

**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 FIVE

Members

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

Hearing commenced at 2.21 pm

Mr CHARLES SULLIVAN
Director, Shire of Kalamunda, examined:

Mr DYLAN O'CONNOR
Councillor, Shire of Kalamunda, examined:

Mr PAUL SCHOLLUM
Economic Policy Manager, Western Australian Local Government Association, examined:

Mr TROY PICKARD
President, Western Australian Local Government Association, examined:

Mr STEPHEN STRANGE
Shire President, Shire of Bruce Rock; Chairman, Local Government Grain Infrastructure Group; Grain and Livestock Producer, examined:

Mr IAN DUNCAN
Executive Manager, Infrastructure, Western Australian Local Government Association, examined:

The DEPUTY CHAIR: On behalf of the Economics and Industry Standing Committee I would like to thank you for your appearance before us 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 the deputy chair, Fran Logan. Ian Blayney has given his apologies. My fellow members are Shane Love, Peter Tinley and Jan Norberger.

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 all of you completed the "Details of Witness" form?

The Witnesses: Yes.

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

The Witnesses: Yes.

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

The Witnesses: Yes.

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

The Witnesses: No.

The DEPUTY CHAIR: Troy, do you want to make a brief opening statement to the committee today?

Mr Pickard: I do. Thank you, chair, I appreciate the opportunity. Maybe for clarity for yourself and the members of the committee, Paul, myself, Stephen and Ian are obviously speaking on behalf of WALGA and, separate to us, the councillor and director of Kalamunda obviously have a specific issue that they wish to present. I will not speak on behalf of Kalamunda; I will speak on behalf of the sector with our broader concerns and issues relative to this important inquiry that you are conducting. I personally thank the members for the opportunity for us to present before you. Firstly, I will touch on our current position as an association relative to grain freight. We support an integrated road and rail freight network in Western Australia. Our current formal policy position is that freight should be transported on rail. However, where economically viable rail services are not available, roads should be upgraded and maintained such that the freight task can be conducted safely with respect to issues of community amenity and safety. That is our overarching policy position.

I would like to cover a number of elements to complement our submission to the committee. If you bear with me, I think it is important that it is captured, and it is additional information, except potentially for the first point, which I am sure, given the ambit of the committee, you fully comprehend, but I will touch on the economic impact. Grain exports are worth on average \$4.5 billion per year to the Western Australian economy. It is the fourth largest industry in our state behind petroleum, iron ore and gold, and for this reason the grain industry, its viability and sustainability is of significance from the perspective of state development. Australia is currently the fourth largest wheat exporter in the world, shipping more than 15 million tonnes per year, and about half of that comes from the state of Western Australia. However, there is increasing market competition from low-cost producers, particularly in the United States and Canada, as well as exporters out of the Black Sea. To remain competitive, the grain sector needs to work throughout the supply chain, from farms to receival points to ports to the final customer, to provide the most effective solution. Post-farm gate costs for wheat in Western Australia reportedly average nearly \$60 per tonne, making this the largest single-cost item for any grain producer. Land transport costs, road or rail, account for nearly half the supply chain costs. Getting the supply chain right is indeed critical for the viability of the grain industry and therefore of obvious significance to the state of Western Australia. Local governments in the grain producing areas of Western Australia are dependent on a successful grains industry. The economies of 65 local governments in Western Australia, indeed, which is generally described as the wheatbelt, are underpinned by the grains industry.

Some brief comments relative to local government transport infrastructure: local governments are responsible for nearly 67 000 kilometres of road in the grain-growing areas of Western Australia and recognise this as part of the grain supply chain. Local governments in the grain-growing areas spend \$170 million per year maintaining, renewing and upgrading these roads. In the grain-producing region, work by the Western Australian Local Government Grants Commission, in conjunction with our association, estimates that today there is a shortfall of \$63 million per year between that spent maintaining roads in the wheatbelt and that required to keep them in their current condition. This gap would be expected to grow as heavy vehicle traffic increases, unless of course additional funds are invested. The state government provided \$118 million over four years to upgrade some of the roads most affected by the anticipated closure of tier 3 rail lines, including \$67 million, which has been or is in the process of being spent on roads controlled by local government. Heavy vehicle traffic accounts for the majority of road wear. In terms of road wear,

one fully laden semitrailer has an equivalent impact on the road as around 6 000 cars. I will repeat that: in terms of road wear, one laden semitrailer has the equivalent impact on the road as 6 000 cars. Although cars are perhaps up to 80 per cent of the traffic on a typical rural road, they represent less than 0.05 per cent of the pavement loading. No additional funding has been made available to local governments to support the maintenance of these upgraded roads and other existing roads that are affected by increased road freight stemming from rail services closing. It is possible to quantify the additional marginal cost of transferring the grain freight task to roads. These costs are high because most of the roads affected were not designed or indeed constructed to a suitable standard for sustained heavy vehicle loadings. The safety of all road users is of significant concern to the community when the frequency and size of heavy vehicles on the local road network increases markedly. Decisions being made about the operation of the rail freight network do not appear to take these broader public policy matters into consideration, and the broader public policy evaluation has proceeded without full understanding of the commitments of the government and indeed the railway leaseholder to the rail network.

[2.30 pm]

Some brief comments on uncertainty: Uncertainty regarding sustainability of the grain freight network is a significant concern to local governments in Western Australia. In the short term, this is manifest in several ways, firstly, the investment in rapid rail-loading facilities in Brookton and Kellerberrin that enables the Brookton strategy, proposed in the strategic grain network review, has not proceeded. Secondly, there has been little investment in efficient road loading equipment to grain receival bins serviced by the tier 3 lines; and, thirdly, the future of the Miling–Bolgart line is being questioned. Despite the recent significant investment by state and federal governments there is a lack of clarity regarding the long-term financial viability of any rail lines used exclusively for grains. The details regarding management and funding responsibilities agreed between the government and leaseholders of the rail network are not publicly available. This inevitably leads to a degree of distrust within the wider community. In observing that both road and rail transport infrastructure requires investment in regular maintenance and periodic review, the network maintenance obligations negotiated between the state and the rail network leaseholder are indeed unclear. It is unclear whether, following significant state government investment in tier 2 rail lines, the leaseholder is now setting aside a portion of revenue for future capital renewal or whether, in future, it is expected that further public funding will be required and there is no detailed contemporary transport impact assessments of changes in the grain supply chain brought about by decisions regarding rail availability and, indeed, pricing and other decisions, such as export of grain through the Bunbury port.

