

Ms Alannah MacTiernan; Mr Mick Murray; Mr Brendon Grylls; Mr Terry Redman; Acting Speaker; Mr Peter Watson; Mr Eric Ripper; Mr Bill Marmion

GRAIN RAIL NETWORK — RESCUE PACKAGE

Motion

MS A.J.G. MacTIERNAN (Armadale) [4.01 pm]: I move —

This house condemns the Barnett government's inaction, which has led to the closure this week of four lines of the grain rail network, and calls upon the government to take immediate action to reopen these lines and to match the federal government's \$135 million budget allocation for the rail rescue package from the \$281 million unallocated royalties for regions money.

I note for the chamber that the Minister for Regional Development is not present. Obviously, the parliamentary secretary will answer in his stead.

Mr W.R. Marmion: Only partially!

Ms A.J.G. MacTIERNAN: Only partially!

Mr R.F. Johnson: He is very capable and I suggest that other members will be present.

The ACTING SPEAKER (Mrs L.M. Harvey): Order, members!

Ms A.J.G. MacTIERNAN: This is a very, very important issue for the people of regional Western Australia. It is a very important issue for many of the wheatbelt communities. It is a very important issue for many of the port towns that will suffer as a result of the failure of this Liberal-National government. Indeed, I think it demonstrates that we have not one government or an alliance, but a government within a government, and that matters cannot be resolved because certain traditional battlelines have been drawn. I will talk firstly about the National Party leader, the Minister for Regional Development, who made a commitment before the last election. He stated that the rail rescue package was a very important package and that the state's share of that \$400 million package should indeed come from the royalties for regions fund. When he was in opposition, vying for community support, the Leader of the National Party stated —

“It's important infrastructure that needs to be supported, ...

“If you let valuable infrastructure like that run into the ground you can never get it back and this is a plan where industry, and the State and Federal governments have been bought to the table,”...

He acknowledged that, when in government, Labor had brought all those parties together. This is the statement he made while in opposition. Apparently, the now Minister for Regional Development had had discussions with the federal government when in opposition. He further said —

“My discussions with the Federal Government are (that) they understand the importance of it and they would like to fund it but they are going to need a commitment from the State Government. If we have an influence over that we would obviously be prioritising the grain rail network above the Perth railway extension to Butler.”

The minister also stated that —

... the party believed the State component of the Rail Rescue package should be funded through its Royalties for Regions policy.

That was reported in August 2008. Some months later, the minister stated that, although the work needs to be done, his main issue was whether the state government's contribution should be funded from the royalties for regions program or the government transport budget. Obviously, at that stage, royalties for regions funding had not been totally ruled out.

We know that the Minister for Regional Development has a very, very clear and categorical position; that is, this piece of vital infrastructure is not to be funded by royalties for regions. We asked the minister in question time to explain what has happened and how he has moved away from his pre-election position that the rail rescue package should be funded out of the royalties for regions fund to a position some six months later that such funding should be categorically ruled out. In his answer, the minister explained that that position was developed under the agreement he entered into with the Premier on forming government. However, that is absolutely not true. There is absolutely nothing in the royalties for regions agreement that says that projects of this type cannot be funded by royalties for regions money. We know that royalties for regions can be used to fund a wide variety of projects. It has been used in some places to fund road projects. It is funding housing and saleyards; it is funding any manner and matter of projects. There is absolutely zero in this agreement that directly or indirectly rules out or clarifies that this particular project is to be funded from the transport portfolio budget or that it is inappropriate and therefore funding from royalties for regions is barred. Indeed, I think we really have to go back to the old brawls. Many of the new members may not recall the circumstances of the sale of the Westrail Freight

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network. I can tell members what happened in cabinet when that decision was made because a well-informed source from inside that cabinet has told us what happened. The Court budget was of course under a great deal of pressure over many years, with five out of eight deficit budgets. Hon Eric Charlton's Transform WA project was a big concern because its budget was blowing out. The Transform WA project involved massive amounts of expenditure on roads, first under Minister Charlton and then his successor, Minister Criddle, and was undermining the budget. There was a great push to cut back the project. We know this because people from inside that cabinet have told us what happened. Eric Charlton apparently told the cabinet not to worry because he could fix the problem.

[Quorum formed.]

Ms A.J.G. MacTIERNAN: I am glad we have been rejoined by the Minister for Regional Development and I thank my friend the opposition Whip for getting him in here.

As I said, it is important to understand the history. We had a situation in which there was a massive hole in the budget. A great threat had been placed on Eric Charlton and Murray Criddle's transforming Western Australia road building bonanza. There were threats to cut it, so Minister Eric Charlton came in and said, "I know I can solve this. We will sell off Westrail and then we can deal with the debt and address the deficit situation." It was a very ill-conceived plan. There was one person in particular on the government side who opposed the sale. He particularly opposed the way in which the sale was constructed, which was to sell all the rail infrastructure, the rolling stock and the above rail business as a single entity. This particular member understood that was anti-competitive and that it would bring with it a practical monopoly that was simply unacceptable. Of course, we know this because we were told by the minister that this was the now Premier. The now Premier in 2000 repeatedly made public addresses in places where there is supposedly, I guess, Chatham House rules. He went to the place of the now member for Riverton, the Institute of Public Administration Australia WA, and he voiced doubts about the controversial sale. According to sources at the meeting, the energy and resources minister appeared to distance himself from the sale, telling audience members that he was not part of the privatisation process. Therefore, again we are getting back to this National Party versus Liberal Party situation. He would not let the National Party members have their Geraldton port and he was not going to let them have their privatisation. I must say that obviously that sort of conflict continues. It is really interesting because this became a matter of quite some controversy and there was a public rebuke from the then Premier, Richard Court, about the statements made by Minister Barnett, the then Minister for Resources Development. In fact, we had Hendy Cowan come out at the time and say that Mr Barnett was seeking to undermine the government as part of his leadership challenge. Therefore, we really need to understand the broad context; that the then Minister for Resources Development was absolutely opposed to this sale at the time, and he sought to undermine it once the decision had been made. He was probably quite wise in his opposition to the sale, because precisely what we said would happen has indeed happened. I can point to numerous media statements and comments within this Parliament in the year 2000 in which I made it clear that if we proceeded with the sale, line closures would be inevitable.

I point out that before the sale, Westrail was in fact an operation that covered its costs. It was able to fully service its debt and, indeed, totally cover its operational and maintenance expenses without being a drain on the budget. So what did we do? We had government members going out, first Mr Charlton, then Mr Criddle, saying that they would get \$1 billion for Westrail. That is what they were going to get and that money would pay off the freight debt of \$729 million and in fact there would be some money spare to feed into the coffers. Of course, that did not happen. At the end of the day, even including the stamp duty, the price this valuable asset, valued by the Auditor General at \$1 billion, sold for was \$555 million. It did not even cover the debt; we were left with a debt burden of nearly \$200 million. Therefore, we went from having an income generating enterprise that could cover all its costs and operate successfully as a network and ensure that all aspects—all those lines, all that 3 500 kilometres of track—were kept operational and functioning, to a situation in which —

Mr W.R. Marmion: The member just mentioned there was a freight debt and she also said that the operation actually paid for itself. Was that debt depreciating?

Ms A.J.G. MacTIERNAN: It was paying for the cost of that debt, so part of its operating budget was the cost of servicing the debt. This sale went through in December 2000; therefore, when we came into government we found that we were left having to service the debt. The cost of servicing the debt started at about \$11.4 million and went up to about \$30 million, so in the end we wrote that debt off by injecting money from the surplus to pay that debt out.

It was a very ill-conceived privatisation. In particular, we were prepared to support the sale of the Westrail freight business; we recognise it is the sort of business that is probably not best run by a bureaucracy. But we totally opposed the sale of the rail lines or the eventual compromise position that was developed, which was

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handing over the management and control of those lines to the private operator for a period of 49 years. There was a five-year prescription in this arrangement that prevented the private operator from closing down or abandoning the lines for the first five years. We pointed out that what would logically happen with a company that was now a private operator involved is that it would not cross-subsidise and it would not view it as a network; each line would be looked at separately, and those that were not paying their way would be closed down. Of course, the impact that has on country communities is enormous. Suddenly, there is an evaporation of competition in those areas where lines have closed down. The longer-term problem is that we lock ourselves into a high fuel cost environment because there is no doubt that the fuel cost of rail, whatever its other costs, is three to four times cheaper than that of road transport. The increased cost for the operator without the competition, and the long-term dependence on the road with no refuge for rail, will mean increased costs, job losses in country communities and it will have a massive impact on road infrastructure and on the need to expand, develop and maintain road infrastructure. It will have an enormous impact on the communities these trucks travel through. With the closure of the four small branch lines yesterday, we will already see some 300 000 tonnes of grain going from rail onto road. We believe that it looks as though by the end of the year the operator will walk away from 1 000 kilometres of rail, and then, of course, we will see literally millions of tonnes moved from rail and onto roads.

The Minister for Regional Development has never been able to cogently explain why the government should not cover this. As I say, with the royalties for regions program, he made the undertaking before the election that it would; it is a piece of strategic infrastructure, and it is well outside of normal expenditure because this is something that was subject to a National Party privatisation—the government would not normally spend money on it. The Leader of the National Party says that it is all the Labor Party's fault because it was in government for eight years, but he needs to understand that the contract handover was in December 2000, just before Labor came into government. It was a contract that it was responsible for; a contract so badly drawn that the original operator was able to on-sell it for around half a billion dollars in profit without the state government having any capacity to intervene. The contract was so badly drawn that we had no right to have a say in that transaction. That transaction, of course, fundamentally changed the nature and dynamics of the deal by splitting the ownership of the rail from the above-line operation, and, interestingly, it turned on its head all the rationale that the National Party had stated for needing to have the two sold together. This company, when it saw the possibility of a massive profit from doing that, divided it up and sold the two components and then walked away. I do not know whether or not the member is a Wesfarmers shareholder, but we know that many members of the cabinet were, and it was sold to Wesfarmers, which walked away with about half a billion dollars worth of profit, and the taxpayer is now required to pick up the tab.

Of course we had some difficulty with that notion. It stuck in our craw that we had to ask taxpayers, who had already bailed this deal out by paying off nearly \$200 million worth of debt, to put taxpayers' funds in, but we did the work. We set up the Grain Infrastructure Group, which, before the election, the now Minister for Regional Development said was a good group; it brought industry and state government together to work out a solution.

