

**STANDING COMMITTEE ON  
ENVIRONMENT AND PUBLIC AFFAIRS**

**PETITION NO 145 — CLOSURE OF TIER 3  
NARROW GAUGE RAIL LINES IN THE WHEATBELT**

**TRANSCRIPT OF EVIDENCE  
TAKEN AT PERTH  
THURSDAY, 26 APRIL 2012**

**SESSION THREE**

**Members**

**Hon Brian Ellis (Chairman)  
Hon Kate Doust (Deputy Chairman)  
Hon Phil Edman  
Hon Colin Holt  
Hon Lynn MacLaren**

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**Hearing commenced at 12.34 pm**

**GAYNOR, MR ANDREW**

**Director, Freight and Logistics Policy, Department of Transport, sworn and examined:**

**HARVEY, MR BEN**

**Acting Executive Director, Transport Policy and Systems, Department of Transport, sworn and examined:**

**MILLER, MR BERNIE**

**Midwest Regional Manager, Main Roads, sworn and examined:**

**The CHAIRMAN:** Thank you, gentlemen, for coming in for the hearing today. I have to ask you to take either the oath or the affirmation.

[Witnesses took the oath or affirmation.]

**The CHAIRMAN:** Can you please state your full name, contact address and the capacity in which you appear before the committee?

**Mr Gaynor:** Andrew Gaynor, director of freight and logistics, Department of Transport, 140 William Street, Perth.

**Mr Harvey:** Ben Harvey, acting executive director of transport policy and systems, Department of Transport, 140 William Street, Perth.

**Mr Miller:** Bernie Miller, regional manager, Main Roads, midwest region, Eastward Road, Geraldton, but in the capacity that I was the regional manager, wheatbelt south, based in Narrogin up until Easter this year.

**The CHAIRMAN:** You will have signed a document entitled “Information for Witnesses”. Have you read and understood that document?

**The Witnesses:** Yes.

**The CHAIRMAN:** These proceedings are being recorded by Hansard. A transcript of your evidence will be provided to you. To assist the committee and Hansard, please quote the full title of any document you refer to during the course of this hearing for the record. Please be aware of the microphones and try to speak into them. Ensure that you do not cover them with papers or make noises near them and speak in turn, one at a time. I remind you that your transcript will become a matter for the public record. If for some reason you wish to make a confidential statement during today’s proceedings, you should request that the evidence be taken in closed session. If the committee grants your request, any public and media in attendance will be excluded from the hearing. Please note that until such time as the transcript of your public evidence is finalised, it should not be made public. I advise you that publication or disclosure of the uncorrected transcript of evidence may constitute a contempt of Parliament and may mean that the material published or disclosed is not subject to parliamentary privilege.

Firstly, I apologise that we are running a little late. So thanks for bearing with us. We are holding these hearings more as information gathering for members of the committee who want to be brought up to speed on what the tier 3 debate is all about. It is reasonably informal. I am going to hand it over to you to perhaps bring us up to speed from your perspective on where you think the tier 3 argument is at this stage. I know we had the strategic grain network report earlier on, but the

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hearings we have had so far are saying that things have changed quite a bit since that first report. Is that how you see the situation? I will ask you to perhaps give your presentation now or your opening delivery if you wish.

**Mr Gaynor:** The position is what the government has undertaken through the Strategic Grain Network Committee review, and that is that the tier 3 lines were unviable; and that they will progressively close over the coming 12 months, notwithstanding they were extended for 12 months due to the large harvest that the minister authorised; and that there is a series of road upgrades being undertaken to accommodate those grain movements to viable lines, being the standard-gauge line, known in rail terms as the eastern goldfields railway, and to the Avon–Albany line, which is known as the great southern railway, primarily at Brookton where those grain receivals will be transferred onto rail for the journey to port. Bernie can talk about the road operators as being Main Roads if you wish.

**Mr Miller:** We commenced the road upgrades last financial year. There is a mixture of both state and local roads that are being improved. Those routes were identified prior to the government announcement identifying the least-cost pathways from the bins that were on tier 3 lines and basically getting them straight to a railhead at either Brookton, Kellerberrin, Merredin or Cunderdin. We have been working with the local governments in identifying the scopes of improvements that needed to be undertaken to those roads, and work commenced this year really in earnest. We did some preliminary stuff last year. We have got about three or four projects that are underway on the state network right now. There are 14 local governments that are involved in the delivery of works and they are delivering works as we speak. My understanding is that at the end of March we had spent over \$9 million of the program already on those improvements.

