they make out of it, but it does sound like the amount of money that has been paid in to Brookfield—we have a look at tier 3 for instance—there has been virtually no money put into tier 3 as far as maintenance goes. They have the odd washout. That was one of the reasons I think that Quairading is closed; because they had another washout and said, “No, we’re not going to spend any more money on it.” This gets back to transparency. We know how much money goes into the black hole and we have no idea how much they have to spend. As I said, 27 per cent was an unofficial figure. It was a figure given by Brookfield unofficially to someone. That is what they thought they were making on their capital. I suspect that 27 per cent is probably a bit high.

**Mr R.S. LOVE:** Dale, you have mentioned the Miling line a couple of times today. The Miling line was discussed with CBH when they came here as well. Some figures were stated and, from memory, the rail itself was quite stretched and needed to be replaced which could come at a cost of up to \$40 million. At what point do you think there is a point where there may be perhaps rail that we have as infrastructure which is 100 years old in the rail system itself that in many —

**Mr Park:** Some of it is 100 years old. I suspect that —

**Mr R.S. LOVE:** Some of the tier 2 and 3 lines and the rail itself is 100 years old. If it got to the point where the rail itself is an issue and very expensive to replace, is that something that perhaps would reconfigure your views on the need to keep those grain freight networks running?

**Mr Park:** A couple of things: the first thing I would say is, why is it stretched? You have all seen photographs of the Miling line where the steel sleepers are pumped and only half the sleepers are

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taking all the weight of the line. That has contributed to what happened. I think you have been told that the amount of breakages on that Miling line is something like twice anybody else's. It is a lot higher anyway; it is the worst line. I would go back to what I said about Watco. Watco are running virtually the same sort of lines in Kansas and Arkansas—still 100 years old, all those sorts of things. If you look after them all the way through, and you know as well as I do that there are a lot of farmers out there who run machinery that is a lot older than everybody else thinks you should be able to. If you look after them, you can usually go through. If you do need to replace that rail, that is part of the cost you are going to have to look at. That is a decision you will make when you get there. One of my problems—this gets back to what I first said right at the beginning—the Brookfield system seems to be broken. By that I mean there is a hell of a lot of costs in there. This comes back again to transparency: we do not know what the costs are but it looks as though you put a number in—I know there have been quotes from outside the system for putting a passing lane in on the Albany line for instance. That is a third of what Brookfield said it would cost. I am a great believer in competition. We do not seem to have any competition anywhere down the line in this whole system, even to the extent of where the repairs and the maintenance of the line is concerned. John Holmes seems to have the inside running on everything that is done, so therefore we really do not know what the competitive price of the repairs even are. As I say, even when we see that there are quotes around the place that are about a third—people around your table know as well as I do that people like Western Power seem to have a lot higher costs than other contractors around the place; I think we have the same sort of situation here. Where you do not have any competition introduced, you get practices that come into the system that breed inefficiencies. We really have no idea how you get them out. We know how to get them out, just in this case we are not allowed to use them.

**The CHAIR:** Dale, I would like to thank you for your evidence before the committee today. A transcript of this hearing will be forwarded to you for the correction of minor errors. Any such corrections must be made and the transcript returned within 10 days from the date of the letter attached to the transcript. If the transcript is not returned within this period, it will be deemed to be correct. New material cannot be added via these corrections and the sense of your evidence cannot be altered. Should you wish to provide additional information or elaborate on particular points, please include a supplementary submission for the committee's consideration when you return your corrected transcript of evidence. It is possible that the committee may have some other questions. If it is all right, we will just write to you about those questions. With that, I would like to thank you for your time with us today.

**Mr Park:** Thank you very much for the opportunity to give evidence.

**Hearing concluded at 10.39 am**

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