That clearly signified to us that for any line that was closed down, the taxpayer would have to provide the funding for the road infrastructure and upgrades necessary to the road infrastructure to cater for the massive expansion in traffic that would be experienced on those roads. We also ascertained that the cost of doing that would be at least equal to the cost of investing in rail infrastructure. We had to make a decision, and the package that was put forward included the proposition that the taxpayer would need to invest in this \$400 million. It was not money that needed to be spent all at once; it could be spent over a five-year or 10-year period, but there needed to be a commitment, otherwise the private-sector operator would not continue to operate those lines.

The then Labor government put together the GIG process and came up with the proposition that eventually the \$400 million package would be needed. We went to the federal government to ask for funding. At the time it was the Howard government and it was not interested in participating. In 2007, with the federal election coming up, we approached Martin Ferguson, who was then the shadow Minister for Transport. He was extremely interested in assisting us, and part of the election commitment was that they would actively review the Howard government's decision. After they were first elected, I had my first meeting with Anthony Albanese in Canberra, and two months later one of the key items on the agenda was the grain infrastructure proposal.

Mr B.J. Grylls: Why didn't it appear in your election budget then?

Ms A.J.G. MacTIERNAN: Because we were waiting for federal government commitment to the project.

Mr B.J. Grylls: You met with him right after the federal election in 2007?

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Ms A.J.G. MacTIERNAN: We now have a federal government commitment, because the federal government allocated funding of \$135 million for this project in its budget. It would be prepared to invest if we had a commitment from the state government to also invest. It is an issue that would have had to have been resolved by the Labor Party—I accept that. We would have had to have made an allocation in those nine months, but we were committed to that principle. We understood the argument. We were not pretending that we had a government in a government. The Leader of the National Party has said repeatedly that the issue is not that we should not do it; he has argued many times that it should be done, but that it should come out of the transport budget. The Liberal Party and the National Party have combined to make a government; they are not two separate governments, they are a government. We know that Mr Barnett is hostile about the sale; we understand that because we were hostile to it ourselves. But this issue must transcend being a blue between the National Party and the Liberal Party. They have to govern together and they have to make decisions together.

For the first six months, after backing the former government up and saying, “Yes, we’ve got to invest in this infrastructure”, now, suddenly, the Liberal-National government is saying, “Oh no, this is actually not a good idea”, and it would appear that it is quite happy to have these grain lines closing down.

I do not know how many members the Pastoralists and Graziers Association has in country areas, but it is claiming that it does not think any money should be put into the grain freight network, and that we should just build standard-gauge railway lines. Of course, that is a really incredibly silly idea if one considers that the cost of building a new standard-gauge line is about \$2 million a kilometre, as opposed to the upgrade of the narrow-gauge line, which will cost around \$120 000 a kilometre. Economically, the standard-gauge proposal does not make sense.

This is a matter that the National Party, in particular, must take responsibility for. It was its privatisation; it pushed it through the cabinet to fund its road program. It has turned out to be a debacle and it needs to be fixed. It needs that injection of funds, and we would seek to have the minister accept that special responsibility. Given that it is his constituency, he has a responsibility at the best of times, but let us go beyond this blue about what part of the government should fund it—the fact is, it should be funded! The fact is that \$281 million is unallocated in the royalties for regions budget, and the National Party will not even have to use all of it. The Leader of the National Party will still have his lolly bag to race around with! There will still be plenty of capacity for the Leader of the National Party to race out there and dispense his largesse on the burghers.

It is great that people are getting toilets and roofs on houses repaired and all of these little things that are happening. The Shire of Bruce Rock has this money and is saying, “Oh my God, what shall we spend it on?” It is going out to check its reticulation because it might not work and it might have to spend the money on that—it is fabulous, and I am sure they are all really happy with the money! But what is really needed for the long-term economic future of this region is the investment in rail infrastructure. I would really urge the government to move beyond the sort of Morgan Tsvangirai-Robert Mugabe sort of relationship that we currently see —

Mr D.A. Templeman interjected.

Ms A.J.G. MacTIERNAN: That is right; that is the only problem! Morgan Mugabe and Robert Tsvangirai!

We have a government within a government, and it is not the way to do business. We know that the Minister for Regional Development, from his prognostications time and time again, believes—because he told the public before the election—that we need to spend the money on this and we need to get this rail rescue package up; it is a good package. He should get on and do it and put aside this historic dispute that has existed between the National Party and the Liberal Party.

Mr M.J. Cowper: Member, what was your plan?

Ms A.J.G. MacTIERNAN: Our plan was to fund the rail rescue package by getting the federal government on board. We always said that the rail rescue package was the solution.

Every sort of excuse has been used, “Oh, we don’t like Grain Express; CBH, we don’t like them now”. I do not know how much of this stuff is coming out of the PGA, but I know that we have an immediate problem for many of those communities, particularly the communities around Quairading and Trayning—those areas which are now seeing more and more trucks on their roads. It is a problem now, and it will be a much bigger problem if we do not resolve this issue very shortly. We will see up to 1 000 kilometres of rail line closed, which would be a very negative result. The royalties for regions money is there. It can be spent on this, and I urge the minister to do it.

MR M.P. MURRAY (Collie-Preston) [4.30 pm]: I must start by referring to what has happened today with the Auditor General criticising the Court government for privatising Main Roads’ maintenance program and by saying that things are still similar. The Auditor General has said that the Court government’s privatisation of Main Roads’ maintenance program has caused a problem today. It is much the same as the problem we have

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now with the grain rail network. The privatisation that occurred in the state under the Court government is certainly coming home to roost. Members will have seen what has happened with the privatisation of rail in London. In my area the Greenbushes-Bunbury rail line is just lying there waiting for the money that has been allocated in the budget. I have certainly not seen any action and I have my doubts about whether that money will be expended in that area.

The National Party members in their grassroots areas have been thumbing their noses at their own constituents. They have said that they can go to hell and that the National Party will not be seen to be pork barrelling with a rail line. However, with \$240 million of unallocated money and the pork barrelling that has gone on through the systems for councils and shires, the National Party is making a huge mistake with its constituents. The Minister for Regional Development has unallocated money available and is refusing to allocate the money to this rail system. The rail network is really needed in our state. The lack of action is stifling investment. Entities such as Co-operative Bulk Handling Ltd do not know whether to put in road bins or rail bins, or whether to put in rail lines or spur lines; they are not quite sure which way to go.

Shires are up against shires saying that they must not put trucks through their area or that there must be a ring road around a town because of extra trucks, but building roads will also cost money. If all rail freight grain goes on to road freight, those shires will deserve ring roads around their towns. I believe the number of truck movements all up will be around 300 000 a year if grain comes off the rail freight line. Some of those trucks will go through the city. Members can imagine the backlash against country people when trucks start to snarl up the city because country people are carting their grain to the port. If that happens, it will make it very difficult for the National Party to stand back and not support country rail lines.

The shadow minister, who spoke before me, has made a great case for why we should move forward as she outlined. The options are there. No-one is saying that the whole lot should be done at once. The proposition is for it to be done over a four-year period, which I think is reasonable. Also, the money involved in keeping freight on rail is not outstanding at \$26 million a year, if we compare it with the money required for road upgrades. Some roads will not be licensed to take road trains, which means that truck drivers will have to make a double trip because they will have to leave a trailer at a certain drop-off point. Shires will have a say about that. I would not blame them if they blocked every road train application and said that they would not have road trains through their communities, that truck drivers could drop one trailer off, deliver the other trailer and then return. That would probably add another third to the number of truck movements a year, which means we will be looking at another 150 000-odd truck movements. It also means there would be nearly half a million truck movements on the roads. Members can imagine the safety problems that would cause. There are enough troubles now when one truck gets behind another. I am damned if I know why drivers do that and do not give enough room for cars to pass. A second truck always seems to be trying to pass a first truck, even though the truck drivers will have a cup of coffee when they arrive at their destination. I am sure members opposite have often seen trucks travelling at one or two kilometres difference in speed. Some trucks will block a road, a car driver will take a risk and pull out, and another driver will be coming the other way. I am sure that we have all seen this happen. We saw the consequences of this not so long ago when two drivers who had been waiting for a long time both pulled out at the same time and people were killed in the resulting accident. If we do not invest in rail freight, we will bring those problems back. I implore the minister to go to his slush fund and find at least the basic \$26 million that is needed in this instance to get things up and running.

I also have some problems with the question of who was the watchdog for determining the maintenance that was supposed to be done on these country rail lines, including the Greenbushes line, where companies that allowed the lines to run down on-sold them and left the state.

Ms A.J.G. MacTiernan: Unfortunately, we were told that they would invest \$400 million, but when we got in we found that there was no provision in the contract that actually required them to do it.

Mr M.P. MURRAY: That was probably not an oversight. A person buying in would certainly have been looking at that before signing on the dotted line. People would have known that they did not have a contract that required them to carry out that maintenance. It is quite obvious that \$400 million has not gone into maintenance.

Ms A.J.G. MacTiernan: The minimum maintenance that was required under the terms of the contract was done.

Mr M.P. MURRAY: What about maintenance for the future, which is where we are now? Anyone can use minimum maintenance as a throwaway line and say that he has done the minimum maintenance. What does it mean? Does it mean that the tracks are still on the sleepers, even if they are only just on the sleepers? I have read of cases in the press in which train speeds had to be reduced to 15 kilometres an hour. It is unviable for operators to do that. It also causes problems further down the line where people on spur lines are waiting for trains to come through. We all know the issues that occur when maintenance is not carried out on rail lines.

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What is really criminal is that when a line is on-sold, the owners reap a profit and leave a skeleton that is worth absolutely nothing because maintenance has not been carried out. The line may become a rail reserve, which might be used for horse and pony tracks or something like that. That is what may happen with the Greenbushes line. I do not have a problem with some of the issues that pastoralists and graziers have raised about having a look at which lines might be abandoned or which lines could be made more efficient. However, to say that most of the lines will be wound down and there will be only a few major through lines is not the answer. The shires have well and truly put forward many issues to the minister. The result of that has been absolutely nothing. In fact, it has got to the stage where they now have a support website at www.grainonrail.com.au, which can be accessed by the affected people, so this issue will come back and have political ramifications. The National Party might have huge majorities in country areas and its members might think they can thumb their noses at lots of people, but if they do it too often, people will come back and bite them. That is exactly what happened to the National Party in the seat of Collie. Collie voters caused a 10 per cent swing because the National Party ignored the electorate. The last person who expected to be elected in 2001 was me. Why was I elected? It was because the voters were taken for granted. That is what is happening now in the wheatbelt. They are experiencing the genetically modified crops that the National Party is promoting. Nannup shire is voting against GM crops. They are the same crops that have been planted and should probably be carted by road in a sealed container, in the same way as uranium. National Party members have become too cocky. They are thumbing their noses at their own constituents. As I said the other night, if they get too bigheaded they will fall off their stool and come down with a helluva thud, because that is the way politics works. I am not saying anything about the Labor Party, but if the Premier is quite cunning, he will put up some very good candidates against the Narrogin National Party. If he does, we will see some changes in this house.