Two final major points, chair, then I will have finished my opening comments. First of all, the roles and responsibilities of government. A commercial decision-making framework that considers the revenue and costs of operating a line or track section, implicitly assumes that the road alternative is available. Local government has no obligation towards funding rail infrastructure responsibilities being shared between federal and state governments along with private companies. Moving the freight task onto road shifts costs to local government. From a public policy perspective, this needs to be addressed as a cost shift, not as a cost saving. There has been no clear explanation as to why it is in the public interest for a leaseholder to retain control of an asset that is not being used. As a contrasting example, holders of mining tenements are required to show financial commitment to developing those resources to the benefit of the state. Given the commercial drivers of both above and below-rail operators, the alignment of incentives for efficient investments is, indeed, critical. Separation of above and below-rail operations between different commercial entities means that significant work by the parties is required in order to establish the optimal combination of service levels and costs. The role of the regulator in this regard is not publicly demonstrated; for example, a vertically integrated rail provider may accept a lower level of service, train speed, axle weight et cetera at a lower cost.

To conclude, a vibrant internationally competitive and sustainable grain industry is an important component of the state development, and underpins the economic development of around 65 local governments in Western Australia. The details of the current lease arrangements and performance of the leaseholder against this agreement is not public information, so, unfortunately, at a detailed level it is not possible to comment on this aspect of the inquiry. Finally, given the far-reaching impacts on the grain supply chain efficiency and safety, including the efficient allocation of these costs, the state government has a vital role in actively engaging with and facilitating the outcome between the industry participants. This is a clear leadership responsibility. The industry participants cannot include the wider perspectives of the state. Department of Transport, directly and through the PTA and Main Roads WA, need to be providing advice concerning the importance of this freight task. I thank you for the opportunity to make those opening comments, chair.

The DEPUTY CHAIR: Thank you very much.

Mr P.C. TINLEY: Troy, you may have touched on it and I might have missed it. Has WALGA done any modelling to date—maybe projected—of what you actually want in terms of the spend to make the roads safe as part of the integrated network that you support?

Mr Pickard: Thank you. We commissioned a report that was finalised in June 2011. The title of the report is “Local Government Grain Freight Network: Heavy Vehicle Strategic Pathway Mapping and Access Policy.

Mr P.C. TINLEY: Punchy title!

Mr Pickard: Very much so, hence the benefit of acronyms. It was prepared by Cardno and funded by the association in partnership with the Wheatbelt Development Commission and the Great Southern Development Commission. The objective of that body of work was to create a strategic map of routes that should be used for cartage of the grain freight task and then to determine what funds would be required to bring that network up to a suitable standard to cart the load plus maintain it to that standard. The cost identified through the Cardno report was \$126 million.

Mr P.C. TINLEY: Is that straight-up capital cost?

Mr Pickard: Straight up capital cost, and \$8.5 million per year over a 20-year period to upgrade that network.

Mr J. NORBERGER: Maintain it.

Mr Pickard: Sorry, to maintain that network. So the state government wins its allocation of \$118 million over four years, \$67 million of that went to local roads, so part of that \$126 million is covered by \$67 million provided by the state, so there is still a funding shortfall of the gap, but then on top of that, as identified by the grants commission, there is already a shortfall of the road network of \$63 million. But it is difficult to quantify in a pure science sense because of the gap between the variations in the transportation from grain on rail and on road because there are variances. It is not always carted on rail and it is not always carted on road; there is a fluctuation between those two transportation methods.

Mr P.C. TINLEY: It oscillates from time to time.

Mr Pickard: Yes.

Mr P.C. TINLEY: Sorry; I want it be clear on the record. There is a funding shortfall to deliver an economical, efficient and safe integrated road-rail network. Is that a fair statement?

Mr Pickard: Correct.

Mr P.C. TINLEY: And that funding shortfall is both state and federal responsibility, or it is flexible?

Mr Pickard: No. We feel that funding shortfall is state responsibility.

Mr P.C. TINLEY: Okay. The assumption for the Cardno body of work was to bring the road up to what sort of standard? Right now we have grain trucks running half on gravel and half on bitumen.

Mr Pickard: RAV 3 standard. Much of that work in fact informed future government decisions of which routes would be funded. One of the challenges, if I may expand on it slightly, from our perspective was that the load was being distributed throughout the whole network rather than on identified routes so we sat down with CBH to have a conversation with them about where they were going to invest in their receival points, so that we could invest in the road networks that married and aligned with their investment. That helped to tidy up our strategic routes but there is also need for Main Roads to do the same task. Their RAV access map, I think it would be fair to say, is not necessarily clear or, indeed, strategic, and it is not aligned in a pure sense with the mapping task that we completed through Cardno.

The DEPUTY CHAIR: When did Cardno do that report for you?

Mr Pickard: June 2011.

The DEPUTY CHAIR: Is it possible for the committee to receive a copy of that report?

Mr Pickard: Yes, absolutely.

[2.40 pm]

Mr J. NORBERGER: Troy, on that, in regard to the funds that are sought, the \$120 million, some of which have already been made. Obviously, it is very important that where we put the funds, we get a quality outcome. I would be really keen to get your opinion, or WALGA's opinion. We had the Livestock and Rural Transport Association in here before you. Their viewpoint really was that a lot of the works had already been done—not all of them, but a lot of the upgrades had happened. In their opinion, a lot of them were quite substandard. They did not say they were just the local government upgrades; they were just as not-so-happy with the Main Roads one. But they said in some instances it was licorice strips; some of them had been done properly where the base and everything had been done, and those others have been just substandard, and within weeks, months—certainly not a long period of time—basically that money was down the gurgler. The other thing that they mentioned—again not mentioning any particular local government authority—but their opinion was that some of the local government authorities had been slow in upgrading the roads with some of the funds that they had received. What would be WALGA's viewpoint on those?