**Hon KATE DOUST:** What is the total cost of those upgrades?

**Mr Miller:** It is \$118.372 million. That is \$104 million of improvements and \$14 million of maintenance.

**Hon KATE DOUST:** And do the local governments involved contribute to those upgrades as well?

**Mr Miller:** No, they do not.

**Hon KATE DOUST:** It is all just state government.

**Mr Miller:** Yes, it is.

**The CHAIRMAN:** And to what standard?

**Mr Miller:** That was one of the things we went through during the consultation process. Predominantly, the works are in the wheatbelt south region. There are some in the wheatbelt north region around Northam. We have adopted the regional road group standard for road improvements, which is a seven metre-wide sealed road on a nine-metre formation, and that has been the minimum standard we have adopted. We believe that will provide a safe road for the truck movements that are going to be occurring on those roads.

[12.40 pm]

**Hon KEN TRAVERS:** Seven metres sealed?

**Mr Miller:** Seven metres sealed, yes.

**Hon KATE DOUST:** We heard evidence this morning that in some of those areas there are some real concerns about the quality of the roads if there is going to be an increase in truck traffic there. We had a couple of examples provided to us of where people had been driven off roads or had had to move off roads and had had incidents just to avoid trucks. The SGNC report was finalised in 2009. I understand that no consideration was given to a road safety impact analysis during the time of that committee. Why was that? If you were going to be putting all of this grain onto roads, why did they not look at doing a road safety impact analysis?

**Mr Gaynor:** Perhaps I can start there. The report was primarily to determine the investment profile between road and rail based on the viability of the rail network, so in that context it was an economic analysis. However, it was considered in the context of the report being an economic report that there would be additional trucks on the road. I guess that is where it comes to Main Roads about working out the size or width of those roads to accommodate the additional trucks and the types of trucks that would be on the roads when those rail lines close.

**Mr Miller:** I mean, the majority of the improvements that we have identified, and particularly on local government roads, whilst they are improving the standard of the road, there is an inherent road safety improvement that goes along with that anyway. I was not privy to whether we would do a road safety analysis or not as part of the SGNC, but certainly in the assessment of what needed to be done to the roads there are width improvements, pavement improvements and geometric improvements, so poor curves, both vertical and horizontal, are being treated as part of the program. All those things have a road safety benefit to them.

**The CHAIRMAN:** Really, if you are building any road, obviously road safety is the major priority of the road.

**Mr Miller:** Yes.

**Hon KEN TRAVERS:** But I think people are asking whether you compared the road safety impacts of carting the grain by rail versus carting it by road, and the comparative safety analysis in that regard as to which is likely to lead to the greater number of accidents and have the greatest impact in terms of road safety. Was any work done in that regard?

**Mr Harvey:** In the context of the Strategic Grain Network Committee review? No, that specific work was not undertaken in that context, as you referred to.

**The CHAIRMAN:** It was mainly about the economics of road versus rail.

**Mr Harvey:** Yes, it was, but as noted, the road improvements are designed to make the roads safe for the increased truck movements. That is how they are determined. That is how it was determined where the funding would go to make sure that the roads that were identified as having the additional truck numbers would be up to task for that, which includes, obviously, safety considerations.

**Mr Gaynor:** Could I just add something, if I may? This debate is quite often about the frequency of additional trucks on the road. We need to understand where those trucks are moving. In some shires there will be a lot less trucks, and as it gets towards Brookton there will be more trucks. That is where the consideration of the geometry of the roads needs to be taken into account to accommodate that frequency. That is where the safety debate quite often comes to us; it is about a frequency thing and not necessarily about the size of trucks that will be on the roads.

**Hon KATE DOUST:** I was just going to ask about the cost comparison between freighting grain on rail or on trucks. When was the latest piece of analysis done on that on a cost comparison by the department?

**Mr Gaynor:** By the department. It was the Strategic Grain Network Committee review.

**Hon KATE DOUST:** So back in 2009?

**Mr Gaynor:** Yes.

**Hon KATE DOUST:** Okay. Evidence given to us today is that things have changed significantly since that time. Obviously, they had a significant increase in their harvest. I am just surprised that there has been no further work done since 2009. We have been told today that it is pretty much on par or would be better with the new trains and carriages that are about to be brought online. So the department has not done any work in that regard at all?

**Mr Harvey:** As part of the process with CBH purchasing their new rolling stock, which I presume is what you are referring to, we did have discussions with CBH about that. They were advocating

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that the government should be investing in the tier 3 lines. We worked with them in terms of putting a business case together. However, the business case that they presented to government was not considered sufficiently strong for the government to change its position in terms of the investment. Obviously, this year is a big year as a harvest, but the SGNC report was based on an average harvest year, which averaged out high and low yields.

