

**STANDING COMMITTEE ON
ESTIMATES AND FINANCIAL OPERATIONS**

ONGOING BUDGET ESTIMATES HEARINGS 2010–11

DEPARTMENT OF TRANSPORT

**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
FRIDAY, 13 AUGUST 2010**

SESSION TWO

Members

**Hon Giz Watson (Chair)
Hon Philip Gardiner (Deputy Chair)
Hon Liz Behjat
Hon Ken Travers
Hon Ljiljanna Ravlich**

Hearing commenced at 1.21 pm

Hon SIMON O'BRIEN
Minister for Transport,
examined:

WALDOCK, MR REECE
Director General, Department of Transport,
sworn and examined:

FISCHER, MR JOHN
Executive Director, Transport Policy and Systems, Department of Transport,
sworn and examined:

BRYANT, MR ALASTAIR
Acting Managing Director, Transport Services, Department of Transport,
sworn and examined:

KING, MR PETER
Executive Director, Investment and Finance, Department of Transport,
sworn and examined:

KIRK, MR KEVIN
Executive Director Finance and Contracts, Public Transport Authority,
sworn and examined:

The CHAIR: I would like to welcome you to the meeting this afternoon. Before we commence, I am required to administer either the oath or an affirmation.

[Witnesses took the oath.]

The CHAIR: Thank you very much. You will have signed a form entitled "Information for Witnesses". Have you read and understood it?

The Witnesses: Yes.

The CHAIR: These proceedings are being recorded by Hansard. A transcript of your evidence will be provided to you. To assist the committee and Hansard please quote the full title of any document you may refer to during the course of the meeting. Please be aware of the microphones and try to speak directly into them. I remind you that your transcript will become a matter for the public record. If, for some reason you wish to make a confidential statement during today's proceedings, you should request that the evidence be taken in closed session. If the committee grants your request, any public and media in attendance will be excluded from the hearing. Please note that the uncorrected transcript should not be published or disclosed. This prohibition does not, however, prevent you from discussing your public evidence generally once you leave this hearing. Government agencies and departments have an important role and duty in assisting the Parliament to scrutinise the budget papers on behalf of the people of Western Australia. The committee values your assistance in this matter.

Members, before asking your questions, please refer to budget statements and their volume, page numbers, items and programs. That will greatly assist the committee and Hansard.

Hon KEN TRAVERS: I thought we might start where we finished in the last hearing with the grain rail network. I am trying to get an understanding of the work that is being done and the costings of the roads that will be required to implement the Brookton strategy, in the first instance.

Hon SIMON O'BRIEN: Do you want me to address that generally.

Hon KEN TRAVERS: Specifically.

Hon SIMON O'BRIEN: The strategic grain network review document, which I think the member has with him, contains the indicative costs for road upgrades that were done in consultation I might add with Main Roads at the time the committee was doing its work. As the matter moves forward, further work will be done to firm up costs as government determines its priorities and makes the key decisions about which roads will be upgraded and to what standard.

Hon KEN TRAVERS: I understand there was some involvement with those people. But in terms of the work that is being done as part of the business case, is it still the view that the roads were identified as requiring upgrading if the tier 3 lines were closed, are sufficient and are the only road works required within the area of the Brookton strategy?

Secondly, my understanding from a range of local governments across that area is that there has been ongoing work that has adjusted the cost of the road works that were included in the strategic grain work report. I am trying to understand if, as part of the subsequent work, there has been an increase in the cost of the road upgrades that will be required.

Hon SIMON O'BRIEN: If you want to go out there you will find all sorts of different potential estimates of what various road works will be. As I say, the work is ongoing. The Strategic Grain Network Review Committee worked within a fairly constrained time frame. I would be surprised if it were not the case ultimately that a bit of work should continue to be done to get to the final costs. If anyone were looking for contradictions in the cost of one road or another, he will easily find them. We are more concerned with progressing the matter because it needs that. As part of that, and directly related to the member's point of interest, there is recognition, as I said in my discussions with the president of WALGA and sundry shire representatives, including a number of whom were at the regional cabinet meeting at Merredin the other day, there is a need to drill down beyond the trunk roads and look at the wider local government network and then to work out what key roads throughout the Wheatbelt will need work. By way of illustration, one shire president mentioned that there is a concern in his shire that his is probably the only shire in the Wheatbelt that does not have a main road going through it. That shire is concerned about the upkeep of his roads. John Fischer might be able to assist the member a little more on where we are with the costing of roads and part of that program.

Mr Fischer: The business case that has subsequently been prepared following the strategic grain network review certainly has looked at the roads. There have been some changes to the roads identified between the original report and the business case. A number of reasons for that are issues raised by councils identifying that.

[1.30 pm]

The business case is focused on those roads that are impacted by the tier 3 rail lines specifically. There are a whole lot of other roads that have been assessed by local government in terms of grain movement, but in terms of the business case, we are focusing only on those roads that are a result of the change of grain task. The estimates that have been prepared as part of that have been prepared by Main Roads. They have done that work for us. We have asked them to make an assessment of what standard is required to cater for the additional truck movements if the grain is not carted on the tier 3 lines.

Hon KEN TRAVERS: I must say, minister, I am not trying to get at this for the sake of having a contradiction; I am just trying to get a more accurate and clearer picture of what the issues are out there —

Hon SIMON O'BRIEN: Indeed; I understand and respect that.

Hon KEN TRAVERS: — and what the costs are. So have we got an indicative figure of what the new cost of the roads as a result of that further work is at this stage?

Mr Fischer: We have made a revised estimate of the cost of roads. It is less than what was identified in the strategic grain freight review.

Hon KEN TRAVERS: I do want to have to try and ask a question about the deliberations, but is it less because there it is a mix of road and rail options that have been considered, or is it less because the cost of the roads that were in the grain network review have been coming in at a lower price than was originally estimated? I am talking about in broader terms. I am not asking you to —

Hon SIMON O'BRIEN: Yes. I am going to ask Mr Fischer to provide a response to that, but I note that you have said that a lot of this is a very live part of the budgetary and the cabinet deliberative process as we speak, so I am a little constrained in what I can allude to, and I thank the member for acknowledging that there, and no doubt we will be talking about this again a lot. But in relation to the general question that has just been asked—Mr Fischer, if you could respond.

Mr Fischer: There are two things impacting the cost. One was that the number of roads identified that would need to be upgraded as a result of the changed grain movement was less than what was identified in the strategic grain network review, so there were less roads impacted, so that certainly contributed to the cost. I cannot comment directly, road for road, whether there was a difference in cost due to estimating. I do not have that detail with us.

Hon KEN TRAVERS: You said that Main Roads were asked to set the standard. Has a standard been set of what the roads should be upgraded to to manage the freight task, or does it depend on the road? In terms of the standard, are we talking about a seven-metre seal? Has that been set for those roads that would carry the freight task, or is it on a road-by-road basis, the standards that have been set?

Mr Fischer: Sorry; it was set on a road-by-road basis depending on what the change of traffic was; so, depending on what the traffic volume reflected, the standard was adopted for each road. But it was based on Main Roads standards for the typical volume of that type of traffic—you know, the B-double or whatever truck type was using the road. So it was based on Main Roads standard for the task and then it was related to the traffic volumes of a particular road.

Mr Waldock: If I could just add to that, if I may. We have actually looked at each tier 3 line and broken down the specific subsections of line and what that would mean in terms of numbers of extra trucks per day; and there are many, many sections of lines—in fact, half of them—where we are talking about an average of one truck per day additional. So it is in the light of that we have looked at each road and what it would mean.

Hon KEN TRAVERS: Do we know what just in terms of a range of the standards? Are we starting at five metres or a six-metre seal?

Mr Fischer: I cannot comment on individual standards. I am happy to assist —

Hon KEN TRAVERS: No, it was not about the individual standards, but just a range of the standards.

Mr Waldock: We have done our work based on Main Roads input based on fit for purpose, and certainly based on safety fit for purpose, but we could come back and give you more detail if you wish.

Hon SIMON O'BRIEN: Yes, I think there is a difference too between some of the key trunk routes. Chester Pass Road is one that comes to mind. It clearly needs to be attended to. Its road geometry in places is substandard for the task. Its seal width at six metres is woefully inadequate for the task. It has no shoulders in places, and it has not only heavy freight movements on it—and I am talking about triple road trains—but it also has a substantial tourist element on it as well, so clearly

there is a road there that needs some substantial treatment in all of those criteria. But other roads perhaps are different. But, by and large, the main roads will need to be assessed according to what the proposed load is likely to be. We have got a very big job ahead of us, and not only does it have to be funded, of course; the work actually physically has to be done, so we have to be very careful how we plan and stage that. It is not as if you can say, “Right; we want a thousand kilometres of roads upgraded. Can you do it next Tuesday?” There is a limit to how much construction capacity can be brought to bear at any given time, so it will have to be a staged process.