Mr Pickard: Thank you. I will make some comments. I am sure Councillor Strange and Mr Duncan will make some comments as well. First of all, on the slowness—this is a regular criticism we receive. Many country local governments have capacity constraints. They obviously have their own road network in which they schedule well in advance—years in advance—to maintain and upgrade. The allocation overnight of an additional funding pot became a challenge for some local governments. They just did not have the capacity in the organisation to spend the money quickly. Another significant barrier to executing the works is roadside vegetation permits. Extreme frustration from the sector—it seems in some instances that it is more important to protect a tree than protect a life. We have significant barriers with the department. We have environmental roadside clearance permits and the length of time it takes to get through that regulatory process is quite painful. Some of those routes actually required acquisition of private land where you are effectively saying to a farmer, “We're going to realign the road network through your asset”, and obviously that involves the need to negotiate. There is one particular strip where there is still negotiations occurring some three years after funds were provided. They are some of the frustrations from the sector relative to the timing and delivery of the funds. Relative to the quality, I have seen it firsthand myself. When the road widening has occurred in isolation of any other work, in the main it has failed. The majority of that, in my understanding, is actually on state roads. Many local governments actually went through a complete resurfacing and widening—the Shire of

Bruce Rock is a good example. That road network is still in good condition. It is only several years old but it is in good condition and has not been damaged to the extent that some of the road isolation—so the licorice strips you talk about—there has been significant deterioration. It is disappointing to see the extent of the duration of many of those licorice strips, but obviously the work was not performed to an appropriate standard but it is always going to struggle to be a sustainable solution because you cannot knead in the new with the old. You just do not get that bedded in that you would with a complete resurfacing and a widening at the same time.

Mr Strange: I fully endorse what has been said by the president. Just to expand a little: the time taken also by Main Roads with drawings and designs can take many, many months. The agencies involved, whether it be Western Power, Water Corp, in shifting power poles, water pipes or whatever it may be, can take many, many months again. So it does not leave a lot of time to actually complete the job. There were extensive negotiations certainly with our shire, and I am sure with many others, about the quality within the shires. I believe some shires negotiated a little better than others. I fully endorse what the president said about probably the shoddiest jobs have been on main roads. They are the ones that are breaking up first. Certainly in your trip to Bruce Rock, that Bruce Rock to Shackleton road with the licorice strip, in many places it has just collapsed already. We have not actually emptied bins on that road.

Mr Duncan: I will just make the comment that I think the technical people would say that essentially they started with a certain amount of money and tried to apply that to a length of road. There were some significant compromises made in that process, which you observe now.

Mr P.C. TINLEY: They tried to do it all with not enough.

Mr J. NORBERGER: But ultimately you would argue doing it like that you are just wasting money. Because you have spent the money, you have got a very, very short-term bandaid solution but it is going to be inevitable that someone is going to have to go back there and spend even more money to do it properly.

Mr Duncan: Yes. I think that would be the position shires were arguing with Main Roads at the time, that it was worth spending a little more money per kilometre and trying to do the job to a higher standard.

The DEPUTY CHAIR: Before I bring in Shane, can I just go to Dylan. Do you want to make an opening statement about your submission?

Mr O'Connor: Could I throw to the director, who actually authored the submission and then I will add some comments?

The DEPUTY CHAIR: Yes.

Mr Sullivan: Thank you, Mr Chairman. Thanks for the opportunity of appearing before the committee this afternoon. The Shire of Kalamunda is here fundamentally to notify the committee about our concerns particularly in the localised situation of Abernethy Road, one of the main thoroughfares that runs through the Shire of Kalamunda. While we fully understand that the tier 3 network is fundamentally rail lines to the east of the line Avon, Brookton, Albany and that short section from Latham to Perenjori, it nevertheless transports a substantial amount of grain in a harvest season. As I understand it, the most recent harvest has been a record harvest; a very high yield. In all probability, there is another one coming up as well. I guess our concern is that while we have consulted with some of our industry partners, in particular WALGA and CBH, who is obviously a major ratepayer in the Shire of Kalamunda, the reality is although a substantial amount of grain will still be transported on the tier 1 and tier 2 network on its way to the port at Kwinana, should all of the tier 3 lines close, then that is several hundred thousand tonnes of grain in a good harvest that has to be transported somehow to get to the port. Specifically our concern along Abernethy Road is that Abernethy Road is a local government responsibility. It is not actually a Main Roads maintenance responsibility. I have had discussions earlier this year with the

Main Roads department on an informal basis to explore just what is the possibility of that road reserve being transferred over to Main Roads. While the road condition and its volume of traffic certainly satisfies all the criteria under the Main Roads Act, there nevertheless is a clause in the Main Roads Act that dates back to 1930, as you probably know, that still gives the commissioner the right to refuse such application if Main Roads does not have the funding available to accept the road reserve. In specifics, on that road it absorbs a disproportionate amount of our maintenance capability every year due to the sheer percentage of commercial vehicles that travel along Abernethy Road. You can get a feel for that from the statistics that I have attached to our submission. That is our primary concern, that there is somewhere between 17 and 25 per cent commercial volume on Abernethy Road now, and even one more B-double is another substantial load on the pavement, as the president has just pointed out, when you compare the pavement loading caused by a heavy vehicle compared to a domestic vehicle. Our primary concern is the maintenance of Abernethy Road and the increasing maintenance cost that the ratepayers of the shire would have to bear.

Mr J. NORBERGER: I was actually just thinking that all that additional traffic is not generating any income for you.