**Hon KEN TRAVERS:** Was that business case analysis done on the impacts for the state government or the impacts for the industry? In terms of the analysis of the business case, did it take into consideration what the impact for the industry in terms of additional costs might be by having it transferred to road rather than being carried by rail, which would be cheaper?

**Mr Gaynor:** Sorry, I am just a bit unclear about what you are saying.

**Hon KEN TRAVERS:** I am asking: in terms of the analysis that was done internally within the government, did you purely look at it from the perspective of what the cost for the state would be or did the government take into consideration what the financial impacts on farmers would be in terms of higher transportation costs for their grain?

**Mr Gaynor:** The Strategic Grain Network Committee review looked at that on the basis of the least-cost pathway for growers to get their grain to port. So based on that as the premise, the analysis was undertaken about what would be more competitive—rail versus road—across the network. That analysis showed that if the re-sleepering was undertaken on the tier 1 and tier 2 rail networks, that would maintain a competitiveness over road. On the tier 3 network, despite re-sleepering, it would still not be competitive with road and therefore growers would choose the least-cost pathway, which would be road all the way to port.

**Hon KEN TRAVERS:** The farmers are saying that that analysis in the Strategic Grain Network Committee report was wrong. I assume that was what they were trying to demonstrate in the business case. If that was not what the business case was looking at, what was the business case actually looking at? Just the pure cost to government of road versus rail upgrades within a very narrow set of parameters? Did it look at that cost to farmers in terms of the supply chain?

**Mr Gaynor:** It looked at it in terms of which would be the least-cost pathway and therefore where should the investment be made that would be utilised by the growers. I guess it looked after the growers' interests in terms of where the investment would be most appropriately made to give them the least-cost pathway.

[12.50 pm]

**Mr Harvey:** It should also be noted that the WA Farmers Federation and CBH were both on the Strategic Grain Network Committee and signed off on the report.

**Mr Gaynor:** And CBH.

**Hon KATE DOUST:** Now they are saying that it is outdated and whatever was happening at that point in time is not necessarily applicable to now, given their change in circumstances and change in things like fuel costs as well. They are obviously lobbying fairly hard to try and get that changed, but it just seems that government has made a decision based on 2009 detail and is just moving ahead, whereas the farmers, through CBH, are now saying that things are different and they want to go back to having the tier 3 back on stream and are looking to upgrade them.

**Mr Gaynor:** I think the point needs to be made that CBH put a business case in, and the government gave them that opportunity to put in a business case to demonstrate if the tier 3 lines were viable or not post the Strategic Grain Network Committee review, and that business case was not robust and was not accepted by government to demonstrate beyond doubt that the tier 3 lines would be now viable and warranted a re-sleepering investment, and so, on that basis, the government rejected the business case put by CBH.

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**Hon KATE DOUST:** How involved was the Department of Transport in giving advice to CBH in formulating their business plan?

**Mr Gaynor:** When CBH first came to the government and said, “We believe that we have a case to government to re-sleeper the tier 3 network because we believe it is now viable”—that is, CBH believing it is now viable—the Department of Transport was asked to offer assistance to CBH. We actually said at the time that we required the business case to be within the guidelines of Treasury templates, similar to what was used for the business case for the road and rail investment back in 2010 for the state and commonwealth governments to consider the investment in the road and rail network. CBH did not use that template. We then gave them further advice, which is in the response that we gave to the committee, that we believed that they needed some external help with that, or expertise, and that was used to some limited extent, but not in the fashion that we believed needed to be done. Hence, when the proposal was put in—namely, the business case—it was not sufficiently robust under those guidelines that we required to be submitted to Treasury and then ultimately for the government to consider a redirection of investment.

**Hon KATE DOUST:** As they were working through the process of drafting the business plan, did they come back to the Department of Transport and show you the drafts of their plan just so that you could see how they were tracking with it?

**Mr Gaynor:** Yes, they did show the first draft, where we said that, first, it does not have the right information in there, consistent with due consideration by the government of the business case; and then, secondly, that was when we advised them that they needed this further body of work to be undertaken before the final draft was submitted to government, and that was not undertaken as we required it to give it full consideration. Therefore, it lacked the information required to truly test the viability of the tier 3 network.

**Hon KATE DOUST:** What was that missing information?

**Mr Gaynor:** It would be long for me to go into, but there was a number of—the cost benefit between the investment and the benefits of a business case. I guess that is the crucial thing, and that is what we had to undertake for the state and commonwealth governments to release the funds for the rail and road network to demonstrate that there were true cost benefits for that investment.

**The CHAIRMAN:** So, probably coming back to Ken’s original question, then, you really got two business cases. The first one was done on a least-cost path for the delivery of the grain. I would have thought that CBH would have taken into account the cost to the farmers, but that was not in their case?