Hon KEN TRAVERS: I appreciate that, and I guess that raises a range of questions, and the first one I would go to is: in light of your comments about the time lines to upgrade the roads, how do we manage the grain task between now and then in light of the fact that, as I understand it, a number of the tier 3 lines, without any further work on them, will have speed restrictions put on them for the next grain harvest? That will make the economics of those lines even more difficult. I acknowledge your comment. If the answer is to upgrade the roads, it is going to take some considerable time to do that. How do we manage the grain task until that upgrade has occurred?

Hon SIMON O'BRIEN: There are a number of elements that need to be brought to bear. The committee is aware of the transitional assistance package payments which are intended to equalise freight costs from the affected localities—in effect, a subsidy for rail. That will endure, though in fewer places as time progresses, the idea being that the road development program is rolled out as the rail capacity ceases to be used, which is a likely thing that is going to occur, and it is a question of balance. The member, I am sure, has it in his mind: how do we make sure we get that balance right? I would point out that the ball is still in play with this issue, and the approach of government and the response of government will have to evolve as time goes by. But at this stage we have made some announcements already. We have committed funds already for initial packages of works. We have been working with the commonwealth to produce a business plan, and we are progressing that through the various forums that I am required to attend upon to obtain government endorsement and government funding.

Hon KEN TRAVERS: I understand that, but the tier 3 lines—my understanding is that there is not any money at this stage allocated to upgrading them.

Hon SIMON O'BRIEN: No.

Hon KEN TRAVERS: My understanding is again that the transitional assistance package significantly declines in the budget over what was spent in this financial year. Does that mean you are intending to go back for additional funding to extend the TAP. Even with the TAP, it is my understanding that the lines are at a stage where, if there is no work done on them this year, they will deteriorate to the point that they may be uneconomical to use, even with the TAP, so how are we going to manage that?

[1.40 pm]

Hon SIMON O'BRIEN: Without trespassing on cabinet conventions that I must not ignore, there are options that the member himself has identified in his question that the government may have to consider. When the government has done so, it will announce what its response is in the next phase. But I agree with the member. They are the sorts of things that we would be considering. In relation to the technical question of the rail lines deteriorating to a point where they cannot be used, I am not so sure that that is necessarily the case in the short term. But there are some tier 3 lines that without reinvestment will cease their use at the end of the 2010–11 financial year.

Hon KEN TRAVERS: What do you mean by that? I want to be clear about what you actually mean by that.

Hon SIMON O'BRIEN: You have asserted, I think here and elsewhere, that there are some tier 3 lines that will be getting to the end of their useful or serviceable life in due course. I am saying yes; that is the case.

Hon LJILJANNA RAVLICH: Which ones are they?

Hon SIMON O'BRIEN: The ones that I alluded to just then and that are likely to get to the end of their useful life without further attention are Bruce Rock–Yilliminning, Quairading–York, and Trayning–West Merredin.

Hon KEN TRAVERS: My understanding is that Trayning–West Merredin may already have trees growing in the middle of the line, but anyway!

Hon SIMON O'BRIEN: It is worth noting, too, that those lines do not carry a huge amount of grain. That in part is the problem when it comes to economics. What we need to understand in all of this—I know Hon Ken Travers knows about it, but for the benefit of others who may not be as intimately involved—is that it is not the case that if we were to spend taxpayers' money on certain lines they would necessarily be used even if they were brought up to their optimum performance level. Furthermore, even if we did that, and paid a permanent subsidy to encourage people to move their grain by rail, it still may not even be a realistic prospect for above-rail operators to go to those locations because of the lack of tonnage. In terms of the utilisation of trains, you need a certain amount of product to be moved to justify the cost of retaining rolling stock, particularly if it is on a seasonal basis. So they are the difficulties that inhabit the landscape that we have to work in.

The CHAIR: I want to follow on from that, because it goes back to the questions that we were asking in the previous session about the real cost of transporting heavy goods on roads, some of which are grain. Minister, you just mentioned subsidising people to put goods onto rail. I would argue that we are currently subsidising trucks to stay on the roads by the way in which the figures are used. I have two follow-on questions. The first is: Is that sort of costing done—that cost–benefit analysis—and does that include the current subsidy, if you are going to use that sort of terminology, that is in place for using roads to truck grain? My second question is: Given that this is a major long-term investment that we are talking about, and obviously it is going to be a big decision, what consideration is given to the projected cost of fuel—of petrol in particular, and diesel—for road transport? Obviously that is a factor in both road and rail, but if you are looking at the long-term projected cost of fuel, is that part of the consideration if you are looking at what I assume is an investment over at least a decade if not well into the future?

Hon SIMON O'BRIEN: I will ask Mr Waldock to comment on that. But we have to remember, too, that government does not grow any rail —

Hon KEN TRAVERS: Oh!

Hon SIMON O'BRIEN: — does not grow any grain, and nor do we transport it or market it. We do not buy it, and we do not consume it. But we do have a role to play, obviously, in the logistics chain, and people look to us for that. But ultimately the decisions being made by others in the logistics chain, whether they be the farmer in his paddock or in his truck, the transport company, an above-rail operator or a below-rail operator, or a wheat wholesaler, they will make their decisions on a commercial basis, ultimately. There is a body of work in the strategic grain network review that does do the work that you have suggested of comparing the relative costs, including costs of fuel, that apply to both rail and to road per tonne of grain to be moved, and you will find that of interest if you wish to peruse it. There are some clear understandings, though, that have to be made about the environment that we work in. Government ultimately will not be making the decisions that other entities will make. Mr Waldock has some useful advice to offer to the committee.

Mr Waldock: Thank you, minister. The question you raise is interesting. There is no doubt that generally speaking there are distortions, one could argue, between rail and road, and to some extent, when governments look at projects, they often look at the financial issues rather than the economic, social and environmental costs. That is not just state governments. That is the federal government and the way we look at our wider systems, in particular, I suppose, our transport systems. So it is fair to say that when we look at these things, while we do look at cost–benefit analysis for projects,

there is no doubt that we do not widen that. Indeed, as the minister said, the market and our customers, they make the decisions based on financial reasons. So we cannot solve all the problems when we look at this. We have got to look at what we can do and how we justify it. So certainly the justification for the grain rail does look at the cost–benefit analysis, and it does try to look at some wider issues rather than just the pure cost to government. But there distortions, and those distortions will keep going. That is what things like the national agenda are all about—the heavy vehicle charging and all the rest of it. It is about trying to equalise road and rail and all those sorts of things. But certainly we make no pretensions to be solving all those problems in this sort of work. I think the work that we did for the grain freight network is some of the best work we have seen, because we looked at the logistics chain and we looked at what makes sense in terms of a strong case for rail and a sustainable case for rail, and we think we have got it pretty right. That “right” means that tier 3 would be hard to win, and despite the fact that we might still make bad friends in tier 3 railways, the reality is that the majority of it is going on road—certainly over 50 per cent is going on road already. That is because customers—the farmers—make a decision to do that, and that decision is purely based on price and convenience and the way they wish to run their business.

The CHAIR: Although you could argue it is because their use of the road is subsidised by the other road users.

Mr Waldock: Of course, and that is a national issue.

The CHAIR: So it is not actually a true reflection of the economic situation.

Mr Waldock: Yes, and we acknowledge that. It is a national issue that needs to be addressed.

The CHAIR: I just want to make it clear that that is why they choose road—it is because they are not paying the full cost.

[1.50 pm]

Hon SIMON O'BRIEN: Madam Chair, I acknowledge that as well. You also touched on the question of subsidy as part of the total package, which of course is the flipside of the cost recovery aspect. In effect, we are introducing some elements of subsidy, very definitely, or trying to even it up. I would point out to you, as minister, I have championed a subsidy for northern coastal shipping services. We are considering continuing a subsidy for container rail, and there have been some other questions asked about that. I was the minister that took the transitional assistance payments package to cabinet, and that is a direct cash subsidy in favour of rail. I was also the minister that has championed the strategic grain network review and already secured moneys for railways that are actually leased and managed long term by private entities. So there in itself is a subsidy into rail to help make it more competitive—some investment that, if it was not for us as a government, would not be being made.

Hon PHILIP GARDINER: I appreciate what the minister has said and his genuine, I know, concern in this area, but the evidence I have just heard, I am a little surprised to hear. First of all, on the distortions, we are not talking about national distortions, although they are all there on this issue; we are talking about a very localised distortion which will influence whether a user will use road or rail. My first question is—someone said that the users are not using rail in this area; 50 per cent are not using it—is that 50 per cent of unuse of rail being determined by the distortion that exists there between rail freight and road freight?

Mr Waldock: What is the distortion—sorry.

Hon SIMON O'BRIEN: No, address the question, Mr Waldock.