Mr Sullivan: It is not, because origin destination studies will show to you quite clearly that that section of Abernethy Road that starts off in the City of Swan and goes through our local government authority area and further to the south west, the traffic that goes along Abernethy Road, or the vast majority of it anyway, has an origin outside the Shire of Kalamunda and has a destination outside the Shire of Kalamunda. It is actually of very little benefit to our ratepayers.

Mr P.C. TINLEY: Yet it is a local road.

Mr Sullivan: But it is our responsibility for maintenance, I am afraid, yes. I have some figures that I can present later on where I analysed some recent maintenance costs over the last couple of financial years, should that be of interest to you, Mr Chairman.

The DEPUTY CHAIR: You can certainly present those later to the committee. Dylan, do you want to add to that?

[2.50 pm]

Mr O'Connor: Yes; I will not add much. I just echo the director's concerns about the maintenance costs of that road. It does absorb a lot of our ratepayers' funding and it is of significance to the shire. It is difficult to measure, but, as he said, the origin and destination figures do not really support the importance of that road to our ratepayers. Obviously, I believe it has state strategic importance, and our wish would be that the state take control of the road and the maintenance of the road. I would probably echo the concerns of the president, that the attempt to cost-shift is a significant one that I think is a serious concern for lots of local governments, not just ours or the ones we speak of. I think it is, yes, quite a concern.

Mr R.S. LOVE: I have a question about the reclassification process. Do you see the rail freight closures as being the trigger point for you to be able to re-present that case to Main Roads? What is the extra volume, I guess, from the grain freight task, do you think, in terms of what it will mean for that road?

Mr Sullivan: The specific issue we are talking about this afternoon is not necessarily a trigger point for our application to Main Roads. In our opinion, just the sheer volume of commercial vehicles, and indeed the total volume of vehicles on the road, has been a significant maintenance load for quite a number of years. I guess the point we are trying to make this afternoon is that every single heavy vehicle in addition, for whatever reason, that travels along Abernethy Road will only increase our maintenance costs still further. I have had that preliminary opinion from Main Roads that due to funding constraints, they would probably not look favourably on my application, should I make it.

Mr J. NORBERGER: WALGA's submission, Troy, draws attention to the lack of transparency in relation to the government lease with Brookfield Rail. Would you be able to expand on any feedback you have received from local governments about this, and what the main impact of that lack of transparency is?

Mr Pickard: There are significant concerns, particularly from local governments in the wheatbelt that are directly impacted by the increased cartage of freight on the road network as opposed to the rail network. I suppose the absence of transparency aligns with a sense of mistrust. Without having the knowledge and the understanding of the framework the operator works within, particularly in relation to the maintenance of the rail network, it is very difficult for local governments to make informed decisions about where they invest in their road network, and indeed, I suppose, the equation between the cost of carting on the rail and the maintenance of that, versus the cost of carting on the road and associated maintenance of that. Again, I am sure that other members of the WALGA team might like to add some additional comments to assist.

Mr Duncan: I think the question or the issue that is raised by local governments in that context is: how did we get ourselves into such a situation, over a period of time, where any of our rail lines are no longer serviceable? I guess this question does not only apply to tier 3 rail lines; it can equally apply to tier 2 lines. Was that a surprise to everybody, or was that something that has been known for a long time? A below-rail operation, like a local government, is a very asset-intensive operation, so local governments would know, even from their very small operations in comparison with a rail operator, that unless you have a clear plan of reinvestment in an infrastructure asset, it will inevitably decline in its service capability. That is the question that is being asked, really, of that relationship: how did we get into that kind of situation?

Mr J. NORBERGER: A number of other organisations and parties that have come before the committee have stated that, especially when you are dealing with a monopoly—which you obviously are in the case of Brookfield—there should be transparency, be it in regard to the performance standards or maintenance expectations. Obviously, for some of the other parties, there needs to be transparency about the way that rail access fees are calculated; transparency is actually a key factor to try to mitigate some of the undesirables that you have when you have a monopoly. Having full transparency aids in reducing that monopolistic market. Would WALGA share the opinion that it is important to have transparency in that regard?

Mr Pickard: Absolutely, particularly given that it is a state asset and the state owns the asset on behalf of the people of Western Australia. Dovetailing with the issue of transparency and having some accuracy of information, I have, for a number of years, been requesting, through successive transport ministers, to review the 2009 strategic grain network review because since that body of work was compiled to inform investment decisions there has been significant change—the rolling stock being one—as well as —

Mr J. NORBERGER: The price of diesel?

Mr Pickard: The price of diesel, and the variations in the mix and indeed the marketing of the grain. But, importantly—this was a significant deficiency of that report—there was very shallow understanding of the true costs of carting the grain on the local, and indeed the state, road network. I have been encouraging successive transport ministers that a starting point to understand the cost implications would be to do a cost-benefit analysis of road versus rail, if that was the desirable outcome, and that they would need to review that report to not only update the inputs that have changed—there are many—but also, importantly, actually have a solid understanding of the costs of the road network. We have seen, through the allocation of the \$114 million to widen, and in some instances completely resurface, the road that that was insufficient to the extent where it was spread too thinly and now we are ultimately going to pay the consequence.

Mr J. NORBERGER: Interestingly enough, we have not had the opportunity to speak with the PTA or Main Roads yet; we will at a later hearing. But actually every other party that we have

spoken to shares your opinion in relation to the strategic grain network review no longer being a relevant document and one that should be reviewed. In fact, the only people who disagreed were Brookfield.

The DEPUTY CHAIR: This is a public hearing so there is nothing hidden about what people have said, but Brookfield put to the committee on Wednesday publicly that in the strategic grain freight network report there was input from all sides, including and especially WALGA, and at the end of it everybody signed off. The minister of the day made it very clear that tier 3 rail lines were going to close, and they put \$120 million into the road network. So from Brookfield's perspective they are arguing very clearly that they are carrying out only the policy directions of government; end of story. That is it. So they are saying there is no point in pointing the finger and blaming them; they are just carrying out policy directions. What is your opinion about that point of view from Brookfield? Do you think that \$120 million has all been spent; and, if not, why not? I know you gave some figures earlier, Troy, about the \$67 million versus \$118 million. Further to the "if not, why not", was it spent in the right places? What also related to that was the Brookton strategy, of course, which you have referred to as well; it does appear, from the evidence we have received from basically everybody including Brookfield, that the Brookton strategy has not been properly implemented.