**Mr Gaynor:** I am sorry; I just need to answer a slightly different way. It was about demonstrating that the tier 3 network—the rail would be competitive over road as the least-cost pathway, therefore proposing to the government that it would be a sound investment to re-sleeper the tier 3 network, as opposed to doing the roads, to move that grain by road to viable rail lines, which was articulated in the Strategic Grain Network Committee review, and that is what the government was looking for: demonstrate to the government that this is a sound investment of public funds to show that the least-cost pathway will now be rail, not road, on those tier 3 networks.

**Hon PHIL EDMAN:** Sorry; what are the economic advantages again?

**Mr Gaynor:** The economic advantages are to the growers. The growers will use rail over road if it is more competitive.

**Mr Harvey:** Recognising that CBH is moving the grain for the farmers and therefore is wanting to demonstrate that it is actually cost effective to move it on rail, or at least as cost effective as road, and so they were trying to demonstrate that rail was now as competitive as road in terms of the transportation costs for the grain.

**Hon PHIL EDMAN:** That is not what we heard earlier.

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**The CHAIRMAN:** They would have pointed out, I would have thought, that if it was not moved on rail, there is an additional cost to the farmer to do it on road—the cost of actually closing those rails and those bins. The bins would still be there, but all the grain would have to be moved on road, which is an additional cost to the farmer through the cost on to CBH.

**Mr Gaynor:** Sorry; I just need to clarify: are you referring to the cost of converting the rail bins to road bins?

**Hon KATE DOUST:** Yes.

**The CHAIRMAN:** Yes.

**Mr Gaynor:** That is an additional cost to CBH, but the issue for the government was that if the rail lines were re-sleepered, the farmers would not be taking that grain to those bins; they would be bypassing those bins and going all the way by road to port, because that would be the cheaper option.

**Hon KATE DOUST:** But that is not what they are saying to us.

**Hon PHIL EDMAN:** That is not what they said to us this morning, no.

**The CHAIRMAN:** Just to clarify that, we had a few farmers in here earlier. They will go to the cheapest place to deliver the grain, and that is not necessarily to the port. They will deliver to the bin. Then it is CBH's problem to deliver the grain. So it is not the farmers going to the port; it is CBH, which is a cost to the farmers in the long run.

**Hon PHIL EDMAN:** Is there any economic advantage to the state government by doing this? You have explained that the farmers—we have heard from a few farmers, not all the farmers. But is there any economic advantage to the state government by going down this path?

**Mr Harvey:** It comes back to the government made an investment decision based on the SGNC report.

**Hon PHIL EDMAN:** I am sorry; I cannot hear you, mate.

**Mr Harvey:** It comes back to the fact that the government made a decision based on the SGNC report as to the least-cost pathways and made decisions about the tier 1 and tier 2 rail lines and the tier 3. On that basis it was decided that it was appropriate to invest in roads instead of the tier 3 network as the tier 3 network would have been unviable, and the investment decision was made in that respect. So that was all looking at the least-cost pathway that was being presented from farm gate or bin to —

**Mr Gaynor:** No, it is bin to bin. So it is not farm gate to bin; it is bin to bin, the analysis. Port is deemed to be bin as well in this explanation.

**Hon KEN TRAVERS:** Bin to bin and bin to port.

**Mr Gaynor:** Yes. So it is not farm gate to bin in the analysis.

**Hon KEN TRAVERS:** In terms of that comparison that you keep referring to in the strategic grain network review as the fundamental document you are relying on to suggest that it would be cheaper by road than rail, can you tell me what size vehicle was used in the modelling for that strategic grain network? Was it a restricted access vehicle 3, 5, 7?

**Mr Gaynor:** The modelling was done on a 50-tonne carrying capacity, which is usually a RAV 3 size vehicle. Bernie?

**Mr Miller:** That is correct.

**Hon KEN TRAVERS:** Where would we find that, because in the document it does not make reference to that? There has been a lot of confusion, and there has been a suggestion in the past that it was actually done more on RAV 7s, which are the 80 to 90-tonne, and even, I think, slightly

above, vehicles. So what have you got documentary-wise that supports that basis that it was done on 50?

**Mr Gaynor:** Mr Travers, I cannot specifically locate that right now, but I do know that within this report it talks about 50-tonne carrying capacity. I just cannot recall exactly which page it was.

[1.00 pm]

**Hon KEN TRAVERS:** Because I was on another committee where we specifically asked that question and never got an answer—not from yourselves, but from those further up the chain; and yourselves, in terms of the departmental people, still were never able to answer that question.