Mr Waldock: To quantify what the distortion is is difficult, and, I guess, the remedy is even more interesting. But perhaps I will listen.

Hon PHILIP GARDINER: The distortion is—I think it was a misstatement—that rail is subsidised. As the chairman has said, it is the road —

Hon SIMON O'BRIEN: Road is subsidised.

Hon PHILIP GARDINER: I agree. That is what I believe the case to genuinely be too, but I thought I heard a little bit earlier that someone said that the TAP was subsidising rail. It is not subsidising rail; it is equalising the subsidy given to road. That is the first point.

Hon SIMON O'BRIEN: That could be seen as a subsidy. It is a cash subsidy being paid to the favour of rail use.

Hon PHILIP GARDINER: To equalise the implied subsidy being given to road, as we all understand. I do not think there is any dispute about that. The second thing is the 50 per cent use will always follow historically if you are suggesting that CBH, I presume, because that is the main user of rail and transport on road—and I have heard before saying CBH will not use the rail even if it was done up, but I have also heard the minister say privately, and he is absolutely correct, that who uses road or rail will be determined by the price. That is absolutely fair and commercial. The distorting effect of our decision, not the national decision, because we can easily make it without even having a subsidy to rail—my words again, if you like—or an equalisation to rail where all we have to do is charge the road user, where there is a rail option, the full cost and you will solve the whole problem of who is going to use road and rail because they will all use rail under these circumstances. Has that been considered and analysed in terms of this decision?

Hon SIMON O'BRIEN: Madam Chair, I am not sure if we are possibly able to deal with this today. This is a policy issue —

Hon PHILIP GARDINER: Sorry; I did not mean to go into —

Hon SIMON O'BRIEN: — and it invites a whole lot of speculation rather than us perhaps delivering matters of fact to the committee. I do not know if the member wanted to maybe just make that point that he is making or if he wants a response.

Hon PHILIP GARDINER: No, I can accept to discuss that afterwards.

The CHAIR: Perhaps, minister, I think we might have identified an area where we might have a separate inquiry or a hearing or further information to focus on, because I think the committee members are illustrating that it is a matter that we have a high level of interest in.

Hon ALISON XAMON: As do many people.

The CHAIR: It is not the first time this committee has discussed this issue.

Hon PHILIP GARDINER: The other issue in this is it has got more than two elements, and maybe four. The third element at least is the CBH facility—because remembering this is really a CBH wheat issue—may not be sufficiently efficient to allow quick movement of trucks through these local facilities; therefore, they will go to Perth and you have a leakage. One says that this 50 per cent of traffic is only going on rail anyway, and it may not be due to the rail; it may be due to the facility. I know from Moora, where I had this experience directly, that there was a dispute and when I raised the issue of leakage, there was a dispute that CBH did not even know how much leakage there was and when they finally discovered it, the leakage was not due to the rail; it was due to the inadequacy of the facility at that time. What I am saying is it is more than just road and rail; it is also the third part of this thing which will determine how the freight goes. That is something of course which cannot be involved in this particular budget, I understand.

Hon SIMON O'BRIEN: Madam Chair, I do not know if you are wanting to move on or if you want to pause on this particular point, but if it is the mood of your committee, we can probably add some additional information. I will make the point as I have made before that the ball is very much in play. This is an evolving issue. The deregulation of the marketing arrangements by the federal government recently has produced a situation which is very dynamic and is still in a state of evolution, and that continues over into the transport chain. It is still to develop and evolve a bit, and there are probably some other elements that as yet have not manifested themselves. That is fine. The

government is positioning itself in the best way that it can for whatever may emerge. Honourable member, in suggesting that we should apply perhaps a direct charge to road users in particular areas, that would be a massive intervention in the market, which may actually have a distorting effect rather than a beneficial effect. Clearly, I think we all recognise, that is perhaps a policy argument for another day and another venue, but one worth having nonetheless. But it is not the government's intention to embark upon that course of action, so I want to make that clear. I think the committee might also benefit from the advice of Mr John Fischer on the subject of pricing components for the various modes.

Mr Fischer: I think we are mixing two things. One is about the market pricing; people make decisions on what it costs them to do something as opposed to the economic cost to the whole community about the use of our infrastructure and the way we use it up. People—certainly farmers and grain movers—make decisions on a market price decision, and that is what it cost in terms of the registration, their fuel usage and other labour costs. The difference between road and rail is that in terms of the way that the community recovers those costs for rail, the cost of the consumption of that is built into the rail usage charge.

[2.00 pm]

That is why we believe that there is that distortion, whereas consumption of the road task is not part of current road pricing mechanism. The reason that was flagged as a national issue is because nationally we are looking at how we can better use our price. What is a better mechanism to cost recover from the consumption of the asset? And if there was a mass distant charge, for example, who would pay for the consumption of the asset? Then that would be reflected wherever you were on the asset, not just in a particular location like in the grain network. So that is why I think it is probably a national issue to deal with pricing. We can, or governments may want, to intervene in particular locations through some other mechanism, either through direct subsidies to product, like is proposed here, or whether there is some regulation which may try and attract or ensure that a particular product is taken by a particular mode. But that is generally very specific, but does not address that underlying difference between a pricing provided by the market, as proposed by the economy.

Can I just make one other comment? I guess the inference about the 50 per cent of grain being taken on roads, it was not implied that that is a leakage from the grain system. I mean, there is a lot of grain harvest which is more directly serviced by road, particularly in Esperance and those sorts of locations. So, it is right for some grains to be moved. The grain network does not necessarily operate in the timely manner that some grain needs to be moved. And even from the network we are talking about, in the Brookton strategy, there are times where even if there was an efficient rail system, there is a need to rapidly move grain to meet market demands. And so there will always be a role for road to have a role in the movement of grain.

Mr Waldock: Can I just make one last comment, if I could?

The CHAIR: Mr Waldock, yes.

Mr Waldock: John has touched on it and the issue is very real and maybe it does deserve another committee to consider it. But whenever we talk about these things—and a lot of it is that distortion factor—it is about in due course having the road pricing mechanism that meets and responds to some of the issues raised. That road pricing will look at the sorts of things like the type of vehicle and the type of product. It will certainly look at the location and the time of day. It will bring all the issues in that actually one would hope can best respond to the wider set of externality costs plus direct economic costs; and that will be the challenge. But I must say it needs to be looked at on a system basis rather than just one small part of the world. Ideally nationally, but certainly even at a state level, you certainly would not look at road pricing and congestion charging in the future unless you actually had a wider understanding of where you wanted to go across the system.

Hon PHILIP GARDINER: Just one final response. The great difficulty in having an equalisation of costs, true cost to road and rail nationally or state-wise, is that regional Western Australia will be priced out of existence as a region.

Mr Waldock: It depends how you do your road pricing, does it not?

Hon PHILIP GARDINER: I agree with you, and that is why I think you can do it locally and specifically and effectively without causing distortions elsewhere. There are other points of difference I have with your thing there, but I have just forgotten the points! But I will just get back to one final point and this goes across several governments. It is really how it is a going concern operation like rail was not given the money to maintain its existence to such a point that we rule the line when it is really decrepit and you cannot justify spending that money on in current day dollars, when that amount of money there really is only because none of it was spent earlier. So what really happens is that rail, if the money was not spent, was financing investment in other parts of the state.

Hon SIMON O'BRIEN: I am not sure if that is a statement or a question.

Hon PHILIP GARDINER: It is, but I welcome any —

Hon KEN TRAVERS: If you do not want to respond, I am happy to respond!

Hon PHILIP GARDINER: I refer, by the way, to page 409, broadly.

Hon KEN TRAVERS: There is a 15-year life cycle for the replacement and maintenance of the rail and we are coming up to it.

Hon SIMON O'BRIEN: Yes. This government is investing in the grain line, and it is doing so advisedly and prudently where the Western Australian taxpayers know that they will get a proper return and value for their dollar, a value not only in economic terms, but also in terms of the triple bottom line. The last time that this occurred was back in the 1990s, when there was a substantial injection of funds in these lines. That is the actual history of the matter. What we are dealing with today is that part of the Western Australian rail system which is known as the grain lines. The other lines, and there are some thousands of kilometres, that are operated by the same operator have had other investment in them from private sources, and that is because there have been valid business reasons for doing so. The south west mine line, for example, has had a major re-sleepering operation completed not so long ago. Everyone knows the main east–west line is absolutely fit for purpose. So, we are only talking about these grain lines, and I will say that we are investing money in it now; we are doing that, and I am looking for more and I am taking business cases to my cabinet to see if I can secure that money. And the last time that happened was at the start of that cycle back in the 1990s.

Hon PHILIP GARDINER: Okay, so the decision by cabinet was not to invest at that time, which has led to the situation we have got now. We need to have a huge investment this year only because it has accumulated over those last 13 years.