I have another point about investment into the actual load-out facilities—Co-operative Bulk Handling Ltd comes to mind. People in the country are very concerned about investment in their own infrastructure. They are not asking for any money at all but they want to know where to put it. People want to know whether they are going to have a rail load-out or a road load-out. It is ludicrous that people are being hampered by a lack of decision making. Technically, the rail is still alive. Even though it is not being used, technically it is still alive. If we are not going to use it, come out and shut it down. Make the hard decisions and say, “It is finished.” Then we will all know where the National Party stands. At the moment people do not know what to do with their investments.

It is very difficult for people in country towns—whom the minister is supposed to be supporting—having trucks down there. For people with a mortgage, they may be hoping to pick some of that load up and onto their trucks. It requires decision making right down to the grassroots—not just in putting money into rail, but it is a decision that has to be made. I hope that after today the minister will say, “We can take \$26 million, as I promised, out of the royalties for regions fund.” It was demonstrated today that the minister cannot just swap and change and say, “I didn’t mean that. I had my fingers crossed.” The minister cannot do that anymore. He has to be honest with his own constituents. I implore the minister to take \$26 million out of the National Party slush fund. He might have to throw away a swimming pool or something else in his electorate like that.

Mr B.J. Grylls: A bridge in Collie?

Mr M.P. MURRAY: Basic infrastructure—that is what it is. We need basic infrastructure. We do not want those trucks on the road. I am sure that next time the minister’s windscreen is broken when he is trying to overtake a truck, he will say, “Bloody trucks! I wonder who put them there?” We will all tell the minister very quickly why they are there—because he has not invested in his own people. That is really what it comes down to.

It was very interesting to read what the shire president of Gnowangerup had to say in the *Countryman*—he said, “Get on and do something.” He is getting a double lot—the trucks are coming in one way, dropping their grain off and then reloading to go through to Albany. He is getting a double dose of trucks when probably he should only have one. That is another issue. He says, “If you’re going to make that decision, at least fund us for the ring road around our town.” If anyone has travelled on east coast roads—the roads are not any better—but the ring roads around country towns certainly make them far better places to live as there is no rattling and banging of trucks day and night, 24 hours a day, seven days a week, taking grain to the port. It causes frustration on the road. We heard about that today when we were talking about road safety. Some of these problems come from trucks that are on the roads. In many of the country areas, the roads have not been made for road trains. A B-double is probably as far as we would want to go. Now we have road trains on skinny, narrow roads pushing people over. We all know, even with due care and attention by drivers, about the whip that sometimes happens when they move a little bit; the last trailer sways across the road and sometimes inexperienced drivers get a scare from that.

I really think in this case that the minister has made a very bad mistake in not being forthcoming about some of the money for the royalties for regions program. Towns such as York, Quairading, Trayning, Kellerberrin,

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Merredin and Wyalkatchem are going to suffer. By gee, if ever I had reason to believe that that was the heartland of the National and Liberal Parties, that was it. To see it happen to these people is just criminal. It is criminal that the minister is going to put them at risk on the roads. When there are traffic jams because of the trucks taking grain to the port, we are going to have a backlash against country people again. That is something I do not want to see. I think the divide is big enough now and we should be working towards working together.

MR B.J. GRYLLS (Central Wheatbelt — Minister for Regional Development) [4.44 pm]: The mock concern shown by the opposition for regional rail is hypocrisy of the highest order. For the former Minister for Planning and Infrastructure to stand in Parliament, after spending \$2 billion on a rail line to Mandurah —

Ms A.J.G. MacTiernan: That is not something the minister would ever do! He would never spend a cent on rail.

Mr B.J. GRYLLS: To build public art all the way to Mandurah and now stand in Parliament talking about investment in regional rail infrastructure is hypocrisy at its highest. Anyone would understand that a rail network —

Ms A.J.G. MacTiernan: It is not hypocrisy. When did the National Party last build some rail?

Mr B.J. GRYLLS: I know that it was our party that made the last investment in regional grain rail. How much money did the former Minister for Planning and Infrastructure spend, at a time of \$2 billion budget surpluses —

Ms A.J.G. MacTiernan: Does the minister know how much we put in?

Mr B.J. GRYLLS: How much money did the former government put in?

Ms A.J.G. MacTiernan: We put in \$200 million to pay off the debt left by your privatisation! We put in \$200 million to pay off the debt, which we could have put into rail had you not privatised it.

Mr B.J. GRYLLS: I put the question to the former Minister for Planning and Infrastructure again, after the mock indignation and the mock horror at the investment in the grain rail network: how much money did the former government invest in the grain rail network in regional Western Australia?

Ms A.J.G. MacTiernan: We put \$200 million in.

Mr B.J. GRYLLS: How much money was put into rail maintenance?

Ms A.J.G. MacTiernan: Two hundred million dollars!

Mr B.J. GRYLLS: None—no money was put into the maintenance of rail —

The ACTING SPEAKER (Mrs L.M. Harvey): Order, members!

Ms A.J.G. MacTiernan: We put in \$200 million to pay off the debt. You just privatised it!

Mr B.J. GRYLLS: I didn't privatise it.

Ms A.J.G. MacTiernan: You did privatise it. The National Party privatised it!

Mr B.J. GRYLLS: I was not here, the member for Wagin was not here —

Ms A.J.G. MacTiernan: Hendy Cowan.

The ACTING SPEAKER: Order, members! A number of members have been called to order previously today. I have given the call to the Minister for Regional Development. I would appreciate it if we could perhaps give him a moment to finish what he has to say.

Mr B.J. GRYLLS: It is the track record of the opposition that whenever I speak it spends the whole time yelling at me. I have been speaking for two minutes now —

Several members interjected.

Mr B.J. GRYLLS: I do not mind—members opposite can keep on doing it, but, like I said, if the opposition was so concerned about regional rail, maybe it should have made an investment in it. As the former Minister for Planning and Infrastructure quite clearly pointed out, the Grain Infrastructure Group was put together by the former government, the planning work was done and recommendations were made. The recommendations referred to by the former Minister for Planning and Infrastructure were ignored.

Ms A.J.G. MacTiernan: They were not ignored!

Mr B.J. GRYLLS: They were absolutely ignored! Even further than that, not only were they ignored in 2007, and not only were they ignored in 2008, but in 2009 we now find that members opposite are all very concerned about regional rail. It is absolutely remarkable. Yes, people are angry in my electorate. They are very concerned

Ms Alannah MacTiernan; Mr Mick Murray; Mr Brendon Grylls; Mr Terry Redman; Acting Speaker; Mr Peter Watson; Mr Eric Ripper; Mr Bill Marmion

about grain moving from rail onto road. They are the ones who share the roads with trucks. They are the ones whose school buses are sharing the road with trucks. I am absolutely aware of that. But any notion that those people are lining up behind the former Minister for Planning and Infrastructure and supporting her in this is just complete nonsense.

They are chuckling away at the mock indignation shown by members opposite because they know that the Labor Party constantly ignored it. Why did it constantly ignore it? It has been put on the record today by the former Minister for Planning and Infrastructure. The former Minister for Planning and Infrastructure has put on record why the Labor Party ignored it. It opposed the privatisation decision by the Court-Cowan government. Because it opposed it, it said, “That’s it for the rail. We’re not going to invest in it at all. We’re going to let it go. We don’t care about it. We don’t care if all the grain comes off the rail and onto road because that will prove our point.”

Ms A.J.G. MacTiernan: Why did we set up the Grain Infrastructure Group?

Mr B.J. GRYLLS: Why did the former government set it up when it did not plan to fund it?

Ms A.J.G. MacTiernan: To bring the federal government on board—and we succeeded.

Mr B.J. GRYLLS: Did you ever take a submission to cabinet to have the GIG process funded?

Ms A.J.G. MacTiernan: I did.

Mr B.J. GRYLLS: So what happened?

Ms A.J.G. MacTiernan: We were working with the federal government. We always said we needed three parties. Our view was that once we got the federal government on board —

Mr B.J. GRYLLS: Here we go! The former Minister for Planning and Infrastructure took a submission to cabinet to fund the rail. Obviously, after all the planning work was done, she recognised that it needed to be done and what happened? Nothing. It was probably the same day that the previous government was planning the sapphire clock tower at the Mandurah railway station. Could it have been the same day that the sapphire clock tower was on the agenda?

Ms A.J.G. MacTiernan: You’re in government now! What are you going to do about it?

Mr B.J. GRYLLS: The minister is the one who said that this should have happened; she had every opportunity and she has just told the house that she was rolled by cabinet.

Mr P.B. Watson: So were you!

Ms A.J.G. MacTiernan: You pledged it, and we didn’t get rolled by cabinet.

Mr B.J. GRYLLS: I have not been rolled by cabinet. The previous government was so concerned about rail infrastructure —

Several members interjected.

Point of Order

Mr D.T. REDMAN: The member for Mandurah is making comments that are not related to the discussion. I can fully appreciate —

Mr P.B. Watson: Under which standing order?

Mr D.T. REDMAN: Total interference. I am still making my point of order. The points being raised do not relate to —

Several members interjected.

The ACTING SPEAKER (Mrs L.M. Harvey): Members, there is a member on his feet, speaking to a point of order. I request silence, please.

Mr D.T. REDMAN: My point refers to the relevance of interjections. The interjections are not relevant. I can understand there being interjections in some debates, but not this one, surely.

The ACTING SPEAKER: There is no point of order, but I have already warned members on my left about incessant interjections.

Debate Resumed

Mr B.J. GRYLLS: More has been revealed today. The previous government was so concerned about rail infrastructure for the grain routes in regional Western Australia that, during a time of multi-billion dollar budget

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surpluses, the issue came before cabinet and the members who today talked about their concern for safety on country roads and broken windscreens said no. It is now on the record; they said no and they did not fund it. It is absolutely unbelievable, given —

Ms A.J.G. MacTiernan: That's not true; you're verballing. We know that the minister's pledge was true.

Mr B.J. GRYLLS: The former minister took it to cabinet; what happened then?

Ms A.J.G. MacTiernan: We told you.

Mr B.J. GRYLLS: The member said I was verballing her, so I am giving her the opportunity to respond.

Ms A.J.G. MacTiernan: I will respond when I get my right of reply.