[3.00 pm]

Mr Pickard: I will ask Ian to touch on the latter because his familiar with that. Councillor Steve Martin is local government's representative on the Freight and Logistics Council and when the strategic grain network review was coming to a conclusion, he briefed me on where it was at. We are on the record with the council expressing concern at the lack of substance behind the costings associated with the road network in the report and we are also on the record of indicating that the funds that the report was suggesting to be allocated on the road network were inadequate. I made that point—Fred Affleck was the chair—at a meeting with former Minister O'Brien and indicated to both of them that that there was an allocation of funding and we welcomed that—it was a step in the right direction—but indeed, that is the first tranche of what would need to be many, if, indeed, the tier 3 rail network was to close. This is going to be only the start of creating a road network that would be adequate to cart the grain. No, not all the funds have been spent, and Ian might even have actually have some exact figures of roads where the funds have not been spent. I have actually visited a few of the locations where the funds have not yet been spent and big barriers are to do with land acquisitions, so negotiation with owners, and as Councillor Strange indicated, the delays in—this not just in the wheatbelt; it is throughout the state—it is a relatively complex process for local governments to manage our road network because we have to deal with lots of external agencies we rely upon their efficiencies, or otherwise, in dealing with their applications for the relocation of power networks, drainage networks and roadside vegetation. Invariably, that is where we experienced significant delays. I am not saying that the sector is perfect in managing and having oversight for a perfect construction, but the lion's share of the delays in our process is related to external agencies. I touched on it briefly before, one of the difficulties that country shires in the wheatbelt face is this capacity issue. They employ a workforce whose role is to manage their network and then there was this extra allocation of funds and the councils had to make a decision about, whether to completely stop their works and focus on expending these funds, which we obviously encourage, but the outcome of that was their own road network would then fall into disrepair. On the question of whether the funds allocated were sufficient, no, and it cuts across several areas. The first premise is that the fund allocated in the wheatbelt specifically to maintain the road network is already \$63 million less than what it should be to maintain the status quo. That is without extra cartage of grain on the road network and that is without widening and upgrading the standard to a higher RAV network access. We were generally pleased that the state government's investment of \$114 million was fairly closely aligned with our Cardno report, because we put a lot of science into our Cardno report. We engaged industry and we engaged local

governments, and we said, “Well, if you’ve got two roads running parallel, why are you maintaining both to a high standard? Let’s pick one.” So it was about being smart with a limited pool of funds and, in the main, the state government’s decision on the allocation of the roads did align with Cardno report that we prepared, but there was some variation to that expenditure.

Mr Duncan: I will just add a few numbers and quantify some of those things. You referred to the \$118 million, which was the original road investment. My notes here indicate that \$51 million of that was state roads, managed by Main Roads, and you will obviously ask them that question, but my understanding is that that has all been spent. There were \$67 million allocated to local government roads and my understanding is that as of last month 80 per cent of that has been expended and there is about 20 per cent remaining. The vast majority that relates to the Quairading–Cunderdin road, which Mayor Pickard has talked about several times in terms of some of the barriers to constructing that. In terms of whether the right roads have been proven to be used, I think it is probably early days yet, because, obviously, as we had referred to a number of times, the grain freight task is in a state of flux. There are a couple of areas that I think local governments are observing that are of concern. Probably the area to the north-east of Narrogin is of particular concern, where the strategy was that that grain would move north to Brookton, and I think we are not observing that at all at the moment; whether this is a short-term aberration or not, we are observing that grain moving west to the Albany Highway to Kwinana, so that has not worked in the same way. I will leave you to talk about Bruce Rock–Shackleton, but around the Quairading–York area, I think some of the grain flows are a bit different to what was anticipated, but I understand that that road upgrade is still not complete in that area. So I do not think the Brookton strategy has been demonstrated thus far to be clearly working in the way it was conceived in that report some five years go now. There are a number of things that needed to be put in place to make that happen, including the fast-rail loading facilities and investment in the rail sidings both in Brookton and Kellerberrin. Those elements of that package have not been proceeded with at this point in time. Perhaps Steven would just like to talk about the flow of grains in that Merredin area.

Mr Strange: Generally, local governments in the wheatbelt have become policemen in all of this, because contractors have taken liberties and will continue to do that. They are straying off the grain freight routes. I would certainly say that CBH have had a change of mind in some areas where they want the grain. Coming from the Cardno report, where we mapped out where they did want their grain—in our case, Kellerberrin—and they are now perhaps looking at Merredin. It throws in a lot of confusion and, of course, those costs will always come back to the local government because it is on local roads, and the cost will be borne by the local ratepayer or the grain grower. So, yes, I fully endorse what has been said. If I could go back, chair, to your comments with regards to the initial report, yes, I think there probably would be many red faces if they were around the table now, but things have changed. Growers have invested in rolling stock and the future looks quite bright. Government and Brookfield are also saying that CBH are not using the lines. There are a lot of games being played out there and, as a grain grower, I am stating that when grain was trying to be moved on rail during harvest, when there were some big tonnages coming in to those the receivable points, John Holland, or Brookfield, decided that maintenance on those lines was needed then and there and it was stopping the CBH trains operating out of those sites, and that could be for a week. Certainly, in our case that meant 4 000 tonnes of barley had to be transported out by road on the local road and a state road where initially all the planning was done by CBH to take it out by rail, and far more efficiently because they were loading by night and shifting the grain where trucks are just travelling all day and hindering the harvest in that area. There are a lot of games being played in all of this, so we get to the end of the day where not as much grain is moved on rail as we would like, as CBH would like, and, of course, it goes in favour of Brookfield’s decision.

Mr R.S. LOVE: Perhaps, Steven, you might explain what the grain freight group actually is, just very, very briefly.