Hon SIMON O'BRIEN: If you believe that is self-evident, then I will let it rest. That is where the investment is. It is now my watch and we are investing money in it.

Hon KEN TRAVERS: There is a life cycle before you invest on the rail system. That is one of the issues. Then there is the complexity now that was not there in the past; that is, because the lines have been privatised you have got to make sure you work out what is the subsidy where it is government, as opposed to subsidising a private enterprise and making increased profits.

Hon SIMON O'BRIEN: Yes.

Hon KEN TRAVERS: That is all part of the way in which the lines were privatised 10 years ago.

Hon SIMON O'BRIEN: It was compounded by the situation whereby the above rail and below rail operation fell to two parties rather than the one operator, as it had been previously, which is a complicating factor, and that is a history we are all familiar with.

Hon KEN TRAVERS: Yes; sure.

Hon SIMON O'BRIEN: But that is true. The question before us is: is the actual program for government investment in those lines versus the investment and the re-investment that naturally occurs, or willingly occurs, from the private sector? And that is something that we as a government are tackling.

Hon SIMON O'BRIEN: What is our time frame?

The CHAIR: It is 3.15 pm, minister. We have a little bit more than an hour to go.

Hon KEN TRAVERS: I just want to be clear about a couple of things that have been said. We kept talking about 50 per cent of the task is taken by road. Are we talking about 50 per cent of the task in the Brookton strategy area or 50 per cent of the task across the whole of the grain network? Because if that is the case, can we get a figure of what is the task that is currently carried by rail within the Brookton or the Kwinana south side, wherever you want it?

Hon PHILIP GARDINER: Tier 3 lines.

Hon KEN TRAVERS: Yes, carried by tier 3 lines, but I think we know what we mean by it.

Hon SIMON O'BRIEN: I will ask Mr Fischer to provide that detail. I believe Mr Waldock was talking about the Brookton zone. In general terms, of course, all grain is carried by road at some stage; specifically, obviously, at least from the paddock to a receiver port, whether that is the ultimate port or just the receiver port up the road. In relation to the Esperance zone—which is not serviced by a narrow gauge network but does have a standard rail network there—90 per cent arrives at the port by road and 10 per cent by rail.

[2.10 pm]

In the Geraldton and Albany ports it is about 50 per cent – 50 per cent that arrives at port by each of the modes. In the Kwinana port it is almost 100 per cent by rail; it is probably a little bit less than that now. But in between the paddock and those ports and ultimate destinations, we would have to refer to it not only in tonnes but in tonne-kilometres to get an idea of the whole task. Mr Fischer, have you got that information to hand?

Mr Fischer: I do not have the details of this, minister, but overall an average harvest is somewhere in the region of just over eight million tonnes a year in the long-term average, and about four million tonnes has been carted by road and four million tonnes by rail.

Hon KEN TRAVERS: Is that across the whole network or just within the Kwinana zone?

Mr Fischer: No, the eight million tonnes is the statewide harvest.

Hon PHILIP GARDINER: Statewide. I misunderstood; because I thought you were just talking about the Kwinana zone when you said 50 per cent.

Mr Fischer: no. I think there was a bit of miscommunication in what I was saying.

Mr Waldock: My understanding is that at Brookton it is about 50:50 as well.

Hon PHILIP GARDINER: I do not think so.

Hon KEN TRAVERS: Can we get that taken as supplementary information? I understand the complexities of it, but I think that is the thing when figures are thrown around like that. It is good to make sure that we know exactly what you are talking about. It may be the same, but it would be useful to know.

[*Supplementary Information No B10.*]

Hon SIMON O'BRIEN: The figures that I quoted for end arrival at port are accurate for our purposes. I just make it clear that there is no confusion about the other figures. It is just that for a level of detail we will have to take it or notice. We will come back to you and express it with regard

not only to the zones but also with regard to tonne–kilometres, which I think is another way of expressing the task.

Hon KEN TRAVERS: I just want to clarify something. When you say with respect to the lines that their serviceable life will come to an end this financial year, was the first one you mentioned Bruce Rock to —

Mr Waldock: Yilliminning.

Hon KEN TRAVERS: That is why I want to be clear about it, because I could not work out which one it was. The other question I have is: in terms of the business case that you were talking about earlier, does it include any restrictions on trucks using local roads, and so that would actually require them to use the roads that were upgraded? I guess the classic example, which I know there is a lot of concern about, is the Quairading–York Road. At the moment under the strategic grain network review, there is no proposal to upgrade that road. In light of the comments that we have discussed throughout this afternoon, if the argument is that people will use the shortest and cheapest route to port, or the quickest one, depending on what their requirements are at any particular point in time, it strikes me that that would be a road that would be put under significant pressure. Is there any intention to try to restrict access to that road by heavy haulage trucks, as part of the review; and, if not, how do you intend to deal with the issue of trucks wanting to use that road if it has not been upgraded?

Hon SIMON O'BRIEN: I will not express a response in terms of the business case, because I think I do have a responsibility to government at this time. But certainly, and I think I have alluded to this earlier today, there will be an increasing dialogue between ourselves and local governments to identify—by consent, I would hope, or mutual agreement—the trunk routes that we want to see established. Part and parcel of that, of course, are the strategies for making sure that they are the routes that are used and others are not. There are a few tools that the government's disposal that we might be able to use to help enforce that. But in terms of final determinations of what they will be, no, we have not got them as yet.

Mr Fischer: The only other comment is that in the strategic grain review, it identified sidings on the eastern Goldfields railway, to try to attract grain to that route rather than through to York. The intention is to try to make grain move north rather than west.

Hon KEN TRAVERS: I understand what the intention is, but I am just trying to work out how you actually achieved that intention. The Shire of Narrabeen, for instance, has already tried to direct heavy trucks on to specific routes, and even with their mechanisms, they are finding it very difficult to enforce that.

Hon SIMON O'BRIEN: Just the other day I actually drove the York to Quairading road and beyond. The road is in pretty good nick actually.

Hon KEN TRAVERS: Until you see a truck coming the other way! I think it is a lovely drive.

Hon SIMON O'BRIEN: Yes, it was a nice drive. I also stopped and had a look at the condition of the rail line that was adjacent to it. As Mr Fischer indicated, I think perhaps the trick to success here is engagement with all stakeholders in this to find the solution, so what we would be seeking to do is use a carrot where we can, as a far more effective means than stick. If we can work with local governments and put our own focus on getting people onto the routes that it is best for them to use, then we will get the outcomes that we need. I hope that we do not have to resort to some of the more negative actions that some might advocate about restricting permit roads unreasonably, other levies and so on. But that is the sort of thing we have got to work through.

Hon KEN TRAVERS: Just a final question that I have on the grain network: currently, as I understand it, there is \$135 million available, subject to the business cases and the like, from the federal government. Some of that I think you are already seeking to access for the Albany–Avon line.

Hon SIMON O'BRIEN: Indeed.

Hon KEN TRAVERS: Do we know whether that money is available for road upgrades, or is it only available for rail, and do we have any idea of whether or not that money is committed by both the major political parties post the election in terms of its continuance in the system? One would assume that the current government is going to continue it. This is not trying to make it into an election issue, but I know that the local member there on the opposition side has previously talked about it all going on road, so I just wonder if we know whether or not there is a position of the potential alternative government about that \$135 million.

Hon SIMON O'BRIEN: The commonwealth component is targeted to rail investment. I would not feel confident about the second part of your question at this time, but I would be confident that the federal government, of whatever ilk, will come to the party on this matter, which is important to Western Australia. What is more, as I have indicated in previous answers, I still think that there is a way to go on the development of this issue and how we all respond to it, and that includes the federal government.

Hon PHILIP GARDINER: These elements have been in a paper that I have written recently, but there is just one element over which there is some confusion. In relation to the TAP, since introducing that, do we have any measure of how that has influenced CBH to use rail over road, or do we know what measure there is CBH using trucks still to get their grain to port?

Hon SIMON O'BRIEN: Mr Fischer will respond.

Mr Fischer: We have a record of all grain that is moved from those bins on the tier 3 lines and whether they are moved by road or rail. The figures to date indicate that it follows previous years' trends in terms of the amount of grain on rail.

[2.20 pm]

Hon PHILIP GARDINER: Can I just make sure I understand what you mean by that? Does that mean that the TAP has had no influence in changing behaviour about using road or rail?

Mr Fischer: The TAP was introduced because previously—before the grain market was deregulated—CBH could provide a uniform price for the movement of grain from either bin, so there were some cross-subsidies in their charging arrangements. With the deregulation, their ability to do that has changed. What the TAP has done, and what it was intended to do, was to ensure that there was not a change, or a loss of grain that had previously moved on rail moving to road. It has actually maintained what we were hoping, and the purpose of it was to maintain the grain that should have moved by rail, and the figures we have today indicate that that is what has happened.