Mr B.J. GRYLLS: The previous government was so concerned about the rail network that it featured in a cabinet submission that was actually supported at some stage during the economic nirvana of Western Australia's immediate past. Perhaps it would have been a priority for the election campaign; commitments were made for the Ellenbrook rail and the Butler-Brighton extension to Alkimos. Perhaps the calling of an early election ruled out an opportunity for the previous Minister for Planning and Infrastructure to make an announcement about her investment in the grain rail routes. The previous government never had any intention to do so, because it invested nothing during its eight years in government. Strangely enough, members opposite now claim that there has been a rapid deterioration in the standard of maintenance on the grain rail network during the first nine months of the current Liberal-National government. It is amazing that climate change has affected it so much. The huge task of transporting the last harvest has obviously damaged the rail network. It is not true. As everybody knows, whether one is running a family car or any other piece of machinery or infrastructure, constant maintenance is needed, which requires constant funding, year after year.

Ms A.J.G. MacTiernan: Let me get this right: you're saying that after you privatised the rail, the previous government should have been carrying out maintenance? Is that what you're saying? You're saying that we should have done the maintenance! Unbelievable!

Mr B.J. GRYLLS: I am saying that the member's proposal recognised the need to invest in rail, which is why she took it to cabinet.

Ms A.J.G. MacTiernan: You're arguing that we should have done the annual maintenance!

Mr B.J. GRYLLS: She told me that she took to the cabinet a submission for investment in regional rail and that it failed.

Ms A.J.G. MacTiernan: I didn't say that at all.

Mr B.J. GRYLLS: I know why it failed. It suited the member's purpose for the rail network to fail so that she could run her ideological argument about the privatisation of the rail network by Eric Charlton and Murray Criddle. We know that because now that the member is in opposition, she is back onto the terms of the lease agreement, which suggest that a government injection of funds into the rail network might be important for keeping sub-economic lines operational so that grain will not be transferred from rail onto the road network, thus avoiding associated problems. The argument is too convenient; the member ran one argument for eight years when in government, she failed to get funding for it, and she completely changed her tune the moment she moved onto the opposition benches. The notion that regional Western Australians do not recognise that and are mystified by the fact that she would do that for them is something that she will have to explain to them.

I will go over some of the background for members who are interested in the lease agreement. The lease agreement set out the minimum axle load and speed standards for the entire grain network. These were to be reviewed every five years with reference to the fit for purpose test. The first five-yearly audit was conducted in 2005 by an independent expert approved by the minister. The lessee was required to submit five-yearly maintenance plans to the minister. The first plan was submitted in 2005, following the audit process. The next audit will be undertaken in June 2010. The current Minister for Transport tells me that WestNet Rail today confirmed to him that the entire network is fit for purpose. The lines that were mooted for closure include the Quairading-York line, the Trayning-Merredin line, the Katanning-Nyabing line —

Mr E.S. Ripper: A very important line!

Mr B.J. GRYLLS: — and the Gnowangerup-Tammin line. They are the lines that WestNet has identified for discontinuation unless there is investment into the network.

Mr E.S. Ripper: You must save the Nyabing line!

Mr B.J. GRYLLS: I understand the Leader of the Opposition's personal interest and great support for the fantastic little community of Nyabing!

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WestNet has confirmed that those lines are still fit for purpose. Grain is not being transported on those tracks, but that is not because the tracks are incapable of handling trains. All members recognise that, given speed modifications, all the rail lines will be useable. Of course, we would like the network to be at maximum capacity so that the trains can run at maximum speed, because the economics of rail freight versus road freight is an important consideration for government in ensuring that as much grain as possible continues to be transported on the grain rail network. Let us be very clear: WestNet Rail has confirmed to the Minister for Transport that all the rail lines are fit for purpose, as required under the terms of the privatisation agreement that has been so criticised by the former Minister for Planning and Infrastructure. That is where we stand today.

The reason for WestNet Rail's request for funding is the rate that ARG, the company that runs the engines and wagons, is charging for the transport of grain from point A to point B. If WestNet puts its available cash resources into funding the line, it will need to recoup the funding. That is what provides the modelling for its charges. If it receives government assistance to do that, obviously it can offer a lower price. If it can offer a lower price, it is easier to compete with road freight. That is what this is about. It is not about the lines, it is about the fundamental economics of grain rail freight versus road rail freight. Does the former Minister for Planning and Infrastructure agree?

Ms A.J.G. MacTiernan: Yes; I do agree that it is about the economics of rail. We have to make rail competitive. Can I just make this comment, because it is important you understand this? With rail, all of the externalities are brought to bear in the cost of rail because rail maintenance is included.

Mr B.J. GRYLLS: That is correct, but that does not happen on the road.

Ms A.J.G. MacTiernan: It is not on the road. The work we did under the Grain Infrastructure Group explains that there is a greater subsidy going into the road than into rail.

Mr B.J. GRYLLS: I agree with that. The former minister is correct. Under the rail contract, in charging Australian Rail Group a price to access that line, WestNet Rail must incorporate the full cost for the road user. The truck or the car pays a licence fee, but that licence fee certainly does not cover the full cost of road maintenance. That comes outside. The way the government has sought to recognise that over many, many years is with an injection of capital into the network. This is very similar to public transport in the metropolitan area. If there were full cost recovery for every person who got on the metropolitan train network, no-one would get on.

Ms A.J.G. MacTiernan: You need to understand that if those people were going by road, the cost of actually providing that road would be more than the cost of providing the public transport.

Mr B.J. GRYLLS: Correct; I understand that. Let us be very clear. From memory, I think \$650 million a year is budgeted, which is the cross-subsidisation of the rail routes. It includes Merredin, Kalgoorlie and the *Australind*.

Ms A.J.G. MacTiernan: Every time anyone gets on the *AvonLink*, the taxpayer pays 100 bucks.

Mr B.J. GRYLLS: It is predominantly the metropolitan line. The major taxpayer contribution to the cost of using —

Ms A.J.G. MacTiernan: That is where the major taxpayers are. They live in the city.

Mr B.J. GRYLLS: That is the member for Armadale's view.

Ms A.J.G. MacTiernan: They do.

Mr B.J. GRYLLS: Her view is that all the money should go the metropolitan area, and maybe that is why royalties for regions was established.

Ms A.J.G. MacTiernan: You're pretending the one and a half million people who live in the city don't pay tax.

Mr B.J. GRYLLS: That is the member for Armadale's view, but according to that view, in the electorate of the Acting Speaker (Mr V.A. Catania), the upper Gascoyne, Standstone and other fantastic areas where there is not much population do not deserve a bridge.

Ms A.J.G. MacTiernan: Your view is that the people in the city are a mob of freeloaders. You say that over and again. You imply that 72 per cent of people in this state who live in the city are a mob of freeloaders who don't pay their way.

Mr B.J. GRYLLS: No; I just pointed out what I think.

Ms A.J.G. MacTiernan: You do. That is what you say all the time.

Mr B.J. GRYLLS: I am very happy that all my Liberal and National Party colleagues recognise that the four per cent of estimated government revenue under the royalties for regions plan is a fair four per cent to be invested

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into regional communities. We stand by that. We know that the member for Armadale does not like that and that her party plans on scrapping it as soon as it can. I look forward to the legislation that I introduced into the Parliament today being debated by members opposite, during which they can put on the record their plans to scrap the royalties for regions fund at the first opportunity after a subsequent election.

We have now ascertained that all the rail lines are fit for purpose as agreed by WestNet, and I think it has been acknowledged by the opposition that this government injection into the rail network is about subsidising the cost of ARG accessing the rail line so that it can compete with road transport.

Ms A.J.G. MacTiernan: It makes it economically viable to keep the rail open.

Mr B.J. GRYLLS: That is right. That is what we are arguing about. I am glad we have defined that. The elephant in the room here, which no-one has been prepared to recognise—why the Grain Infrastructure Group process, although important, was maybe somewhat outdated—is the deregulation of predominantly the wheat industry. With the end of the Australian Wheat Board holding the single desk, the whole freight task in the grain market fundamentally changed overnight. Under the single-desk model, grain was planned to be transported from the receival point in the grain-growing belt to the port over 12 months, basically. In many cases, sometimes the previous year's harvest remains in bulk storage in the wheatbelt when the next year's harvest starts. That was based around world markets, the logistics of shipping and the rail freight task. Because of the single desk, AWB and Co-operative Bulk Handling used to work together to assess how much grain they had to move, where the markets were and how they would move it.

The premium to be gained by the supporters of deregulation was the fast movement of grain. It was all about the quicker they could ship the grain from storage in the grain belt, to port, onto the ship and to the customer. That is where the premium can be extracted. Rather than a grain logistic task over 12 months, now everyone wants to shift the grain in three months. They are accessing private markets, but that is an argument for another day. Some people agree with that and others do not. That is what has happened, so we move forward.

Ms A.J.G. MacTiernan: It doesn't really make sense, does it?

Mr B.J. GRYLLS: Now we have the problem of the desire after harvest to move the full harvest as quickly as possible, in January, February and March. That is why this year we saw backlogs. During those backlogs everyone said, "Look, the rail line network is not up to scratch; we have a major problem; this won't work; it was never going to work." This investment suggested by the opposition will not solve that problem. All we are doing is resleepering existing lines and providing an economic boost for WestNet so that it can pass on a cheaper cost to ARG for rail. It will not address the fundamental concerns of moving 10 million tonnes of grain to the port in the three months of January, February and March. That is why the Minister for Transport, I think quite rightly, is saying that we should be very clear that the investment of taxpayers' dollars in this system must be made with the best possible outcome in mind.

It is sad to say—my electorate does not like this—that some lines will close because even if we invest in them and get the maintenance right and it is all operating perfectly, individual farmers will still decide to truck their grain to Perth. That is the problem we are facing in the grain industry. There has been major upheaval, which was somewhat expected, but I do not think anyone expected that we would be in this position. We need to make sure that we are not investing taxpayers' money into a rail line that suits the ideology of carting all the grain on rail if there is no train to run on that line because the individual farmer does not deliver to the CBH receival point that that line is linked to. That is the great concern.