**Mr Gaynor:** If I look at it, then I need to table it, I believe.

**The CHAIRMAN:** If you could table it.

**Mr Gaynor:** It is a public document.

**The CHAIRMAN:** I think it is mentioned, Hon Ken Travers. I have read so much material, I am not sure whether it is in here, but I think there is something.

**Hon KEN TRAVERS:** It has been one of the great debates, as to what was the vehicle size that was used.

**Hon KATE DOUST:** Perhaps we could ask if, in your own time, you are able to provide that information about the actual size of the vehicle that was used in the modelling?

**Hon LYNN MacLAREN:** I have just searched the document and I cannot find 50.

**The CHAIRMAN:** Perhaps if you could get that information back to the committee about where it is mentioned, and if not mentioned in here, where it is mentioned what size vehicle was used as a standard?

**Mr Gaynor:** I will; I do recollect that it is in there.

**Hon PHIL EDMAN:** With more trucks on the road going to Kwinana, is the Department of Transport or Main Roads going to be looking at anything in relation to that area with the road arteries? Like you have Rowley Road and Anketell, which is single lane, is there —

**Hon KATE DOUST:** And they are not great roads for that type of traffic.

**Hon PHIL EDMAN:** Yes. So is there any foreseeable plan in the future—that is, before these decisions are made on these ports? Obviously, with more trucks coming into the state's premier industrial park to CBH, is there some sort of vision of how we are going to deal with that road network and those pathways coming into Perth?

**Mr Harvey:** We probably need to address the premise of that, because as far as the government is concerned there should not be any more trucks going into the metropolitan area. The additional trucks will be in the wheatbelt, but they should be connecting to the rail bins, and then being railed into Kwinana.

**Hon PHIL EDMAN:** And railed to Kwinana.

**Mr Harvey:** The outcome from the SGNC was not that there would be any more trucks coming into port; it was intended that the trucks would go to those upgraded rail sidings and then get railed in from there.

**Hon KEN TRAVERS:** But the issue is, are you still paying a TAP for grain out-loaded by rail from Brookton to the port?

**Mr Gaynor:** The TAP needs to probably be clarified. We have, sort of, two versions of TAP—well, one has not started yet. The first one was the transition assistance package to keep the tier 3 lines open and viable as a cost equalisation with the bin price between road and rail. That is why those tier 3s are open. As they progressively close, that TAP progressively withdraws. Then there is a



further TAP in the Brookton strategy, where once all of that grain starts moving into Brookton from the southern part of the Kwinana zone south, there will still be—based on the Strategic Grain Network Committee review—a \$1.40 a tonne differential between road and rail, and therefore there would be a required TAP for that particular exercise out of Brookton. But the view of the government was that once that is bedded down and efficiencies are gained, that will narrow even further and there will not be a TAP required. So there was an allocation of the Brookton TAP for when all of the tier 3 lines have ceased operations and the grain is coming into Brookton, and then the difference between road and rail was about \$1.40 a tonne.

**Hon KEN TRAVERS:** But is there any document that the government has where they have done that modelling that supports the claim that that \$1.40 will disappear and that you will get economies of scale to reduce it? Because, again on your own modelling, if your argument is that people will use the cheapest rate to port, how can you be assured that people will not just keep driving past Brookton and take it straight to Kwinana if you cannot get that \$1.40 saving through efficiency?

**Mr Gaynor:** I guess the only way I can answer that is that the expectation from the government was that will be a period of settling down and efficiencies will be gained, and then that \$1.40 will close. That is the expectation of government.

**Hon KEN TRAVERS:** That is your expectation, but where is the documentation on which that expectation is based? Where is the modelling on which that expectation is based?

**Mr Gaynor:** Well, I mean, we can only —

**Mr Harvey:** There is no documentation. It is more recognising that as this new strategy comes into place this settling process will occur, but obviously it is a very iterative process.

**Hon KEN TRAVERS:** Does that \$1.40 include the additional cost that will be incurred by CBH in terms of upgrading the Brookton terminal to be able to cope with the loads you are estimating will go through there?

**Mr Gaynor:** When the government entered into this, I guess, arrangement about the investment, then part of the expenditure was for rail siding upgrading, and they were at Kellerberrin and they were at Brookton. So, the government is working with CBH on an agreement, if you like, where the government would commit funds to extend the rail siding at Brookton and CBH would invest in rapid-loading facilities at Brookton to accommodate the additional trains. The modelling shows, if I have my facts right, about a 60-wagon train efficiently moving between Brookton and Kwinana and back again on a very tight cycle, so the efficiencies again—large trains quickly moving back and forth. Part of that is that CBH will be making investment at their own site to accommodate the rapid loading of that train to move it to port quickly.