Mr Strange: It is not a formal group of WALGA; however, we are more of an information gathering group, if you like. Certainly since deregulation, a lot of things are happening with grain freight and we do have new players in the field, so we try to get up to speed with what is happening and, with a crystal ball, try to surmise how some of the grain might move, such as with Bunge opening up, the effect that would have on the governance of the south, or where is their catchment; and the Louis Dreyfus purchase there—what are their plans? We see ourselves as an information gathering group and feeding that through to WALGA. Certainly, Ian and Paul have been very involved with that group as well. There is a lot of local information by our membership fed in and certainly through WALGA in grain movements.

[3.10 pm]

Mr R.S. LOVE: Just on the Cardno report that was referred to before, have we got a copy of that report? That is going to be provided?

Mr Pickard: It will indeed.

Mr R.S. LOVE: I was just sitting here thinking when Kalamunda were talking earlier, have there been discussions between your group, for instance, and council—Kalamunda—about reclassification of that road? Does WALGA support that attempt by the shire?

Mr Duncan: Certainly, at an officer level, there has been, so, yes, I think we have an understanding of where they are at and the Shire of Kalamunda is not in the unique situation with regard to the reclassification of local roads.

Mr R.S. LOVE: That brings me to the next point. Are there any thoughts of certain local roads that perhaps are in the wheatbelt at the moment that might be more appropriately considered as a state responsibility, especially if the additional task of what has been a partly state-funded asset in tier 3 rail is to close?

Mr Pickard: It is a good question and I think it actually comes to the core of local government's existence, which is indeed managing and maintaining our road network. I think it is fair to say that there is a growing appetite in the sector to consider requesting the government to reclassify some of the local road network to a state road network, and that is on the basis of the inability of wheatbelt local governments in particular to fund the road network with this increased cartage of grain on the local road network as a result of the closure of tier 3 and the increased vehicle movements. At this point in time, they fund 65 per cent of what is required, so there is a 35 per cent gap—this backlog each year that I referred to. If the wheatbelt councils were to spend the funds that are required on the road network, they would need to, in theoretical terms, spend 100 per cent of their revenue on the roads, so that is not even paying for administration, let alone all the other services that communities demand in local government. Given the overarching concern about the recent decisions to freeze federal assistance grants and reduce the vehicle licence fee allocation to local government by \$70 million over the next three years, these issues, coupled with increased movement of freight on the local road network, are raising serious concerns within the sector. That is stimulating these conversations about, "Well, we don't have the physical capacity to raise the funds from our rate base; how do we maintain the road network so that we can put our hand on our heart when we go to bed and say that we have a safe road network for our communities and for the users of the road?" It falls into two spaces; the state government providing some additional funds to make that happen both in the upgrade and in increased funding for maintenance or, alternatively, handing over that asset to the state so that it is no longer a local government responsibility.

Mr R.S. LOVE: So the level of impost on the rate base would exceed what would be considered the ability of the shire to actually raise reasonably.

Mr Pickard: Most definitely. It is beyond the financial capacity of a local community to fund the upgrade and maintenance of the local road network as a result of the impact, with the condition of the roads due to freight movements—unaffordable, unsustainable.

The DEPUTY CHAIR: Under a closure of tier 3?

Mr Pickard: Correct, yes.

Mr Strange: Certainly, just to reinforce that point, I think it was mentioned at Bruce Rock about the 10 per cent or 15 per cent rate increase. In one case, one shire has quoted 32 per cent with regards to just maintaining these grain freight routes.

Mr J. NORBERGER: I was just wondering if I could maybe bring up the issue of interface agreements. Obviously, some submissions have been made to the committee in relation to them. What is WALGA's understanding of these interface agreements, particularly as they apply to lines that become non-operational? Could you please update the committee on any progress and negotiations between your members and Brookfield?

Mr Duncan: I am happy to talk to that. Interface agreements, as I think members of the committee are aware, are a requirement under the Rail Safety Act. I think our members are making reasonable progress with Brookfield and the other rail providers to implement those interface agreements. Our view is fundamentally that they are not about costs; they are fundamentally about making sure that there are agreed responsibilities for safety at those interfaces where the road and rail cross, and the allocations of costs are actually dealt with under other acts and other regulations. I think that a number of people would feel there is a degree of nonsense around developing an interface agreement around a rail line that has not had a train on it for many, many years and is unlikely to have a train on it for many years into the future, but that is the requirement under the act at the moment. That does not apply only to tier 3 rail lines; there are in the south west a number of rail lines that cross roads that have not had trains on them for many years.

Mr R.S. LOVE: I think it is actually a requirement that consideration be given to forming such an agreement. I do not think there is an absolute requirement to have that agreement, is there?

Mr Duncan: It depends on who you talk to. I think the Office of Rail Safety would be of the view that you would need to justify why you do not have an agreement.

Mr R.S. LOVE: Not having an operational train line might be a pretty good reason.

The DEPUTY CHAIR: At the hearings in Bruce Rock, we heard of an instance where the minister overruled the shire's decision not to allow large road trains on local roads. Is WALGA aware of any other instances where the Minister for Transport has overturned a local government decision such as that?

Mr Pickard: Again, I will ask Ian to comment on this. I am aware of that particular example. In that instance, the minister was actually right. Mr Duncan.

Mr Duncan: No, I am not aware of other instances in recent history where the minister has overturned the process which is quite well established between local government and Main Roads governing restricted access vehicle networks.

Mr R.S. LOVE: What do you mean—the minister was right?

Mr Pickard: We did not. I was briefed on the circumstance and the rationale for the minister overruling and we decided not to intervene and advocate on behalf of our member to request the minister to overturn this decision. We accepted his decision, and Ian knows more of the technical elements of the request.

Mr Duncan: If we are talking about the same decision, this was a decision to reduce the level of access. There had already been a technical assessment of those roads. The vehicles of that configuration had been operating on the roads that we are talking about for some period of time.

It was a request to reduce that without, I guess, evidence provided that that initial assessment of the capability of that road was wrong.