I will explain further the situation in my electorate concerning the Trayning-Merredin line. Trayning, which is around 130 or so kays north west of Merredin, has a narrow-gauge rail line that runs from Trayning to Merredin and from Merredin through to the port, where there is the standard-gauge line. Due to the way the rail network was put together in the first half of the last century, the rail line runs from Trayning back to Merredin. People who deliver to the CBH facility in Trayning have their grain actually shipped from Trayning away from the port 130 or 140 kilometres. It is then dropped into the Merredin bin, handled a second time back onto the standard-gauge train and brought down to the port. Obviously in the days of cost reflectivity, CBH started to reflect on the fact that the grain was transported 140 kays backwards before coming to Perth and was double-handled before it headed to port. In light of that reflection, individual farmers have gone from driving 10-tonne trucks and carting their grain to the Trayning wheat bins to buying a road train and carting it straight to Forrestfield, which is a major terminal. Two sets of economics are involved: firstly, the grain network is based on an old radial model on which everything was cross-subsidised, and that is happening less now. Secondly, as the former Minister for Planning and Infrastructure outlined, the full cost of maintenance must be incorporated into the cost of rail. That is how it works. That does not happen with road travel. Even though the cost of truck licensing is very high, it does not involve full cost recovery from the trucking and transport sector on the road. If individual farmers can

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get a truck to take their grain from Trayning to Forrestfield for something like \$14 a tonne, and the rail charge is \$17 a tonne, although they have kids on the school bus and do not like sharing the road with trucks, they make the decision every time to save the \$3 a tonne. If they are farmers who produce 10 000 tonnes a year, that is a substantial bottom line. That is the story of the Trayning rail line. Given that we have ascertained that the Trayning to Merredin line is fit for the purpose and the train can still run on it, why is WestNet Rail saying that it will close it down? WestNet has said it will close it down because it does not think it has any hope of competing with truck freight from Trayning direct to the port without a taxpayer subsidy.

Ms A.J.G. MacTiernan: Yes, but it's not really a subsidy. You would argue—and this is our point—that it is actually equalisation, because you don't put the money on there.

Mr B.J. GRYLLS: That is right. I agree with the member for Armadale. If we do not put the money there, we are going to end up paying it on roads in the future. However, the investment decision by farmers to take the grain by truck rather than by rail is governed ruthlessly by the dollar.

Dr M.D. Nahan interjected.

The DEPUTY SPEAKER: If the member for Riverton wants to make a comment, I advise him that he should make comments from his own seat.

Mr B.J. GRYLLS: That is a problem that we have. Even with an investment in the rail network, we still may not win the outcome that everybody seeks, which is to put all the grain back on rail. That is understood, because even today with all of the support from the previous government for putting grain on rail, around 50 per cent of the state's grain task is taking place on roads in trucks. That is what happens today. If the previous Minister for Planning and Infrastructure wanted to be more honest, she would recognise that this is the actual debate that we are having. That may be why cabinet knocked back the submission based on the Grain Infrastructure Group proposal that was made to the previous government. I assume that the cabinet submission was made before deregulation, because this issue existed before deregulation, but it has manifestly grown since privatisation. I do not think anyone would support investment in the Trayning-Merredin line—even if we do make that investment—if we do not get the outcome that we want. If no matter what we do it will still be more economically viable for individual farmers to decide to truck their grain to Perth, taxpayers' dollars will be better spent on roads rather than on the rail link from Trayning back to Merredin. That is really the nub of where we are at today. This is an incredibly complex situation. It was complex before. It has got more complex with the change in the industry that has happened post-deregulation of the Australian wheat industry.

Mr M.J. Cowper: It gets more complicated because a lot of trucks that come to Perth are actually loaded, for instance, with lime for their farms. So how does rail compete with that?

Mr B.J. GRYLLS: That is exactly right.

Ms A.J.G. MacTiernan: I am sorry, a train comes in and it goes back as well.

Mr M.J. Cowper: What, to the lime pit?

Mr B.J. GRYLLS: That could happen now. Currently no fertiliser or lime comes to the wheatbelt on rail. None of that happens; it is all done by truck, which is why 50 per cent of the current task is on road. I think there is an ideological argument around this issue and I think everyone would agree with that.

Mr M.J. Cowper: Yes.

Mr B.J. GRYLLS: I think that everyone would support as much of the freight task as possible being on rail. There has been a massive increase in east-west rail freight, which is a good thing, and that will continue to grow. People are already starting to talk about a duplicated line east-west to allow for that to grow even more.

Mr M.J. Cowper: Even Armadale to Bunbury would be nice.

Mr B.J. GRYLLS: We are also hearing now from industry that we should recognise the need to get as much grain as possible out to port between January and March. That is where the argument is coming from for more standard-gauge lines to be built in the wheat-growing regions linking to ports. I would like to think that there would be that sort of investment in Albany in future, it being the second-largest export port.

One again the trouble with grain is that it is very different from iron ore. Grain is harvested over one and a half to two months and does not have a train running back and forth every day carrying it to port. The movement of huge volumes of iron ore makes it affordable for BHP Billiton and Rio Tinto to maintain their lines and to make the massive private investment needed to build a standard-gauge rail. Under any one scenario, even if we doubled the grain harvest—the Minister for Agriculture and Food is hoping we can in future—that would get to an average 20 million tonnes a year. If we keep looking at a 50-50 split, that would be a 10 million tonne task. I

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do not know the volume of iron ore that Rio or BHP shift in a week on one of those train lines, but it is probably the volume the whole grain industry shifts in a year. That is the problem that we face.

I also put on the record another initiative that I believe has huge potential to grow the usage of the current narrow-gauge network; that is, facilities located in the regions for the containerisation of grain and hay. In relation to a topic raised by the member for Murray-Wellington earlier, I believe there is much greater scope for fertiliser to come back to the regions containerised than for it to come back on bulk wagons and dumped where it needs to be accessed. We have actually started to work on some intermodal hubs. That work was put to the former Minister for Planning and Infrastructure under the previous government. We are looking at doing that somewhere around Pingelly, Brookton and Narrogin, which are huge hay-producing areas. All of the hay from there currently goes to Perth in road-freighted containers. There are individual businesses and now farmers who are looking at containerising their grain because a lot of niche markets that offer premiums prefer to take a container than a bulk shipment. Therefore, the containerisation of the freight task is something that does offer some potential to get more grain onto rail. For that to happen we will need intermodal hubs where a container can be taken off a truck and put onto the rail line.

Mr M.J. Cowper: A Bunbury container terminal would be nice.

Mr B.J. GRYLLS: That is right, including the logistics to enable that to happen.

I well and truly understand the concerns of regional Western Australians with regard to the freight task for the state's grain harvest. There are a lot of concerns, agitation and anger in my electorate in the wheatbelt about this issue. It would probably be quite easy for me to say to the member for Collie-Preston that the best we can do is knock this little issue on the head, put the money in and the problem would be gone. Perhaps the member for Collie-Preston will one day be in a position to make that decision, but every decision a minister makes is subject to enormous scrutiny.

Several members interjected.

Mr B.J. GRYLLS: If we were to make an investment in a rail line based on the logistics of the harvest that was then subsequently not used, members opposite would quite rightly criticise it very strongly, because the money would have been better spent elsewhere. That is what the Minister for Transport is trying to get to the bottom of. He has set up the Freight and Logistics Council of Western Australia. The Freight and Logistics Council—probably a follow-on from the Grain Infrastructure Group—is trying to take the information from the GIG process, which I think was a good process and which recognised that if we do not have an investment, grain will move to road and that will have a cost to government. The Minister for Transport is trying to look at that in the context of what is happening in the industry; at what Co-operative Bulk Handling, as the major bulk handler, foresees in the future; and at what individual decisions farmers, of which my family is one, are making. In our time in farming my family had massive sheds on our farm where we stored all our grain ourselves, which did not even go into the CBH network. Every bit of grain that got out of that shed ended up on road transport. We did that because we extracted a premium from the system for the private selling of legumes, being lupins, and other grain. We had a flour mill. I suppose our flour mill took the grain off the rail because we turned the grain into flour, put it in a bag and trucked it to Perth. However, we were trying to extract a premium for that product. Every single farmer is making that decision.

My conversations with the Minister for Transport have been along the lines of recognising the need for investment in the network and that we must get that investment right. At the moment the attitude of “just fix every line” is not an outcome that will get the right decision. There needs to be an understanding from everybody.

Ms A.J.G. MacTiernan: How much of the line are you prepared to allow to be closed? We are facing up to a \$1 000 —

Mr B.J. GRYLLS: I thought we had some agreement on this issue, yet I am getting near the end of my speech and we obviously now do not agree.

Ms A.J.G. MacTiernan: No; I am just trying to get an idea about how much —

Mr B.J. GRYLLS: It is not about closing the rail; the rail is not closing.

Ms A.J.G. MacTiernan: Don't play semantics.

Mr B.J. GRYLLS: The rail is fit for purpose now. Based on the decisions of grain growers, the ARG and WestNet have decided that it is not viable to run trains on those lines; that is, the freight task is impossible on those lines. If the government injects enough capital that allows WestNet to put forward a price to ARG that will allow it to compete with road transport, the grain will stay on the road.

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There is a lot of argument around WestNet the company and the size of the capital injection needed. It needs to be understood that not all those rail lines will stay open; indeed, rail lines have already been closed. Although the previous government had not decided to close the lines, those lines were not used; instead, trucks were used to cart grain by road from CBH facilities to the most appropriate place to load it onto the rail system. Those decisions were made under the previous government.

Ms A.J.G. MacTiernan: Which lines were they?

Mr B.J. GRYLLS: I know of plenty of movements between wheat bins as CBH managed its logistics, and I know it has happened when there has been a perfectly useable rail line. I have talked about the Trayning-Merredin line and the distance from Trayning to the major storage facility at Tammin, which is on the standard gauge. CBH encourages growers to deliver straight to the standard-gauge line. The major facility at Tammin operates 24 hours a day, which attracts a lot of the grain; therefore, that grain will be transported by road.

As the new government, we want to ensure that any rail investment will deliver a dividend to the people of Western Australia, and that dividend is that the grain stays on rail. If that does not occur, it will have been a flawed investment. That is what has happened. The Liberal-National government and I have decided not to fund the grain rail network investment from royalties for regions. The former Minister for Planning and Infrastructure has admitted that the previous cabinet had decided to invest in the rail network. We believe that royalties for regions should be about funding new projects. We have decided that the rail network capital injection should not come from the royalties for regions fund and we stand by that decision. I look forward to continuing to work with the Minister for Transport and the Liberal-National government to ensure not only that as much grain as possible is transported on the rail network, but also that the decisions of private enterprise growers and transporters of grain to not use rail are recognised and supported by the provision of a safe and reliable road network. I know that some members opposite do not like that decision, but I am comfortable with that decision. I am well aware of the great desire of all Western Australians to see as much of that freight task undertaken on rail as is possible, and the new government will work very diligently to ensure that that happens.