**Hon KEN TRAVERS:** But is that money for those sidings included in the current allocated budget for the tier 3 replacement? There is currently an allocated budget of, I think, \$118 million, of which \$14 million is maintenance. Is that upgrade to Brookton–Kellerberrin currently budgeted by the state government?

**Mr Gaynor:** No, that CBH investment is part of their —

**Hon KEN TRAVERS:** No, but you just said that the government had agreed that they would upgrade the rail track to allow for a longer siding.

**Hon LYNN MacLAREN:** Extend the rail sidings.

**Hon KEN TRAVERS:** Yes.

**Mr Gaynor:** That money is part of the package of funds. There is \$187.9 million, which is \$176 million, if I get my mathematics right, for rail re-sleepering, and there is an allocation of \$10.1 million for rail siding extensions at Brookton and Kellerberrin.

**Hon KEN TRAVERS:** What happens at Cunderdin?

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**Mr Gaynor:** When we were doing that assessment, CBH, from my recollection, indicated that no rail siding upgrades would be required at Cunderdin.

**Hon KEN TRAVERS:** But the cost for CBH is not currently factored in anywhere? That is something that CBH is going to have pick up and then add onto the cost to farmers when they use that facility and recoup it through user charges?

**Mr Gaynor:** Yes, but I guess the counter to that is that with the upgraded facilities and the rail siding investment and the road upgrades into the Brookton site, that between government and CBH we are making that as efficient as possible to ensure that that grain goes on rail and does not move all the way by truck to port.

**Hon KEN TRAVERS:** I come back to where is your financial modelling to underpin that assumption?

**Mr Gaynor:** Well, CBH was part of the strategic grain network, and that was part of the analysis that was undertaken. CBH was a very close participant in all the economics that went into this independent report.

**Hon KEN TRAVERS:** So the government does not have that documentation? You are saying that is CBH's decision and they will hold the financial modelling for that?

**Mr Harvey:** As part of the whole SGNC process, of which CBH was part, decisions were made about where it was going to be most effective to invest in rail and roads, and recommendations came out of that. As part of that, the government was going to look at investing in various aspects—the rail sidings, the rail re-sleepering, the road upgrades—and that was the business case that Drew has previously referred to that we had to make to the state and federal governments. Then there was a component that CBH was going to commit to, which was the upgrading of the rapid-loading facilities. So, it was part of an overall package, that we would do some and CBH would do some.

**Hon KEN TRAVERS:** But I guess the point I am making is that you are saying that your assumptions are all based on CBH modelling, and CBH has earlier told this committee that their view is now that rail would be significantly cheaper than road.

**Mr Harvey:** Sure, and that gets back to the business case that they presented to government that the government considered was not sufficiently robust to warrant a change in the investment profile.

**Hon KEN TRAVERS:** But this is based on their modelling that you do not have a copy of?

**Mr Gaynor:** I think they are two separate things.

**Hon KEN TRAVERS:** No, they are not; they are interrelated. You keep referring back to that document as the bible on which you based your decision, but you tell us that some substantial information that is crucial to making this strategy work is held by CBH. CBH then come and tell you that they do not think the current strategy will work and rail is the cheapest path to port, but you will not then accept them for that. But you cannot justify your own document that you used as your underpinning.

[1.10 pm]

**Mr Gaynor:** When the overall modelling was undertaken for the strategic grain network committee review, CBH was a participant in that and we went right through the whole network and we looked at all the economics for the rail network. That was undertaken and that was provided, as I recall, on a confidential basis by CBH. Clearly, they would not like their competitors to have a look at that modelling. So, we undertook that or SD&D, who were the consultants commissioned by the Freight and Logistics Council to do that report, worked confidentially with CBH so we could understand and analyse the economics of the rail network. In doing that, part of the information that was supplied by CBH was relating to the idea of the Brookton strategy, which was the consolidation of tonnes into Brookton. So, it was an overall collaborative effort with CBH to give us the information

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or give the independent consultant the information to determine the economics of the rail network, and that was part of it. I guess what I was trying to get to was that they did supply it on a range of levels.

**Hon PHIL EDMAN:** Brookfield now have the railway line, right? Is it possible that our committee here, that we can actually have a look at the leasing contract with the state, that is if you can provide that, because I just want to see in the lease where it says “continuation of a rail service” in that agreement? Would you be able to provide our committee with that?

**Mr Harvey:** As far as I know, that is commercial-in-confidence. It is a document that exists between the PTA and Brookfield Rail. As far as I am aware, we are not even privy to that document; we are not able to see it.