Hon PHILIP GARDINER: We know, with very few exceptions, that grain—CBH will still move grain by rail, unless there is a very acute timing issue, which occurs very rarely. I just want to make sure I fully understand then that despite the subsidy being paid to CBH if they use the rail to equate with the road transport, they still chose to use road to the same extent as they were using road without the TAP. Am I correct in my understanding?

Mr Fischer: Can I paraphrase?

Hon PHILIP GARDINER: Yes.

Mr Fischer: There has been grain moved by road to satisfy timing issues, and that generally happened around that January–February mark, because that is when there is pressure to move grain before the northern harvest demands. If the TAP had not existed, it would be cheaper to move grain by road from the current locations, and so there would have been a leakage of grain to rail. I do not think there was any expectation that there would have been more grain moved by rail, what it has done—because those decisions are made for convenience and other reasons, it is moved by road. What it has done is, the grain that should have been moved by rail, it has kept it on rail.

Hon PHILIP GARDINER: Based on that evidence then, even if you had equivalent pricing, such as if you, for example, where there was a rail option, charge the trucks the difference, which is really what the TAP is—it is a subsidy rather than a charge—then are you saying that CBH—have you had discussions with CBH to determine whether their behaviour would remain unchanged and they would just still use the road transport instead of rail either under a continued TAP or under the case where there is reflective costing and they still pay the higher cost for road?

Mr Fischer: Sorry, I lost the flow of the question there. Are you asking whether, if there was no TAP, CBH would have different behaviours?

Hon PHILIP GARDINER: We know what it was with no TAP, because that is all up to this last year. Last year they had a TAP, which meant that they had equal costs of transporting from A to B.

Mr Fischer: Which reflected what the pricing —

Hon PHILIP GARDINER: What the difference was between the two.

Mr Fischer: — and reflected the pricing mechanism that existed the previous years, prior to the market deregulation.

Hon PHILIP GARDINER: Where there was an incentive for road.

Mr Fischer: No, no; there was a cross-subsidy for rail usage in previous years. That is the bit that has been removed. We are saying that people make decisions based on a pricing decision of how they will move grain. With the deregulation of the market, then it would be cheaper, in the tier 3 areas, to move grain by road. The TAP has equalised that to ensure that we have maintained the sort of level of rail usage that would have existed in previous years.

Hon PHILIP GARDINER: The TAP does not reflect, then, effectively, the road subsidy? That is not the difference you are getting with TAP; all you are doing is getting a bit of a cross-subsidy, taking up the cross-subsidisation that occurred, but not necessarily the difference between what the road would cost and the rail would cost if they were fully reflectively costed.

Mr Fischer: No, we use the current pricing mechanisms and show that no-one is disadvantaged by using rail in that circumstance.

Hon PHILIP GARDINER: If there was reflective costing of road to rail that would make rail cheaper than road going from A to B almost in every circumstance, have we asked CBH whether they would then use rail?

Mr Fischer: Are you asking hypothetically if there was real full costing?

Hon PHILIP GARDINER: Yes, on a hypothetical of there being full reflective costing. I am getting confusing statements about what CBH would based on different pricing models. I just want to be sure that the question has been asked of CBH of if there was reflective pricing on road to rail, that they would then use the cheapest option, which would be rail. Has that question been asked of CBH in your discussions with them?

Mr Fischer: Not specifically like that, but we have to recognise that there are a lot of markers now in the market, and if someone can move a farmer's product cheaper than CBH—that is, using rail or road—that is what people are attracted to; they are trying to make a pricing decision.

Hon PHILIP GARDINER: That is understandable, but I am not sure that question has been asked of CBH, which is the biggest mover, to ensure that if you invested the money into rail and then had reflective costing, that they would then commit to using rail. That is what I want to get out of the TAP thing, which is in the budget because we have made a subsidy there, and maybe it was not fully reflective costing. Therefore, I want to make sure that the future decisions we make, we make based on what we have tried to do in the beginning in the budget to try to at least stabilise that rail use, continues if you have the fully reflective costing model applied. I know it has not been considered just yet, but if you did.

Mr Fischer: The framework for the whole grain freight package is really saying—what is going to happen in the future has looked at differences in price in terms of fuel, it has also looked at introducing a carbon tax. It is the sensitivity of that and how would people make decisions. That sensitivity analysis did not take into account road user consumption pricing, if that is the difference that you were talking about between road and rail. It has not gone that far.

Hon PHILIP GARDINER: Reflective pricing—I think it is the same thing we are talking about.

Mr Fischer: We are using different words, but I think we are saying the same thing.

Hon PHILIP GARDINER: There is confusion about what CBH's attitude is, and that would be very important if there is going to be an investment by the state into rail. It is no good doing it unless it is going to be the cheapest option at the end of the day for anyone to use, especially CBH.

Mr Fischer: If there had been a decision to have reflective pricing introduced, then I think that discussion would happen with CBH. But that decision about reflective pricing, as you have described it, has not been raised.

Hon PHILIP GARDINER: I hear people say CBH would not use the rail—of course they would not if it is going to be a higher price than road. It is not you saying this, it is others saying this. I just wanted to clarify what had been extracted from CBH in terms of their commitments and on what conditions.

Mr Fischer: The grain freight review was trying to get a sustainable network, whether it be road or rail. In the environment you are operating in, you have the appropriate pricing signals so people make good decisions about the movement of that product. We need to have a rail network that suits the right movement and attracts the right market, and we need a road network that needs to complement that. That is the principle that is sitting behind what is happening.

Hon PHILIP GARDINER: I promise this is my final issue on this. When you make those analyses, the time frame in which you make the judgement is crucial. The short-term decision could well be at variance to what the best long-term decision is. How are you resolving that dilemma between the short term, and the long term, because you are going to have, sometimes, quite different impacts and quite different outcomes? Where does your time horizon analysis begin and end?

Hon SIMON O'BRIEN: We are clearly trying to balance both. Our eye does have to be on the long-term good, and that is why we are prepared to suffer publicly some short-term pain in some quarters; however, we do recognise that there are some existing, almost emergency situations we have to address. That is why we moved quickly to do that, to find the first parcel of funding to take some measures. Ironically, people said, "Is that all you're doing?" without realising this was just the first tranche of measures that were needed immediately.

[2.30 pm]

Part of that were the transitional assistance payments, so they are only a short-term measure and not likely to be a long-term solution; that was not the intention. We are working towards long-term solutions and that is the sort of whole-of-network integrity that Mr Waldock and Mr Fischer have been describing in their remarks. The purpose of the TAP is very much a short-term equalisation measure so that CBH on behalf of their shareholders can make a commercial decision that, all other things being equal in the tier 3 areas that we are talking about, they can and will put their product on rail where they can. That is the understanding and the attitude of CBH. Indeed, if it was not for that, there would be no point having a TAP because they are the only ones moving it by rail, so without their cooperation, it was not even worth coming up to bat. So we have had that degree of cooperation, but you are right—CBH does not necessarily speak with one voice at all times as an organisation. We have seen disagreements between their directors as an entire body and the advice of some of their executive, elections come and go with CBH directors, and we are working constructively with all of them both at a director and an officer level. But for further information as

to what CBH's attitude is on these things, I guess they are questions that need to be directed to them.

Hon PHILIP GARDINER: My discussions with the CEO were very clear—this commitment to rail, but unconditional.

Hon SIMON O'BRIEN: Good.

Hon LJILJANNA RAVLICH: You would be aware that the previous government had set up a grain infrastructure group, which had completed a report in 2008 and that review was in fact chaired by Mr Eric Lumsden who is the chair of the grain infrastructure group. Were you aware of —

Hon SIMON O'BRIEN: The GIG group? Yes, well aware of it. I think it was in 2006 that they provided their report.

Hon LJILJANNA RAVLICH: I do not know about that because the one that is on the internet is actually March 2008, so that was just before there was a change of government. It seems to me that the recommendations of this report actually touch on and deal with some of the issues that have been raised by the honourable member over here. The first thing I want to ask is: Was anyone from the department represented on that particular working group? Did the department feed in to the work of that particular working group?

Hon SIMON O'BRIEN: I do not know whether this is part of the committee's work at hand, Madam Chair. I am more than happy to entertain the discussion, but we are at your disposal. The grain infrastructure group, commonly known as the GIG group, was set up under the term of the previous government. It was about 2004 or 2005 I think they commenced their work. I do understand that they produced a report, which was presented to the then minister in about 2006, I understand. One question that you asked was the differences between the two groups. The grain infrastructure group was a smaller group, or had less representative components on it, than my strategic grain network review, which endeavoured to bring together all parts, including relevant government agencies. So I assure you that the work of the GIG and the expertise from there—I am not sure whether there is anyone at this table who was on the GIG—and, certainly, that corporate memory or input was brought to bear, I can safely say. I understand that the GIG recommendations were taken on board by my ministerial predecessor in the last government. I think there were a least one and possibly two approaches to the then government about adopting those reports, which involved various investments in rail lines, roads and other pertinent infrastructure. Those proposals were not pursued by the government of the day.