MR P.B. WATSON (Albany) [5.23 pm]: It was interesting that the Minister for Regional Development said that the Minister for Transport has made good decisions. He has had to make only two big decisions since he has been the minister. Firstly, he has had to decide on the deregulation of Skywest Airline, yet, with only a week or two to go before the end of the financial year and despite being pretty sure that the airline wants a decision one way or another about where it is going, we have no decision. Secondly, he has had to decide about the grain rail network, and again we have no decision.

In the first 15 minutes of his speech, the minister spoke only about what the previous government had or had not done. The Liberal and National Parties are now in government. I remember when we were on the other side. I remember when we first came to office. We probably did the same thing, but the Liberal and National opposition told us that we were in government. It is great that the Minister for Regional Development is upsetting so many National Party supporters, many of whom gave me their preferences in the last election. It is good to get a bit of hayseed and a bit of cow dung in my office, because I am getting a lot more National Party supporters coming to my office. Those supporters in our region are very upset about this promise the minister made. Funnily enough, the shadow minister spoke in Parliament today about the Minister for Regional Development's election promises. The minister's supporters have pointed out that money has been given to local government in Albany and that the local government has provided toilets and a footpath, but we are yet to see anything other than those things that local government should have provided in the first place. When Labor was in government, we built a justice complex, we built the first stage of the ring-road and we had the waterfront development and the entertainment centre.

Mr M.J. Cowper: We clearly spent too much money down there!

Mr P.B. WATSON: Yes, and members opposite said then that we spent too much money. Royalties for regions means extra money for the regions. I am a great supporter of royalties for regions.

Several members interjected.

Mr P.B. WATSON: I have said that I am a great supporter of the royalties for regions concept but I am a bit concerned about the grain rail network.

Mr M.J. Cowper interjected.

Mr P.B. WATSON: I know that the member for Murray-Wellington is only a parliamentary secretary in an otherwise weak group, but if he has the guts, he should get up and say something.

Several members interjected.

The ACTING SPEAKER: Order, members!

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Mr P.B. WATSON: We talk about royalties for regions. The Minister for Regional Development said today that the government does not want to invest money in the grain rail network because it is an item of core government expenditure. However, the government has invested \$60 million in Albany Regional Hospital—a core government promise of the Liberal Party. I also refer members to the gas pipeline. Royalties for regions money will be spent on the gas pipeline; in fact, I think \$10 million a year for three years will be spent on that pipeline. In the Pilbara area, there is money for hospitals and for bandages and for things like that. I want to know, and my electorate wants to know, where royalties for regions starts and where royalties for regions finishes.

Mr B.J. Grylls: In the budget. The budget is where you will find it, and rail is not there and the Albany hospital is.

Mr P.B. WATSON: I have seen members like the minister in very, very safe seats who have become very cocky. When I ran against the previous member for Albany, there was a 15.8 per cent voting swing. The minister should not think that he is safe in his seat, because there will always be someone to knock him off.

Mr B.J. Grylls: Correct; I agree with the member for Albany. And isn't it a good thing, given what we have recently witnessed in Iran!

Mr P.B. WATSON: I have not been to a local election in Iran but I am sure that we can use some royalties for regions money to send the Minister for Regional Development to Iran!

However, let us get back to the grain rail network. It is going to cost jobs in the region. We are going to have more trucks on the road, which, as the member for Collie-Preston reminded me, will be competing with school buses. I know this is a huge issue for my constituents because there are enough trucks on the road now. School buses travel the roads everyday and now we will have these grain trucks travelling on some rather average country roads. I know that some timber companies have made special dispensation and will not drive their trucks when the school buses are on the road, but I have not seen anything like that from grain transporters. We will now have more trucks on the road. Fair enough! If there are to be more trucks on the road, give us the money for the second and third stage of our ring-road because then the trucks will come through town as they do now. Trucks come down Chester Pass Road and Albany Highway, round the roundabout and into the port. School buses, people in cars and kids going to school on their bikes use that road. We have had to put a special crosswalk on Chester Pass Road for the pensioners who cross the road and to allow our kids to cross the road; these all flow on from not having the grain transported by rail.

When members make an election promise, it gives false hope to people in the community—people make plans in advance. Members said, “Okay, when we get into government we’re going to fund the grain rail network.” Therefore, people say, “Okay, I’m not going to get a truck this year because the grain rail network is going to be there; I’m going to do this.” It is false hope and false economy and it makes things very, very hard for farmers in those outlying areas. I have a couple of comments from the *Countryman*, which the member for Collie-Preston tells me is a very good paper.

Mr B.J. Grylls: You’ll have to start subscribing!

Mr P.B. WATSON: He even gets his photo in it occasionally, which is a real worry!

Mr B.J. Grylls: He does; he gets his photo in there a lot now.

Mr P.B. WATSON: In the *Countryman*, the WestNet Rail general manager said that the government commitment —

Mr M.P. Murray: Fancy an old lefty getting his photo in the *Countryman*!

Mr P.B. WATSON: Can I have some protection from the member for Collie-Preston, please?

Several members interjected.

The ACTING SPEAKER (Mr V.A. Catania): Order, members!

Mr P.B. WATSON: The WestNet Rail general manager stated —

“A Government commitment to keep grain on rail would be a long-term, visionary demonstration of Government will to invest in our regions ...

Royalties for regions—does that not ring a bell? He also stated —

“Further, it would unlock \$133 million private investment waiting to be poured into regional WA—

Money for the regions! He continues —

creating jobs, securing the future of the network, and providing significant environmental and road safety benefits.”

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To me, that is where royalties for regions funding should go.

Ken Pech from Gnowangerup said —

“We are very concerned that there is no decision being made ... Gnowangerup has a spur rail line that we would like to see used, or alternatively, if they are not going to use it, to close it.

“At the moment the grain gets carted into the bin at Gnowangerup and we get charged rail freight and then it gets road trained out through the streets of our town—

And Mt Barker —

and onto Albany, instead of using the train.

Mr B.J. Grylls: That was the point I was making earlier, member for Albany.

Mr P.B. WATSON: Okay, but it is my turn now.

Mr B.J. Grylls: Even though there is a rail network —

Mr P.B. WATSON: It is my turn now.

The ACTING SPEAKER: Order, members!

Mr P.B. WATSON: Another comment from the *Countryman* stated —

York, Quairading, and Trayning shire presidents Pat Hooper, Darryl Richards and Trevor Lamond, respectively, only heard about the specific line closures last week. If negotiations fail, Cr Richards warned the closure of the York to Quairading track would see at least an extra 5000 road trains hit the State's roads to transport grain to ports. “It's a safety issue ... The roads aren't built for it —

Whoever's fault that is —

and having extra trucks on the road is going to be a huge safety concern.”

Therefore, what do we have? We have jobs being lost. We have danger on the roads for road users and people who are sending their kids to school—these are all issues that build up.

I want to say one more thing. We have that \$281 million in limbo. I do not know the minister's plans, but I hope about \$270 million of it will go to Albany to pork-barrel us and to get the National Party candidate up at the next election! I think it is very, very hard for country party members in regional areas—I know it is very hard for me as the member for Albany—to explain to these farmers that there is \$281 million in the slush fund for regional infrastructure, or whatever we want to call it, that is not being used. We have this very, very important thing. It is amazing because I did not know too much about it until I went into my new electorate. I have been out doorknocking in my new electorate and the first thing that people in the Manypeaks area, the Kalgan —

Mr M.J. Cowper: Bornholm.

Mr P.B. WATSON: Not so much in Bornholm.

Mr B.J. Grylls: Little Grove.

Mr P.B. WATSON: No, in Little Grove they grow things only in their backyard, member.

Several members interjected.

Mr P.B. WATSON: I wish to rephrase that—they grow vegetables in their backyard!

However, I am concerned. As I said, I fully support royalties for regions. I congratulate the National Party members on the stand they took on royalties for regions, and they must admit that in our local media I have always supported them. I have supported the Minister for Sport and Recreation, but not so much the Minister for Agriculture and Food for what he is doing about genetically modified crops in our area, which is still an issue. However, I fully support royalties for regions and I just hope the National Party can get it right. I know it is probably a bit more difficult than members thought when they started, but I think, as the member for Collie-Preston explained before, if they do not look after country people—I do not want the National Party members to disappear because they are doing good things for the regions—and if they keep letting down their core heartland, there will be some problems. I know it is very, very hard for the Nationals. It is interesting that when we talked about all the rail lines, the main one the minister talked about was in his own electorate. He kept saying, “In my electorate this is going to happen and that is going to happen”, but he did not talk about the other places, which to me, as a country member, is a major concern.

Mr B.J. Grylls: I was giving members an example.

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Mr P.B. WATSON: But what the minister said was “I can understand in my electorate” and he gave all the reasons. Therefore, it might be okay in his electorate, but the member for Wagin, the member for Blackwood-Stirling and the member for Moore could have problems with this and do not underestimate it.

I am speaking on behalf of my constituents who will be affected and not only by the fact that they will not be able to bring in grain by rail. My constituents and the member for Wagin always used to talk to me about congestion on the roads from Albany to Perth. The road from Albany to Perth is very dangerous now. I know we have put in a few passing lanes and I think all these things add up. We must get the passing lanes right, so I implore the minister to use his influence in the cabinet, and for other country members to use theirs, to see whether we cannot fix this very, very important problem.

MR E.S. RIPPER (Belmont — Leader of the Opposition) [5.36 pm]: We have discussed in part in this debate the disastrous privatisation of the Westrail Freight division by the previous Court coalition government. I am reliably informed by a very senior source that this was very much a National Party initiative within that government; certainly, that is what a senior Liberal Party member told me at the time. He asserted that the National Party would have to carry the responsibility for this privatisation.