**Hon LYNN MacLAREN:** I was just wondering if the investment that CBH has made in rolling stock and locomotives and its new relationship with Watco has been examined by you as for its economic value to the state in our strategic freight network.

**Mr Harvey:** That comes back to the fact that CBH had the opportunity to present a business case based on its new rolling stock and its new relationship with Watco as the above-rail operator and did not present the case that was considered appropriate to change the investment decisions that have already been made.

**Hon LYNN MacLAREN:** Not looking back to the past about the decisions that were made and the information you were privy to at that point in time, now that investment has been made, those cars are going to be on the narrow gauge line as soon as they can get them on there, so they have made that investment. Alongside your own decision to invest in the roads, we now have a significant investment on the rail transport and I am wondering whether you are going to look at that. Does that bring you cause to re-examine the current direction that the Department of Transport is going in? Because now there is a huge change in the tier 3 area and the capacity and modern trains that we are getting, are you examining that economically?

**Mr Harvey:** To some degree it is an issue of timing. The opportunity was there for CBH to make its business case as to whether or not the government should reinvest. As we have said, the case presented was not considered sufficiently robust to make a decision, so the government kept its original investment decision. The problem is, of course, the government is rolling out the investment, particularly in roads, as quickly as possible, in line with that decision to upgrade those roads consistent with that original decision in policy to make sure that the roads are appropriate for the increased trucks that will go on them. I do not think we had not—

**Hon LYNN MacLAREN:** Potentially we will not get that increase in trucks because potentially, now that CBH has invested in these new you-beaut trains, farmers may well consider that it is better to stick with the rail. What I am wondering is whether you have looked at that new situation before us unrolling and looked at the economic significance of continuing to try to upgrade the roads? Would it not be better to spend that money elsewhere?

**Mr Harvey:** I am not sure if I am answering the question exactly. One of the issues is they cannot use the rail lines. Without additional investment they cannot be used by the new rolling stock or trains, so it is sort of a catch-22 situation.

**Hon KATE DOUST:** The government needs to put the money into upgrading the train lines.

**Mr Harvey:** In the same way the government is investing in the tier 1 and 2 train lines to make them—recognising the government has had to make a substantial investment, both federal and state, to have those rail lines up to a standard that can still be used for trains.

**Mr Gaynor:** The window of opportunity was CBH when it came to the government last year saying, “We believe with our new rolling stock, the above-rail lines and with Watco,” they will become far more efficient than they were under the ARG contract. The minister invited them to

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actually put a sound business case forward that would be convincing for government to consider investment showing clearly beyond doubt that those tier 3 lines would be closed. That was the opportunity and CBH failed to provide the government with a robust business case to actually show that. That was the opportunity in June last year when they provided that to government, and in the absence of that, the minister thought that there was great risk that if that re-sleepering went forward, it was not conclusively proven that it would be cheaper to go by rail than by road, to a road–rail solution as we have articulated to the EGR and the GSR and, therefore, that the minister was not prepared to change the investment profile. So it was business as usual and the re-sleepering and the road operations continuing.

**The CHAIRMAN:** We are at that situation that, it seems to me, because the extension of the tier 3 never got tested by CBH because they did not have the rolling stock last harvest, if there was an extension of that tier 3 extension —

**Hon KATE DOUST:** Continuation of the extension.

**The CHAIRMAN:** — and CBH could prove—this is what was put to us, if they could physically test that rolling stock come the next harvest, their case would be stronger and they could come back to the minister with another business case study proving that they are running more economically than road. Is that where you are at? Because I would agree it is not your responsibility to prove their case. They did not in the first business case, but they may be able to if they got an extension of the tier 3 lines for another harvest.

**Mr Harvey:** I do not think any government would ever say, “Well, you cannot have another shot at it,” but as I was alluding to before, the problem was that the money that could have been allocated to upgrading the tier 3 lines would have been spent on the roads to make sure the roads are safer, because otherwise the government is obviously prone to being accused of not having appropriate roads in place.

**The CHAIRMAN:** That is probably right and it leads me to another question. There are probably a lot of people out there who think that money needs to be spent on those roads anyway regardless of the grain rail argument. It was put to us today, I am not sure that argument was correct myself, but north of Geraldton there is no rail. You are up there now. Those farmers in Binu, Northampton, have to deliver grain on similar roads, I would think. It was said to us they are more modern roads than where the tier 3 is. Can you tell us from your experience what is the comparison like between those roads we are talking about around the tier 3 to those roads north of Geraldton that the same farmers are delivering grain on?