Mr R.S. LOVE: So, if the funding is not sufficient to maintain the assets in their current position, presumably over time there will be more of those requests made. Will WALGA continue to not advocate on behalf of its members in that situation or would it look at an evidence-based decision as being the key to whether or not you become involved?

Mr Pickard: In the first instance, we would be working with our members to determine what our advocacy is, and if the funding is inadequate to maintain the road network, changing the RAV is not going to actually solve the fundamental challenge that we face—that is, insufficient funds, because without any changes to the road network, we are already \$63 million short a year to maintain the road network. There are various tools available to us strategically and the RAV network is one; handing the network back to the state is another. If we executed such a campaign, we would do it in a strategic fashion. I have been president for just over four years, but I have been intimately involved in this particular issue before—in fact I would say, four separate ministers over this issue—for six years in total and I am not aware of a local government over that time frame that has attempted to change the network that has been rejected.

[3.20 pm]

Mr Duncan: I think it is worth making the point that what we are talking about here is road wear. At the risk of simplifying a very complicated area, simply changing the RAV network and forcing the use of two small trucks where previously there was one larger truck does not necessarily eliminate or reduce that road wear. In fact, in some instances, it can make it worse.

Mr J. NORBERGER: There are more axles and more tyres going over the same bit of road if you are going from one truck to two.

Mr Duncan: That is the point; it can actually be worse. As I say, it is a very complicated area and there is a lot of science behind that, and a simplistic solution of simply changing the RAV network to a lower classification does not necessarily reduce the road wear or the cost impact on local government.

The DEPUTY CHAIR: Just coming again to the access restrictions on those roads, what time frame would you put on the access road restrictions for road trains in the wheatbelt? What time do you think is left before you actually put restrictions on roads that are incapable of carrying the tonnage of freight that we are talking about, on the basis that the tier 3 rail closures come in on 30 June, therefore, going from that point on?

Mr Pickard: My overarching comment—Ian has obviously got more detail—is that our Cardno report focused on using our RAV network to drive traffic down preferred routes. Again, it is one of the few tools we have with trucking operators to say, “No, this is the road we will use”, because that is the road that we will widen, upgrade and maintain to that standard to help cart the load. WALGA does not have any regulatory powers over local government and, ultimately, it is a decision for individual local governments make. I think it is fair to say, too—CBH, I am sure, would not be concerned if I state this—for some unknown reason, CBH had a perception that our Cardno report would deliver a RAV 7 network of preferred strategic routes. It was never designed to deliver a RAV 7 network, and if you wanted a RAV 7 network, the funding call would be significantly more than that which we landed on. The other barrier with the RAV network is what it feeds into; for instance, it would be pointless for a local government road to be RAV 7 if it fed into a state road that was a RAV 5. It would be pointless to have a road RAV 7 network local government for that purpose. We made that point to CBH when we were in discussions with them. But, specific to time frames, that is a broad overview.

Mr Duncan: I am not sure that it is possible to estimate that with any degree of reliability. For example, we surmised that local governments would be directing their resources, limited as they

are, to keeping those prime routes in the best possible condition that they can. I suspect the pressure will come from transport operators and the transport industry that those roads have deteriorated to such an extent that they are becoming clearly unsafe and are impacting on their vehicle operations long before a local government actually took the decision to close a vehicle road to heavy vehicles.

Mr Pickard: If I may, chair, just add to that. The challenge that we and many local governments face is that the councils that sit around the table, particularly given they are small communities—invariably, the farmers understand that changing the RAV network is going to impact on not only the transport provider, but also the farmer.

Mr R.S. LOVE: I have a couple of more specific questions, but one general one for a start. As a WALGA person, specifically to WALGA themselves, what is the standard of understanding of country local governments as to their true asset management requirements? Many have gone through the community strategic planning arrangements. Do you feel that they do now have a solid understanding of the true task of their asset management or do you think there is still some lack of robustness in some of the figures around the true costs of maintaining the networks out there?

Mr Pickard: We run a software program called ROMAN—now ROMAN II—that is jointly funded through the vehicle licence fees. That provides a very powerful tool for local governments to capture data to better understand their road network and the associated costs of maintenance and, indeed, upgrades and renewals. There has been a significant improvement, I would say, particularly over the last five years, with the understanding of assets generally within local government, and tools such as ROMAN are valuable to help them in that direction. From an elected member perspective—Ian obviously deals with the administrators of local government in the management of ROMAN II and other tools—the integrated community strategic plan framework has definitely enforced upon elected members the need to better understand asset management, maintenance and renewal of all assets, not only the road, but obviously community facilities as well. From my perspective, there has been a significant improvement in understanding, and ROMAN has definitely assisted to inform not only local governments, but also the state on their investment. The figures that we are providing to you as a result of the software and the input the local governments give us, help inform better the policy investment decisions.

Mr R.S. LOVE: I was going to ask you if you have a consolidated figure of these total amounts within the subregions that we are talking about. Do you have those figures?

Mr Pickard. Yes.

Mr R.S. LOVE: Is that what you have been using?

Mr Pickard: Exactly, and we are able to extract that out. The data that I have shared with you is specific to the wheatbelt, but obviously we have that data for each region in the state. We know the backlog, the investment and the percentage of the funds that they spend on maintenance versus upgrades and new roads, which all helps to inform good policy decision-making.

Mr R.S. LOVE: It is a pity that the representative from the Avon–Midland zone is not here, because I would like to ask briefly, on the Miling line—I should say that I represent that area in its entirety—the tier 3 rail network has had some investment in road infrastructure. I know you can argue around the edges whether it is adequate or not, and I accept that most councils would say it is not. Nonetheless, there has been that investment. In the case of the Miling line, there is no such road investment being undertaken. I wonder if you have a comment about the extra cost to those councils that have not had any assistance to make other arrangements. When we look at the SGNR, the first obvious route for Miling grain was the thought that it might be road-transported to the Moora bin through local government roads. Obviously, there is a significant cost that will be involved in that, being the largest bin on the line. Would you like to make some sort of comment around that and where that money should be looking to come from—growers, CBH or where should local governments be looking?