Hon KEN TRAVERS: I do not know if that is exactly correct because they sought—and the \$135 million that you have from the commonwealth government today is as a result of that work.

Hon SIMON O'BRIEN: The fact of the matter is that the GIG report was not adopted and implemented, even though it was recognised that there were some maintenance elements that also are the same maintenance elements that we are now talking about today. Of course there is one other vital difference, which is an interesting thing to consider; if the GIG report had been acted on in, say, 2007 or 2008. Of course, it was a different world then, when you did not have the deregulated market that we now have to deal with that has thrown the logistics on its head, so it would be an interesting exercise to compare the infrastructure upgrades that were proposed under the GIG report and see how they would work in a deregulated environment. I would think there would be significant disharmony in what was recommended then and what is recommended now.

The CHAIR: The question of price on carbon, was that also factored into —

Mr Waldock: The grain network computer? Yes, they did some scenarios on that.

The CHAIR: At what price as an average?

Hon SIMON O'BRIEN: It was taken at pretty well at a top-end sort of price.

Hon PHILIP GARDINER: I think it was \$40 a tonne. I think it was \$20 and \$40 a tonne; there were two scenarios. I have forgotten the price of diesel, you might remember the price of diesel, but the price of diesel I think was —

Mr Waldock: Two dollars.

Hon PHILIP GARDINER: It might have got to \$2 I think, Reece. There were two scenarios.

Hon KEN TRAVERS: I thought out of respect to Hon Lynn MacLaren that we should ask the question about the Stirling Highway – Leach Highway: where we are up to on the work there and whether the money that is in the current budget is sufficient to meet the requirements. I think that was pretty much her question.

Hon SIMON O'BRIEN: As I indicated in a previous hearing, there are a number of key decisions to be made—I look forward to them being made fairly soon by government—that relate to the future of the inner harbour as a container port and the other implications that flow from that. I will tell you, it is no secret, that the inner harbour will be a container port for a long time and it will grow —

Hon KEN TRAVERS: But it does not mean that you have no vision, minister!

Hon SIMON O'BRIEN: Definitely not! But it certainly is going to grow substantially and the exact quantum and parameters of that we will announce in due course. Hon Lynn MacLaren's question, which you have loyally asked, relates to the project that I call the High Street upgrading project, which relates to the future road traffic arrangements between the southern end of Stirling Highway entering onto High Street and ultimately then leading onto Leach Highway and beyond.

[2.40 pm]

As I indicated earlier, the planning portfolio has the ownership of this project at the moment through the WAPC infrastructure coordinating committee. However, transport is more heavily involved, with the re-creation of the department, in those processes. I might ask Mr Waldock to answer the balance of the question, which is: what is happening?

Mr Waldock: As the minister indicated, we are looking at the whole issue of the inner harbour and the future of the inner harbour, both growing it and understanding how to manage the implications of any growth in the inner harbour. There are a number of issues there. We are clearly putting a lot of time into looking at how we can better utilise trucking with two-way flow and making sure we do not move empty trucks. Part of that is certainly putting potentially more emphasis on rail and how we will do that with new investment. That is part of our future planning. Part of that will also include having container parks outside the port so, again, we are not trying to bring in empty trucks to pick up containers; we are managing them outside the port. We are looking at hours of use and all the rest. We are doing operation and we are looking at rail. Clearly, we still have to understand what we are going to do in terms of the road task. Part of that involves High Street. The Roe Highway extension creates a far clearer freight route because we will be looking at the Roe Highway extension, Stock Road, and, as the minister has already alluded to, High Street. High Street is a very important factor. As has already been indicated, we have \$65.3 million in the 2013–14 Main Roads budget. The Department of Transport's integrated transport planning section is looking at working with Main Roads and others to better understand the options for High Street and how we can best meet the needs of the future, but understanding that it will be a future where in due course product will go to the outer harbour and the outer port. We are looking at two options. All I can say is that in those options we are looking at the issues of growth, management and other strategies, as I have indicated, both via rail and utilisation of operating hours and truck movements. We are about six months off having a clarity there in both the preferred option and the dollars. That is a long way of saying we do not have the numbers exactly right. We are not sure whether \$65.3 million is the right number, but we are certainly trying to firm up our planning.

Hon KEN TRAVERS: In the earlier hearing, the minister suggested that it is linked to both projects. I assume that is things like the intersection between Stock Road and Leach Highway—assuming Roe 8 is built. Is that what we are talking about? Is the planning for that also being done in conjunction with the Leach Highway – Stock Road intersection?

Mr Waldock: Most of the planning is in High Street. We have already done some early work on the intersection of Stock Road and Leach Highway. It is fair to say that we are still looking at that, but we do not have any clarity on that either.

Hon KEN TRAVERS: In terms of your six-month time frame, will we have a clearer picture as to what upgrades we will need? Following the government's stated policy, from the intersection of Kwinana Freeway and Roe Highway all the way through to the Fremantle inner harbour, will we have a complete plan of all the roadworks that will be required and an estimate of the costing of it?

Hon SIMON O'BRIEN: No, I do not think that is what we are looking at in that time frame. What we would be looking at in that time frame is some key decisions about the future of the inner harbour in regards to its scope. In relation to the High Street part of the land side road network and a range of other land side relating to rail, hours of operation or container parks and the like, the questions of the Roe Highway extension and the Leach Highway and Stock Road intersection are also parts of the road route that will have to be dealt with, but, no, they are not part of the High Street study.

Hon KEN TRAVERS: What are the limits of the High Street study?

Mr Waldock: The High Street study is the study between Stirling Highway to Carrington.

Hon KEN TRAVERS: Correct me if I am reading it wrong, but are you saying that it is all dependant on the final decisions that are taken in response to the report of the Fremantle ports optimum task force?

Hon SIMON O'BRIEN: They are both interrelated. They have to be. One indicates what the total land-side freight task would be in the future, and the High Street study is, in part, a response to that.

Hon KEN TRAVERS: Do we have a date for when you expect the report and the government's response to the Fremantle ports optimum task force will be made public?

Hon SIMON O'BRIEN: It all depends on when cabinet deliberates on the proposals that I am carrying forward. As I indicated to an earlier question—it might have even been in the earlier session; it was in response to a question by Hon Lynn MacLaren—the port study undertaken under the chairmanship of Professor Greg Martin was to gather data to help inform cabinet when it considers these matters. That is why it is all part of the deliberative process at this stage. I cannot give you a firm date. I would like to have one myself. I have to work through the processes.

Hon KEN TRAVERS: In terms of this area, is the ownership structure of the port facilities a part of what is being examined as part of that work and the cabinet consideration of that work?

Hon SIMON O'BRIEN: In relation to the inner harbour?

Hon KEN TRAVERS: Both the inner and the outer harbour. They will obviously be interrelated. Is the ownership structure part of the deliberations?

Hon SIMON O'BRIEN: If there are going to be any changes to ownership structures, they are decisions for government. They are not part of any port study. The port study is reporting on matters of fact. The facts simply are that the inner harbour is a Fremantle ports operation, so it is state-owned infrastructure. There are a couple of major stevedoring firms there in DP World and Patrick and some other tenants as well. In the outer harbour, it is already the case that there is a combination of Fremantle ports berths in several locations and a range of other privately-owned berths in there as well, and they have been for years. There are four or five different privately-owned berth operators in the sound. There is nothing new there, even if another one were to appear on the scene.

Hon KEN TRAVERS: I am just trying to get a sense of the scope of both the deliberations of cabinet and that study at the moment. Is cabinet considering the ownership structures of the port structures within the greater Fremantle port area?

Hon SIMON O'BRIEN: I would not comment on what cabinet is or is not deliberating on.

Hon KEN TRAVERS: I am asking whether the government is considering the future ownership structures of Fremantle harbour port facilities.

Hon SIMON O'BRIEN: It has always been about how we plan for issues of the future. There is no contemplation of different ownership structures from that that I have just outlined.

[2.50 pm]

Hon KEN TRAVERS: The regional air services, the new regime, when do we expect to have that in place?

Hon SIMON O'BRIEN: The request for the proposals process, or the submissions for the proposals process, I think closed yesterday. That is a key milestone. I hope that we got some submissions. It would be a bit of an anticlimax if we did not. I really have to compliment Mr Fischer for his expertise in pulling this together at a departmental level. There are some key dates. I think the member wants to know when different things are happening. I will ask Mr Fischer to outline the key dates to come. If you have any other questions you want to place to him, feel free.

Mr Fischer: Quickly, the key date is the anticipated announcement at the end of October. The implementation is anticipated to be at the end of February. That gives us a three-month time frame for the new companies, if there are changes, to get the system in place. That is it in broad terms.