**Mr Miller:** While I have not got far north of Geraldton in my short time there, I would think the road network supporting grain cartage into the port of Geraldton would be probably more modern than the wheatbelt. The wheatbelt network is probably the oldest road network getting around in that part of the world. There are significant numbers of gravel roads still. There are narrow seals. There are still some of these in the midwest, but to a lesser degree. I think the grain freight routes up there are probably better than what they are in the wheatbelt. Drew, you have probably got as much experience there. Probably south and east of Geraldton might be a slightly different answer.

[1.20 pm]

**Mr Gaynor:** I guess my answer is no, I do not have that experience about the roads. I mean, I was really more involved about this report and the comparison between road and rail. If I may, there is something that I will add about the re-sleepering. You were talking earlier about whether it could be extended another season. Those lines are coming to a point where the advice from Brookfield through the public transport authority is that it is not a matter of just trying to keep them open for another season; some of those lines may be so far beyond that, that a life extension for another season may not be possible—short of a major upgrade. Brookfield usually assesses those at the end of each harvest to see what those lines are like. So you need to be clear that it may not necessarily

be the case that some of those lines—it is unclear at this point—can be extended for another year should the funds be made available to keep them open for another year. It is a year-by-year basis.

**The CHAIRMAN:** So they are getting past the point of no return.

**Mr Gaynor:** The point of no return.

**The CHAIRMAN:** Spending a heap of money on the roads —

**Mr Gaynor:** No; it is more about it comes to the point where it is called fit for purpose in the railway lines. So, you cannot spend like they did this year, which was a \$3.5 million allocation just to extend the life of those for another season. Every year that goes by that has to be checked if that indeed is a reality, or a significant improvement needs to be required to keep them open.

**Hon KATE DOUST:** I have a couple of questions but I appreciate that you will not be able to provide the information now, so I ask that you provide it on notice. I would like to get a breakdown of all state and federal money that has been spent on tier 1, tier 2 and tier 3 lines and also all state and federal money that has been spent on roads to replace rail. And I would also like to know how much of that money, or those funds, has actually been spent to date and how much more is still to be spent.

**Mr Gaynor:** The second and third we will have to take on notice, unless, Bernie, you can talk about the roads. I am not quite sure if you can.

**Hon KATE DOUST:** Look I am happy for you to provide that in written detail.

**Mr Gaynor:** The first one I can provide now if you so wish it.

**Hon KATE DOUST:** Sure.

**Mr Gaynor:** The \$187.9 million for rail—all of the commonwealth nation-building money of \$135 million was allocated towards rail. So the balance, if I have my maths correct, of \$52.9 million is the state contribution towards the entire rail upgrade.

**Hon KATE DOUST:** For tiers 1, 2 and 3?

**Mr Gaynor:** No.

**Hon KATE DOUST:** I want the breakdown for tiers 1, 2 and 3.

**Mr Gaynor:** Yes. So that is the overall, and I can give you the breakdown per line. In terms of tier 3, there is no money in that particular allocation for tier 3. There was an additional amount of \$3.5 million provided to extend the life of the tier 3 lines, up to 31 October for some lines. And two lines, Kondinin to West Merredin and Kulin to Narrogin were to stay open in any event—because they were in better condition than some of the others—through to 30 June 2013. But by line, we can certainly provide that breakdown. But the overall funding mix for rail was \$135 million by the commonwealth, the balance by the state and the roads were all state.

**Mr Miller:** Yes; roads were all state, and I can give you the figures. We have the \$118.372 million, which was announced by the government and which was the improvement and maintenance funds rolled together. We have only supplemented those funds by a total of about \$1.35 million and that is a combination of state black-spot funds that were already allocated to a section of road that has now become a grain-freight project as well; and some local government bridge funding, which is helping us with some bridge issues on a couple of the local government links that have been identified as well. So that is the total amount of funds that we have got in terms of funding for roads—local and state.

**Hon KATE DOUST:** I was just curious. This change to road and the transfer from rail to road at the bins, where there is a crossover of road and rail, does that require many new traffic junctions for train and road?

**Hon LYNN MacLAREN:** Crossings.

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**Hon KATE DOUST:** Crossings—thank you; that is the word I was missing.

**Mr Gaynor:** Are you talking about where the tier 3s are closing?

**Hon KATE DOUST:** Yes.

**Mr Gaynor:** Well, if the lines are ceasing operation then —

**Mr Miller:** Then we will have rail crossings that will become defunct because there will be no trains operating on them. In fact, we have got a portion of the program we have identified to actually remove signs from those level crossings—eventually.

**Hon KATE DOUST:** Okay.

**The CHAIRMAN:** If there are no further questions, I would like to thank you gentlemen for coming in and giving us that information. If there is anything else you wish to add, take the opportunity now. If not, thanks once again.

**The Witnesses:** Thank you.

**Hearing concluded at 1.24 pm**

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