The gross sale proceeds from the sale of Westrail Freight totalled \$585 million. Selling costs, provisions and stamp duties associated with the sale amounted to \$96 million, so the net proceeds were worth \$489 million. Unfortunately for the Court coalition government, the debt of Westrail at the time totalled \$1 094.7 million. The government privatised Westrail Freight and paid off only \$462 million of that \$1 094.7 million debt. After privatisation, the remainder of that billion-dollar debt stayed on the books and, of course, it had to be serviced from taxpayers’ funds. Therefore, it had an impact on the operating balance, and there was an impact on the budget balance in 2000-01 of \$22.2 million; in 2001-02 of \$64.5 million; in 2002-03 of \$58.5 million; and in 2003-04 of \$72.9 million. That impact arose from there being no dividends from Westrail Freight, no tax equivalent revenue being paid by Westrail Freight and from the fact that the taxpayer had to continue to subsidise the remaining debt left over after privatisation. I would be very interested in information from Treasury as to whether we are still paying equivalent amounts out of the operating balance to meet the interest payments on the remaining Westrail Freight debt, because we are no longer in the position that we were in during the boom years. On the basis of what we know already, next year’s budget is going into deficit. Even in the official plan of the government, which is unrealistic, in the following two years the budget is going into deficit. I expect that it is highly possible that we will be borrowing money to pay the interest on the remaining debt left over from the Westrail Freight privatisation. I am not entirely certain of that because I no longer have access to the books, but I am very interested in Treasury advice on whether that is the case. Quite clearly, this was not a very good privatisation from the point of view of the public purse because we sent the freight operation out into the private sector and we kept a significant proportion of the debt, having paid off only \$462 million of a \$1.1 billion debt. We then relied on the private sector to maintain the railway line and to invest in it to meet the needs of the community. It is always a very dangerous aspect of a privatisation to rely on the private sector to expand its monopoly asset to meet community demands. In some cases the new operator will not have a commercial interest in doing that because it may not judge it as providing a commercial return; in other cases it simply lacks the financial capacity to make the required investment. Two privatisations occurred during the Court government period—the privatisation of the Dampier to Bunbury natural gas pipeline and the privatisation of Westrail Freight Pty Ltd.

Ms A.J.G. MacTiernan: And the road network.

Mr E.S. RIPPER: I will turn to that in a minute.

Both of those privatisations have run into trouble because of the refusal, or incapacity, of the new owners to invest in the asset. In the case of the Dampier to Bunbury gas pipeline the new owner said that unless it got the tariff it wanted out of the regulator, it would not invest to expand the pipeline; it also had financial difficulties in its operations outside the state which made it difficult for it to invest even if it were willing to do so. The failure to invest in the Dampier to Bunbury natural gas pipeline was the fundamental cause of the electricity difficulties experienced in February 2004, and a similar situation is emerging with regard to Westrail Freight. One of the dangers of transferring monopoly infrastructure into private hands is that we cannot control their willingness, or unwillingness, to invest in what the rest of the community needs from that monopoly infrastructure.

What will happen as a result of the closure of these railway lines and the forecast further closures is that there will be a transfer of the grain freight task to the road network. That will involve additional expenditure by the state government, that will inevitably involve additional expenditure by local governments, and that will involve more trucks on the roads and more danger for country people who use those roads.

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This news is combined with the report we have had from the Auditor General today that referred to the backlog of road maintenance arising from the failed term-network contracts entered into by that very same Court government. Country freight tasks are still carrying the burden of failed policies of the Court government, member for Nedlands. The failed policy of the Westrail Freight privatisation has resulted in lines being closed and a lack of investment in that network, and we then see the transfer of the freight task to the roads, where there is a huge backlog of maintenance arising from the very contracts entered into by the Court government that the incoming Labor government was required to honour. When one considers the long-term legacy of the Court government's transport policies—for which the National Party has to take responsibility because it had the transport portfolio—it is a very poor legacy indeed from the point of view of country people and the task of shifting grain in particular.

I do not normally enter these debates because the shadow Minister for Regional Development, the member for Armadale, handles these arguments extremely well, but I was motivated to enter the argument because I listened to the Leader of the National Party, the Minister for Regional Development, and I thought his defence of his broken promise was absolutely pathetic. He made a promise as detailed in the extract from *Countryman* dated Thursday, 28 August 2008 that the member for Armadale quoted to the house. It is worth not just looking at the Leader of the National Party's quotes, but the whole context of the article. It is headed "Nats pledge rail rescue". The first two paragraphs state —

A cash injection to stave off closure of up to 2300km of WA's dilapidated narrow-gauge lines has been pledged by the WA National Party should it hold sway after the poll on September 6.

The article further states —

The WA Labor Party has failed to give any firm election commitments arguing it cannot make a unilateral decision without the Federal Government and industry also putting up their hands.

Then further on in the same article —

WA Nationals leader Brendon Grylls said the party believed the State component of the Rail Rescue package should be funded through its Royalties for Regions policy.

"It's important infrastructure that needs to be supported," Mr Grylls said.

I do not take these matters lightly. This article was written in the middle of an election campaign, right at the end of August with the election due on 6 September. This was a point of difference that the National Party was seeking to establish between itself as a contender for power, and the then Labor government. It contrasted its position with the position of the then Labor government, so it contrasted its accusation that the Labor government had failed to make an election commitment with its firm commitment that its royalties for regions policy would result in the funding of this infrastructure. It is not good enough for the Leader of the National Party to come into this place and defend his broken promise by saying that Labor did not do anything. He said that during the election campaign and he made a promise during the election campaign to establish a point of difference between his party's policies and what he said were the policies of the Labor government. It was completely dishonest, it was completely lacking in integrity, and he has broken his contract with the electorate—a contract he should take very seriously—as he made that promise and then failed to deliver whilst in government.

As the member for Armadale has pointed out, there are unallocated funds in the royalties for regions money which could be used to meet the National Party's election commitment. It is not a question of the Nationals not being able to extract the money from the rest of the government; it is the National Party's unwillingness to spend the money on its election promise that it so solemnly gave. The tragedy of it all is this: as a result of the very good work done by the previous Labor government and by the member for Armadale, federal money is available for this rail rescue package, and industry would be prepared to contribute in light of a federal contribution. The whole thing will fall in a heap because the National Party will not meet its election promise. It is forgoing the federal money and it is forgoing the industry commitment because it will not honour its own election promise. We have a very serious situation. We have a failed privatisation courtesy of the National Party, term-network contracts for the road maintenance courtesy of the National Party, a huge backlog in road privatisation and a lack of investment in the network, and now we have the National Party at it again—once again destroying country freight transport by refusing to honour its election promise. It is throwing away the industry contribution and throwing away the federal contribution, even though it has the money in its royalties for regions pocket. The money is in the pocket; it just does not want to spend it. By refusing to spend it, it will see a shift of grain freight to road, further deterioration in road infrastructure, and an increase in the backlog of road maintenance required, ultimately resulting in a requirement for big expenditure by the state government and local governments. There will be a less efficient means of grain transport and a less safe situation for country people on the roads.

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I think the National Party should hang its head in shame. This is not what the National Party said it would be doing when it campaigned during the election; it is quite contrary. It is irresponsible and it is bad policy, and it is a breach of faith between the National Party and the people whose votes it sought in the last election.

MR W.R. MARMION (Nedlands — Parliamentary Secretary) [5.50 pm]: I rise to contribute to this very important issue, following on from the very good points made by the member for Central Wheatbelt, the Minister for Regional Development, who I thought summed up very well the complexity of the problem of working out whether the state government does or does not choose to fund some of the subsidiary rail lines because of their profitability. I am a new member in this house, so I do not have the experience or the background of the member for Armadale or the former Treasurer. However, the Minister for Transport has provided me with some background notes, which I think it is important I share with the house.

One of the very important matters the member for Armadale raised was the Grain Infrastructure Group study. I will inform the house of the findings of the GIG study. The first finding was that the grain rail freight business is a marginally viable operation. It is important to know that. The second was that the operation of the grain supply chain in its current form and with its 2005 pricing structure does not meet commercially reasonable hurdle rates of return on capital, which I think the member pointed out. The third point is that competitive forces and rationalisation processes within the grain industry have increased the diversion of export freight to the road sector, further weakening the economics of maintaining a sustainable system. The study also pointed out that to create a sustainable system would require one or more of the following four points: some rail network rationalisation and branch line re-sleepering; road network investment; upgrading of rail and grain receipt and rail-loading infrastructure; and subsidisation of some current rail services. The study also agreed with the member for Armadale's comments that the level of transport infrastructure—that is, rail, road and rail loading, excluding local government roads—funding required is about \$400 million over a 10-year period.

The Minister for Transport has pointed out to me that there have been no grain rail line closures. Whether there are some phantom closures because no grain is available to be carried on those lines at the moment —

Ms A.J.G. MacTiernan: Just a flesh wound.

Mr W.R. MARMION: They are phantom closures. The Minister for Transport said that he would like to point out—the member for Armadale should know this—that only the state government has the power to open or close these lines, which is specifically defined in the lease agreement with WestNet Rail. The lease agreement has five points, of which I think the member for Armadale would be well aware. Under the agreement, the government makes the decision to either provide support in keeping the line open or close the line. This is not a decision for WestNet.

Ms A.J.G. MacTiernan: If you are just engaging in technicalities, this is how we are going to go.

Mr W.R. MARMION: It is very important that the house should know what is in the lease agreement, because it backs up what the minister was saying about the complexities of the issue. The lease agreement requires WestNet to maintain the network fit for purpose.

Ms A.J.G. MacTiernan: As long as we have a rail line, it does not matter if it is not necessary.

Mr W.R. MARMION: The member for Armadale might be interested to know what is in the lease agreement. I have three more points to make on it. The lease agreement requires WestNet to maintain the network fit for purpose, including meeting certain axle loads and speed standards. Under the agreement, this is to be audited next year. I understand that it was audited about four years ago. I will get to that in a minute. The second point is that WestNet Rail is entitled to build the maintenance and capital cost requirements into the rail access charges. These costs will include projected expenditure required for the next five years. The current situation with services ceasing on certain lines has been brought about by WestNet renegotiating access charges with Australian Railroad Group, which is the point made by the Minister for Regional Development. WestNet is building into its access charges the projected maintenance and capital spend required for these lines, causing access charges to be increased to a point at which it is more economical for Co-operative Bulk Handling Ltd to move the grain by road rather than paying the access rates from ARG. That is the issue.

WestNet has a 49-year lease to maintain the state's rail network to specific operational standards. Network is subject to an open access regime, with access fees subject to control by the Economic Regulation Authority. The WestNet lease agreement provides WestNet with the right to approach government to surrender certain lines or receive a subsidy to cover loss after there has been a significant drop off in rail traffic. If there is a drop off in rail traffic, WestNet can approach the government for a subsidy and the government can choose to give it that subsidy or it can choose to drop the line off. This generally relates to grain freight lines. WestNet has indicated before that it may offer some lines for surrender to the government as the lines are not being used by CBH. However, no formal approach has ever been made by WestNet Rail under the lease agreement. That is the advice

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that I have received from the Minister for Transport. I am also advised by the Minister for Transport that the period for line surrender starts on 1 July, and if WestNet does not offer lines for surrender, the government expects those lines to be maintained to the required standards and to be available for use. As I mentioned before, regardless, it is the state government that makes the decision to either provide support in keeping the line open or close the line under the agreement. This is not a decision WestNet can or is able to make.