Hon KEN TRAVERS: As in from October until February?

Mr Fischer: Yes.

Hon KEN TRAVERS: The review of the licensing area and the work that has been done in terms of business cases in there as part of the economic audit, where are they up to—the requirements of the economic audit on your licensing area?

Hon SIMON O'BRIEN: Which requirements are you talking about?

Hon KEN TRAVERS: The ones to find money savings.

Hon SIMON O'BRIEN: Is there anything more specific? I do not want to spend a whole lot of time talking around something.

Hon KEN TRAVERS: There have been a whole range of reviews and studies going on in the business unit of licensing, and I am trying to get a sense of where those reviews are up to.

Hon SIMON O'BRIEN: Sure. We can do that.

Hon KEN TRAVERS: My understanding is that a number of them related to the economic audit and savings that were required over and above the money just from stickers.

Hon SIMON O'BRIEN: Okay. Mr Alastair Bryant has come into the licensing area and has been doing a lot of work. There has been a whole range of initiatives taken there in recognition of the fact that the way that we have traditionally done business in this area is not the way that we can keep doing business in the twenty-first century. To demonstrate that, the best way is probably to have regard for the number of transactions that take place in this area. Our colleague on your right would know this only too well as she previously had ministerial responsibilities in this area as well, and I am sure that she would agree. When we talk about the number of transactions, there are millions of individual transactions that take place through the licensing business unit by way of licence renewals for motor cars or for people. Colossal numbers of changes of address need to be processed and the numbers of telephone inquiries per year is quite staggering. I could go on and on. Those millions of transactions have been increasing in number and we have had to find new and better

ways to do it to meet the expectations of the public in terms of our response times and our efficiencies and so on. I will ask Mr Bryant to talk about those in a minute.

If you wish, we can touch on any number of initiatives that we have taken, and these include in the vehicle licensing area, some specifics we have are in response, for example, to the hail storm back in March where we had tens of thousands of hail-damaged vehicles and how we processed those that are considered economic write-offs. There is the titanic achievement of doing away with the stickers that go on the windscreen of your motor car. There is a whole range of other initiatives that have been made in the course of addressing those thing that I have mentioned.

Hon KEN TRAVERS: Minister —

Hon SIMON O'BRIEN: I will pass to Mr Bryant now to talk about things such as electronic initiatives for customers.

Hon KEN TRAVERS: Minister, what I am asking for is: in last year's budget, you were required by the economic audit in the licensing business unit to achieve efficiency gains this year of \$3.25 million and next year of \$6 million and thereafter of \$6 million. I do not want the broader details; that can be left for another day. What I am asking is: where are you up to in achieving those efficiency gains?

Hon SIMON O'BRIEN: With respect, you did ask a very broad question and I asked you twice to narrow the scope of it, but now that you have —

Hon KEN TRAVERS: I referred to the economic audit that I thought you would need to refer to, so I have now gone back to last year's budget to get the specific terminology.

Hon SIMON O'BRIEN: Okay. I thought we were talking about this year's budget, but anyway —

The CHAIR: We have been doing very well to date.

Hon KEN TRAVERS: As the minister would be aware, the items are included in one year's budget. It never gets repeated but the money that you have in this year's budget will be \$3.25 million less than you would have got because of the decision taken by cabinet last year.

Hon SIMON O'BRIEN: We will zero in on that seeing as the committee is not interested in the other good work that is happening.

Hon LJILJANNA RAVLICH: You can tell us about that during afternoon tea.

Hon KEN TRAVERS: There is the opportunity for ministerial statements in the house, minister, and we look forward to them from you.

Hon SIMON O'BRIEN: That is a good idea. I might give you a few.

The CHAIR: I am sure that Mr Bryant has an answer to that, as soon as he is ready. Mr Bryant.

Hon SIMON O'BRIEN: I will ask Mr Bryant to comment on the several line items and whether they have been done or not, so that Hon Ken Travers will be reassured.

Mr Bryant: Thank you, Madam Chair and minister. The stickers was one that was picked up in the Economic Audit Committee. I am pleased to say that that has been done. The impact of that was around about \$500 000. Another exercise was to advertise in mail-outs. That has not been done yet and that money was given back to us because there was a legislative impediment where the department could not advertise on its envelopes or put inserts into the mail because it did not have the authority under the State Trading Concerns Act to do that. That impediment has now been lifted and we are looking at doing that. That is the Economic Audit Committee benefit.

Hon KEN TRAVERS: The \$500 000.

Mr Bryant: That \$500 000 was for stickers.

Hon KEN TRAVERS: No, the advertising revenue was \$500 000; the stickers was also \$500 000.

Mr Bryant: I am not sure what the rest were.

Hon KEN TRAVERS: For the licensing business unit efficiency gains, it was \$1.875 million last year, \$3.25 million this year and \$6 million next year and the year after.

Mr Bryant: I can tell the committee what we have done. I am not sure exactly what those items were under the Economic Audit Committee findings; I am not sure whether they were just general savings that we would have regarding the efficiencies in the operations of the business. I can talk to those efficiencies in terms of BPAY. BPAY was introduced in October 2009. The benefit of that was the cost of receipting a transaction in one of our licensing centres was about \$7.70; in Australia Post it was about \$5.50; and through BPAY it was about 97c.

[3.00 pm]

The impact of that has been that 27 per cent of the payments that have come through BPAY were previously paid in Australia Post, and 18 per cent of the BPAY payments that have come through were previously paid in one of our licensing centres. The impact of that has been that the 27 per cent of transactions that come through Australia Post, we have got an immediate saving of around \$4.00 to \$4.50. The ones that come through our licensing centres, we have got nothing. All that has happened in the licensing centre is the queue has got a little bit smaller. It has been absorbed—there is no area that you can see that benefit. Well and truly the full year cost of that would be in excess of a million dollars. The more we can transact through the net, the better. That is the strategy the minister alluded to. The business model licensing has got is simply unsustainable. If we are looking to increase the population of Western Australia to 3.5 million in 2031, which people are talking about, we would have to have about five times the number of licensing centres we currently have. We have currently got 1.6 million telephone calls coming through a year. We answer 718 000 of them—900 000 do not even get answered. The question you have to ask yourself is why we need to get 1.6 million telephone calls coming into our centre. We have recently introduced a new website which has got electronic forms on it. That will generate a lot of savings. It will take some of the pressure off our call centre. The call centre has physical limitations in terms of the number of lines we have through it. That is being replaced as we speak; so another improvement in the system. As the minister said, we had 40 000 vehicles affected by hail damage. That forced us to reconsider the way we do a lot of our business. The minister will be announcing a measure in the near future about how we will deal with that. It would be inappropriate for me to talk about that now. Needless to say, it will be —

Hon KEN TRAVERS: Go on—give us some insight!

Hon LJILJANNA RAVLICH: Are you going to privatise or contract out the services? There are only a couple of options here. Are you looking at both or have you got a preference for one over the other? I will ask Mr Bryant, he is doing a great job!

Mr Bryant: It is worth noting that for some time there has been an element of outsourcing in licensing. There are 235 what we call authorised inspection stations. They are spread through the metropolitan region—some in the metropolitan region but mainly in the regions. They deal with a fair amount of the vehicle examinations. The system that it uses is flawed because in a sense it covers all those inspections done by the 235 inspection stations come down to a funnel of eight people who authorise them. We get problems where people go to an authorised inspection station in the bush, put their truck in and get it examined. The examiner says, “That’s okay.” They fax a form through to our place. The form comes in and one of those eight people deal with the input from 235 centres. You do not have to be Einstein to work out that is not flash. We need to get smarter in terms of the way we deal with that. The reason those eight people need to vet it is to get the quality of information into our database and to protect the security as well of the information that is in TRELIS. That is another initiative that we are looking to improve. Another area where licensing has been outsourced for a number of years is in the more complex licensing area—heavy rigid and multi-combination vehicle licensing. That has been done by private people for a good number of

years. But we still do 122 000 motor drivers' licences every year through our people. People have to queue up. They have to book—there is no queue at the stations—but there is an implicit queue in the community where people have to wait three to eight weeks, whatever it is, to get in. We need to get smarter at the way we do that.

Hon KEN TRAVERS: On the point of heavy vehicle licensing, has there been a decision taken with respect to the Pilbara branch? It is currently doing the heavy vehicle licensing in-house; is that now going to be contracted out? If it is, can you tell us what notification or consultation you have had with the staff in the Pilbara community about that?

Mr Waldock: I was in Port Hedland yesterday speaking to staff about that. Certainly whilst there were a few weeks of notification, it could have been done better. We will continue to talk to staff. There is one staff member that is particularly upset; I understand that. It was not well done. It will be done better in the future.

Hon KEN TRAVERS: And the broader community of the Pilbara?