Mr Pickard: It is a very good point, because our Cardno report focused on the impact on the local road network relative to the tier 3 closures; indeed, there is the whole freight network that local roads are impacted by the carting of loads—all loads, whether it is grain, or other commodities—onto the rail network. I created a policy forum and the focus of the policy forum was to develop this report—this mapping exercise. I have indicated that the sector—I have been out for expressions of interest for ideas of the terms of reference—should create another policy forum to effectively expand the work of the Cardno report so that it covers the broader freight issues and the impact of freight cartage on the local road network, particularly feeding into rail terminals. We do not have that information, but the work that that body would be focused on would achieve just that. It is exactly what we would achieve to quantify the investment required to develop, in the first instance, strategic routes and then, in the second instance, to upgrade those strategic routes to a standard capable of carting loads. If it was not at that standard already, that work would form part of another body that the policy forum would explore, particularly also capturing the change in adding Bunbury into the equation as well. When the Cardno report was finished, Bunbury was not on the table at all.

[3.30 pm]

Mr R.S. LOVE: What is the time line for those expressions of interest?

Mr Pickard: That has closed. We are in the process of finalising the terms of reference and then going out for membership for that. To be brutally honest, the biggest challenge for us is funding. As an association we have been impacted by tough state and federal budgets. The biggest challenge will be resourcing. I anticipate that we will need to again partner with the development commissions and seek significant financial contribution from them to allow us to advance another body of work, Cardno 2, so that that can then inform advocacy. But what is also important as part of any subsequent body of work to Cardno is to re-engage stakeholders—Brookfield and CBH in particular—so that we have an alignment of investments so that we know CBH's plan for where it proposes, in the grain sense, to invest funds in its receival points and bins so that we are strategic in our limited spend of funds. We welcomed CBH's participation engagement in the Cardno report. We have subsequently met with them and they have indicated that they want to continue to work in collaboration with us.

Mr Duncan: I will just add one brief point. You would have read in the strategic grain network review that the issues around the Miling line were anticipated. I think our concern would be that a decision about the future of that should perhaps be a government responsibility rather than the responsibility of CBH and Brookfield, because the alternative implication is local government roads. It is effectively a mini-strategic grain network review question in that area.

Mr R.S. LOVE: I think it illustrates that corporate knowledge disappears over time. People seemed to have been taken by surprise when that situation was manifesting when it was quite clearly in the SGNR.

Mr Duncan: It was anticipated five years ago; that is right.

Mr Sullivan: Just to support what the president has just elaborated on in relation to the ever-increasing maintenance costs on our ratepayers for maintaining roads, the committee might be interested to know that based on the financial year 2012-13, when I looked at the final figures on road maintenance spending for that particular year—our asset management system is capable of dividing expenditure into maintenance on roads and what we call ancillary maintenance, which is the subsequent expenditure on signage, line marking, kerb damage, crossovers—in total we had \$1.8 million. That is just roads in the built-up areas, because we look at our road portfolio as the built-up area and the non-built up area. Just looking at the roads in the built-up areas, we spent just over \$1.8 million on direct road maintenance to the pavements and just over \$2.5 million on the ancillary maintenance. We have thousands of kilometres of road in the Shire of Kalamunda, as you can appreciate. The section of Abernethy Road that we are talking about is barely 9.8 kilometres. In the financial year 2012-13, we had to spend \$95 000 just on that short section of road.

In consultation with our industry partners at CBH—they have, as you know, a substantial storage capability on the site of about 200 000 tonnes. Even if you look at all three vehicles classified in level 7 of the RAV network, the gross mass tonnage that they have the capability of is 107.5 tonnes maximum load. That is just one vehicle, so you can imagine the amount of damage that that does to a pavement. That helps to illustrate the president's point that local government has meagre funds to spend and we have to direct our road maintenance funds to primarily the roads where most of the risk and most of the danger is—for example, Abernethy Road.

The DEPUTY CHAIR: This question is for the Shire of Kalamunda. In your request to have Abernethy Road handed over to Main Roads for responsibility, did you approach the minister?

Mr Sullivan: No, we did not. That was an informal discussion between me and the road classification manager at Main Roads. That discussion was on the basis of whether Abernethy Road fundamentally satisfied the criteria. There are five or six of them detailed in the Main Roads Act; and, yes, it does—quite clearly. But the fundamental issue is the commissioner's decision based on funding.

The DEPUTY CHAIR: That is the feedback that you have had, but you have not taken it up with the minister?

Mr Sullivan: We have not taken it up with the minister yet.

The DEPUTY CHAIR: This question is to Troy and WALGA. Would you like to make any comments about the PTA's roles and responsibilities as the other signatory to the contract with Brookfield?

Mr Pickard: It would be best to ask Ian to comment on that. I have had limited involvement with PTA over this issue. The only involvement that I had was relative to the allocation of the \$180 million and the portion out to local government and advocating on behalf of the sector to encourage the timeliness of approvals from Main Roads because PTA oversaw that particular allocation of funds. That is the only involvement that I have had with PTA.

Mr Duncan: From the perspective of local governments, we do not know what we do not know. It is inappropriate for us to talk about the performance of PTA in terms of either designing the leaseholder agreement or managing that leaseholder agreement over a period of time. We can read the Auditor General's report—we have read the Auditor General's report—but really we do not have any firsthand understanding of either the content of that agreement or the performance of either the leaseholder or the PTA against it. I do not think we can add anything to assist.

The DEPUTY CHAIR: That brings things to a nice conclusion! With that, I will make a final closing statement.

Thank you very much for your evidence before the committee today. A transcript of the hearing will be forwarded to you for 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.

If committee members did not get through all their questions, are you happy, Troy, if we forwarded them to you or to the Shire of Kalamunda?

Mr Pickard: Yes, definitely.

The DEPUTY CHAIR: Thanks very much for your time.

Hearing concluded at 3.38 pm