The lease agreement specifically requires WestNet to maintain the network fit for purpose, including meeting certain axle loads and speed standards. This requirement is subject to audit every five years. As I mentioned before, it will be subject to audit in about 12 months. The last audit was carried out in 2005. The independent auditor's report stated that, with few exceptions, WestNet complies with the performance standards. Those exceptions relate to sectional running times and maximum track speeds on certain lines. There were no occasions when WestNet was not able to comply with the maximum axle-load requirements—the maximum axle-load requirement is the most important standard, which would prevent a train going onto a line if it were unable to take the load. That was the result of the audit in 2005.

As I mentioned before, there is a provision in the lease agreement for WestNet to apply to the minister to surrender certain rail lines. No lines are able to be surrendered in the first six years of the lease. After that time, which was from June 2007, the lease agreement acknowledged the need for government support for uneconomic lines, in particular grain lines. Under clause 16 of the agreement the lessee of the narrow-gauge network may apply to surrender uneconomic lines back to the state or receive a subsidy to ensure that the lines remain economic. The minister may then choose to enter into an agreement with the lessee to support the continued operation of the specific line or may accept the surrender of the line and seek another operator, mothball the line for future use or initiate closure proceedings. I might point out that no standard-gauge line may be closed, nor the narrow-gauge lines between Perth and Bunbury and Perth and Geraldton. However, no formal request has been made under the lease agreement for any of the lines to be closed. No government support has been provided over the past two years since the last audit.

The minister advises me that he is acutely aware of community concerns and has asked the Freight and Logistics Council to form a grain group to bring together parties involved in the grain logistics industry, to give him independent advice on the capacity and deficiencies of the grain rail network. The minister advises me that he believes it would be irresponsible for the government to commit significant taxpayer funds without testing proposals to ensure that the funding delivers benefits. Subsequent to a recent meeting, industry endorsed the proposal to utilise the expertise of the Freight and Logistics Council to assess the grain industry's transportation needs. The meeting was attended by key industry representatives, including WestNet, CBH, WA Farmers Federation, the Pastoralists and Graziers Association, grain exporters and government agencies. It was agreed that industry would participate in the process in which the Freight and Logistics Council would assess various options for improving the capacity of the transport system to move more grain. The grain group is expected to provide this advice by October or November of this year.

The minister asked me to point out that if the member wants to question the Liberal government's commitment to the grain rail network, one must look at our record. For example, the previous Liberal-National government allocated more than \$120 million to the grain line strengthening program. This investment was targeted to improve rail networks so that they could cope with higher volumes of grain on rail.

There is a bit more work to be done. I do not think the government should rush in and agree to WestNet Rail's demands at the moment. We have to look after taxpayers' funds. The member for Merredin made a very good point about farmers choosing to use rail or road trucks. I agree with the member for Armadale that we must try to get as much of the grain transportation onto the rail network as we can. However, there is no point subsidising a rail line if the farmers are going to use trucks along that section of line anyway.

Mr P.B. Watson: Can the member tell me where that area will be, where they will use trucks instead of rail?

Mr W.R. MARMION: I do not know that, member for Albany. I am representing the Minister for Transport in this house; I do not know the specific details of which particular line.

Mr P.B. Watson: The next time the member sees the Minister for Transport, can he ask him about Skywest while he is there?

Mr W.R. MARMION: No.

MS A.J.G. MacTIERNAN (Armadale) [6.01 pm] — in reply: I thank those members who have participated in this debate. I think in some ways it was very informative. What we have learned is that the National Party is unable to explain why it made a commitment before the election that it has now completely backtracked on. It

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takes me back to the old glory days of Eric Charlton. The road transport industry would say to Eric “Jump!” and Eric would say “How high?” I thought we had new, groovy young National types who were better rounded, a bit better educated, who were not so completely —

Mr T.K. Waldron: Is the member talking about me being rounded?

Ms A.J.G. MacTIERNAN: Very rounded! But the National Party is the same. We have this same group of economic primitives who cannot understand the real economic cost of what it is proposing. Today we have had an acknowledgement that there is no great concern that we are going to see the significant closure of grain lines in Western Australia. That is very, very short-sighted. It is spruiked on the basis that this is economic good sense—“we are rational economic guys.” But it is not. The National Party would have access to analyses that compared subsidies. To give members some equivalent of the under-recovery, the subsidy to rail is about \$6 a tonne whereas the subsidy to road is about \$15 a tonne. When we actually look at the total cost of road compared with the total cost of rail, the real cost—that is, getting rid of the hidden subsidies and bringing them to account—to the taxpayer is a lot more to take freight by road than by rail. It is false economics that the minister talks about.

There are many more consequences to this. We know that the money that we would be putting into rail would be equal to what we need to put into the road network if those rail lines close down. We also know that the impacts of not proceeding with the grain infrastructure package is that about 1 000 kilometres of grain line will close down—the viability of the rail network for grain will be damaged. As the network diminishes, the viability of the whole becomes less and less because it is a network. The ability to move trains and the ability to have a critical mass diminish, and the whole viability of the network diminishes. The ability to have sufficient maintenance crews, to be able to amortise both capital and maintenance costs, reduces. Each time we let some lines go, we diminish the network and we start this spiral downwards of the network.

It will make it very, very difficult in bumper seasons to have a system that can efficiently move freight. We are really jeopardising our capacity to move grain by moving inexorably to a single road-based system. We will reduce our flexibility; our capacity to respond to bumper seasons. There will be a significant increase in B-doubles and road trains in the wheatbelt areas and port towns. It will create massive issues of amenity for many communities on those roads and in those towns. There will be a massive increase in road trauma. The wheatbelt has one of the highest rates of road trauma in the state. Putting thousands more B-doubles onto those roads is going to exacerbate the problem.

This is not good economic sense. It is not good sense when we look at the cost of all of those externalities that have been outlined in the Grain Infrastructure Group report. It was set out in the report very clearly. The total cost—the real economic cost of moving grain by road—is more than the cost of moving it by rail, but the subsidies are hidden; the subsidies are imbedded in the road costing.

We cannot allow this to happen. I am absolutely amazed that we are seeing a modern-day National Party proposing to close down the lines. It is a great tragedy for the wheatbelt community. It goes well beyond what we have seen today. It is not just an issue of four grain lines—maybe we could live with these four lines that have been closed—but the indication that we have here today is that there is not a fundamental commitment to the whole philosophy behind the rail rescue package. We have argued economics when the economics clearly shows that it is better for the taxpayer to have that freight on road than rail.

We have heard this nonsense about “fit for purpose”. The minister has never said, “We’re closing these lines down because unless you put money into these lines and upgrade them we’re not going to operate them.” It is about what needs to be done to make the network as a whole viable. It is not about “the” particular line! The minister says that we cannot say that the line is “closed”; it is “not used”. It is not going to be terribly useful being an open line that is not used by anyone. These lines are effectively closed. These lines have been abandoned. The argument has never been that these four lines have been closed down because the government is not contributing any money to upgrade those lines. It is about providing a cost structure, a better framework and a better economic base to enable re-sleeping on lines, which will reduce the costs generally across the network. By reducing those costs generally across the network, the companies will, in turn, be prepared to keep open those lines that are sub-economic in a direct sense for them, but not sub-economic for the state. I keep making this point: it is more expensive for the state for grain to go on road than it is for grain to go on rail.

Let us clarify what the economics argument is. It is not about what costs more and what is cheaper; it is about the hidden subsidies for road transportation that need to be addressed. All of this nonsense the minister is going on with about fit for purpose is completely irrelevant. It is all fit for purpose, and it could all be going on rail, but people will not do it if it is not economic once it is sold to the private sector. It worked when it was in Westrail’s hands because Westrail was prepared to cross-subsidise. No private operator will cross-subsidise unless it gets

Ms Alannah MacTiernan; Mr Mick Murray; Mr Brendon Grylls; Mr Terry Redman; Acting Speaker; Mr Peter Watson; Mr Eric Ripper; Mr Bill Marmion

something in return or has had built into that network some protection. The protection that was given lasted only five or six years. It has now ceased and the government must grapple with the economic issues.

I am extremely surprised that what we have here today, effectively, is an admission that the lines are going to close. It is not only these four lines that will be closed, but we will also see a significant number of other closures. Who knows how many? We could see 500, 750, 1 000 kilometres of line closing! Eventually we will see the system spiral down as the network becomes less and less sustainable. I feel very deeply and genuinely disappointed for the community of the wheatbelt and all of those towns—Albany in particular—that will see a concentration of road vehicles coming through their towns. It is false economics, and it is very, very bad for those communities.

Question put and a division taken with the following result —

Ayes (27)

| | | | |
|-------------------|----------------------|------------------|-------------------------------------|
| Ms L.L. Baker | Mr W.J. Johnston | Mr P. Papalia | Mr C.J. Tallentire |
| Ms A.S. Carles | Mr J.C. Kobelke | Mr J.R. Quigley | Mr A.J. Waddell |
| Mr A.J. Carpenter | Mr F.M. Logan | Ms M.M. Quirk | Mr P.B. Watson |
| Mr V.A. Catania | Ms A.J.G. MacTiernan | Mr E.S. Ripper | Mr M.P. Whitely |
| Mr R.H. Cook | Mr M. McGowan | Mrs M.H. Roberts | Mr B.S. Wyatt |
| Ms J.M. Freeman | Mr M.P. Murray | Ms R. Saffioti | Mr D.A. Templeman (<i>Teller</i>) |
| Mr J.N. Hyde | Mr A.P. O’Gorman | Mr T.G. Stephens | |

Noes (30)

| | | | |
|-------------------|-----------------|------------------|-----------------------------------|
| Mr P. Abetz | Dr E. Constable | Dr G.G. Jacobs | Mr D.T. Redman |
| Mr F.A. Alban | Mr M.J. Cowper | Mr R.F. Johnson | Mr A.J. Simpson |
| Mr C.J. Barnett | Mr J.H.D. Day | Mr A. Krsticevic | Mr M.W. Sutherland |
| Mr I.C. Blayney | Mr J.M. Francis | Mr W.R. Marmion | Mr T.K. Waldron |
| Mr J.J.M. Bowler | Mr B.J. Grylls | Mr P.T. Miles | Dr J.M. Woollard |
| Mr I.M. Britza | Dr K.D. Hames | Ms A.R. Mitchell | Mr J.E. McGrath (<i>Teller</i>) |
| Mr T.R. Buswell | Mrs L.M. Harvey | Dr M.D. Nahan | |
| Mr G.M. Castrilli | Mr A.P. Jacob | Mr C.C. Porter | |

Question thus negatived.