Mr Waldock: The broader community—that has been discussed, as I understand it. My advice is the broader community actually see it as a benefit to the extent they will actually have quicker and better responses.

Hon KEN TRAVERS: Was there a business case done before you took the decision to contract out that work in the Pilbara?

Mr Waldock: My understanding is the business case was certainly done in terms of looking to see the risk profile of what we actually had in the Pilbara. Getting people in the Pilbara now, especially under government arrangements, is virtually impossible. In fact Port Hedland, we have one person that does everything from motor vehicles, heavy vehicles and motorbikes, and the like. That person in fact does not just do Port Hedland, he does Mt Newman as well. Indeed it is a risk issue which we understood that we need to manage that risk. That was part of the decision and that was based on a business arrangement.

Hon KEN TRAVERS: Are we able to get a copy of the business case and the risk review?

Mr Waldock: As I say, I do not know if I can get a copy but certainly I can assure you that there was a risk assessment done. That risk assessment pointed very clearly that we needed to broaden our ability to actually have other people do the work for us.

Hon KEN TRAVERS: Can that be taken as supplementary information?

The CHAIR: Can we be clear what you are asking for?

Hon KEN TRAVERS: The business case, the risk assessment; whatever documents were prepared to inform the decision.

[Supplementary Information No B2]

Hon SIMON O'BRIEN: While we are on it, the member might like to ask of all of the outsourced authorised inspection services, you mentioned a couple of hundred?

Mr Bryant: Two hundred and thirty five.

Hon SIMON O'BRIEN: When was that done?

Hon KEN TRAVERS: This is the ultimate dorothy dixer!

Hon SIMON O'BRIEN: It is, isn't it! I am trying to think who was the minister then.

Hon LJILJANNA RAVLICH: I think it was you. We only ran the pilot.

Hon SIMON O'BRIEN: Is that right—I do not think so!

Hon LJILJANNA RAVLICH: It is true.

Hon SIMON O'BRIEN: No. The outsourcing goes back to the —

Hon KEN TRAVERS: It sounds like another perfect topic for a ministerial statement, minister. It is probably not worth getting anyway but we will come back to it another time.

Hon KEN TRAVERS: Under these new arrangements, what compliance arrangements are in place to ensure the integrity of the service?

Mr Bryant: The compliance is the key to licensing and one of the most important things that we do. That is why the 235 authorised inspection stations funnel into eight particularly well drilled vehicle examiners to ensure that the data that is going into TRELIS accurately reflects the information pertaining to that particular vehicle. When they are entering the vehicle, they make sure that things like the wheel sizes, the engine capacity and the type of vehicle is correct in accordance with the national vehicle standards or the Australian design rules. That is why they go through that. Every transaction in TRELIS is vetted through our data quality and integrity team. Any person that accesses TRELIS inappropriately is found out routinely, and dealt with effectively. Bear in mind we have got agents, in the regions particularly, shire authorities that do our work. Their work is routinely checked by our data quality integrity team to ensure that they are not abusing the authority that is in the system. Similarly with Australia Post, who work in South Hedland and Busselton, of course Australia Post receive payments on our behalf as well. The integrity and the auditing of their work is taken very, very seriously.

[3.10 pm]

Hon KEN TRAVERS: What about at the level of, if they had done an examination, that the vehicle was actually roadworthy when they examined it?

Mr Bryant: The security of examinations is terribly important. The issue of the CCC dealing with a number of offences against my vehicle examiners has just come to finality. The result was—members would have seen this in the paper—that one of the people was jailed for three and a half years. There were four other people who were subject to discipline within the department. Three of them had their services terminated this week, and the fourth was demoted. The fourth was demoted because he came forward and volunteered information; there would have been no way that we would have otherwise discovered the offences that he committed, so he was demoted and we are confident that he will not transgress again. To deal with the matter systemically, we have built a new examination centre at Osborne Park. The way that system works is completely different from any of our other examinations centres. First of all, there is complete separation between the person bringing their car in and the vehicle examiner. The person brings their car in, they go into a lounge, they report the car, fill out their form, a vehicle examiner gets the paperwork and walks around, never at any point interacting with the public, picks the car up, takes it out, examines it, brings it back, and someone else then deals with the vehicle. The risk of a vehicle examiner being tempted to do something incorrectly is minimised. More importantly, the equipment that we are using provides state-of-the-art facilities for the examiners. For instance, there are shakers on the hoists that can test the steering and the wheel bearings. We test the brakes and the lights, and there are lights underneath it so that we can test the emissions. These are real state-of-the-art systems that we have there. There are nine hoists and we can do 35 000 vehicles a year, and it is all done through a booking system. It is in really good working condition.

Hon KEN TRAVERS: I think that is fantastic; do not get me wrong. You have obviously identified the need for a high level of integrity to ensure compliance, but how are you going to ensure that in a privatised service in the Pilbara?

Mr Waldock: I thought that might have been the question the member asked earlier!

Hon KEN TRAVERS: In fact, the answer I got just reinforced my concerns. Because you have put so much emphasis on internal integrity within the department, when you contract it out, it could be your best mate turning up at a privatised operation, and he is also the mechanic that fixes vehicles for the people. How do you ensure that the vehicle is completely roadworthy?

Mr Waldock: I will let Mr Bryant respond, but I will just say that I have asked many questions of a similar nature. When you outsource, you certainly still have to ultimately take full responsibility for the outcomes, and there is no doubt that you need to have a rigorous and disciplined audit system to make sure you are getting the outcomes you wish. I can say that the people in the Pilbara, and certainly coming out of Karratha particularly, are quite clear. This is not new; we have been doing this for some time, and I think Mr Bryant picked up the fact that we have been, in fact, providing these outsourced operations and auditing for some time. There is no question that there is a lot of work in looking at individual examiners and looking at their failure and success rates. There are a lot of issues in terms of random testing and sampling of what goes out, to make sure.

Mr Bryant: It is worth reflecting on the fact that there are 2.38 million vehicles in the state fleet and we have 35 vehicle examiners. You do not have to be Einstein to know that it is going to be pretty difficult to check the roadworthiness and safety of every one of those vehicles. In terms of the compliance, the compliance regime is no different from any other self-assessing regime that is applied in this day and age. If you do your tax return, you are self-assessing. I had six or seven years as commissioner of state revenue, and we introduced self-assessing there. The compliance methodology that is used is one of having people go out unannounced, inspecting the operation, having mystery shopper-type experiences, checking the vehicle after it has been examined and putting people's livelihood on the line if they transgress. If we found that the operator in the Pilbara was acting inappropriately, we would withdraw the ability for him to do work on our behalf. It is a lucrative area for them to do.

Hon KEN TRAVERS: I am happy for this to be taken on notice. Are there any other services apart from the Pilbara one that I have just mentioned that you have either privatised or contracted out in the last 12 months, or intend to in the near future?

Mr Waldock: I think that is best taken on notice.

Hon KEN TRAVERS: Yes, I am happy with that. If there has been a case, including the Pilbara one, where you have contracted out, could we get a list of who have been the successful contractors?

[Supplementary Information No B3.]

Hon KEN TRAVERS: I understand that a lot of these things came out of a review that was done into the operations of the department, which may have been completed around November last year. Am I right about that?

Mr Bryant: There have been a number of internal reviews in the department that have identified areas of improvement, as would be expected in any organisation the size of the licensing business unit. I am not sure about the appropriateness, minister, of releasing that information.

Hon KEN TRAVERS: If I formally request it, you can consider it as supplementary information and give it due consideration and advise us in due course.

Hon SIMON O'BRIEN: I think in general terms, this is where Mr Bryant would have a difficulty. This is all in the context of establishing a new department of state, which is something that was formally created on 1 July last year—the Department of Transport, of which the licensing services business unit is a very large part. There is a lot of reassessment and reorganisation that goes along in an organisational sense, together with plenty of internal evaluation as to taking advantage of the opportunities to reassess what is happening, so there has been quite a bit happen there, but we will take that question on notice and give the member a suitable response.

[Supplementary Information No B4.]

The CHAIR: I am mindful that we are finishing at 3.15 pm, so I think I will stick with that plan, and if there are further questions, we will get to that now. We will formally close this hearing in relation to the Department of Transport, in which case I need to say the following. The committee

will forward any additional questions it has to you via the minister in writing over the next couple of days, together with the transcript of evidence, which includes questions you have taken on notice. If there are any unasked questions, I ask members to submit them to the committee clerk at the end of the hearing. Responses to these questions will be requested within 10 working days of receipt of the questions. Should the agency be unable to meet this due date, please advise the committee in writing as soon as possible before the due date. The advice is to include specific reasons as to why the due date cannot be met. Finally, on behalf of the committee, I would like to thank the witnesses very much for their attendance today and their assistance. We will reconvene at 3.30 for the hearing with the Public Transport Authority. Thank you.

Hearing concluded at 3.19 pm