

COMMITTEE REPORTS
PRESENTED TO THE BLAYNEY SHIRE COUNCIL
MEETING HELD ON MONDAY, 12 MARCH 2012



12) **MINUTES OF THE BLAYNEY SHIRE ACCESS COMMITTEE MEETING - 9 FEBRUARY 2012**
(Director Corporate Services)

RECOMMENDED:

1. That the minutes of the Blayney Shire Access Committee, held 9 February 2012 be received and noted.

REPORT

The Blayney Shire Access Committee held a meeting on Thursday 9 February 2012, at the Blayney Tourist & Community Information Centre. A copy of the minutes from this meeting is provided as an attachment to this business paper.

BUDGET IMPLICATIONS

Nil effect.

POLICY CONSIDERATIONS

Nil effect.

Attachments

1 Blayney Shire Access Committee Minutes 2 Pages

13) **MINUTES OF THE BLAYNEY SHIRE SHOWGROUND
COMMITTEE MEETING - 14 FEBRUARY 2012**
(Director Corporate Services)

RECOMMENDED:

1. That the minutes of the Blayney Shire Showground Committee meeting, held on 14 February 2012 be received and noted.
2. That a review of the playing surface of the soccer fields at the Showground be undertaken.

REPORT

The Blayney Shire Showground Committee held their meeting on Tuesday 14 February 2012, at the Council Chambers. A copy of the minutes from this meeting is provided as an attachment to this business paper.

BUDGET IMPLICATIONS

Nil effect.

POLICY IMPLICATIONS

Nil effect.

Attachments

- 1 Blayney Showground Committee Minutes 2 Pages

14) **E DIVISION CONFERENCE - 15 FEBRUARY 2012**
(Cr)

RECOMMENDED:

1. That the Delegates Report of the E Division Conference, held on 15 February 2012, be received and noted.

The General Manager and I attended the E Division Conference, held at Forbes on Wednesday 15 February 2012. This conference is a precursor to the Shires Conference which is held annually in Sydney in early June. I have included the following observations from the meeting, as well as a copy of the draft minutes of the conference.

- Rates - comparison rates between adjoining shires for IPART review.
- Need to determine the difference and bring rates base rate in line with adjoining Council areas. LGSA requesting Councils be able to raise rates by 10% without going to IPART.
- Review boundary areas to make council more productive - (WBC Alliance is an example of being more productive)
- Simplified code of conduct – LGSA want the code to be simplified
- Shires Association conference in June 2012
- Review catchment actions and how Council can contribute and seek funding.
- Constitutional recognition - no funding by Federal Govt to referendum and ALGA require 3.7million to run campaign. Letter sent to Council and approved for funding campaign.
- Pail transport - more freight onto rail from road. Concern passenger rail will go to road therefore more traffic on roads. Rail containerisation needs to be pushed regionally. Review freight operations and identify opportunities to get more freight on rail.
- Elections in September 2012, request cost of election from electoral commission. Council needs to run interest meeting to explain what Council is about and encourage people to stand for election.
- State and Federal Govt looking at ROCs to act as funding distribution to Councils.
- Emergency services levy - LGSA have requested Minister to look at broad based levy on properties. Position paper to be discussed at Conference. Copies to be available for review by Council prior to conference.
- One Association - joint resolution passed to establish resolution to move towards one organisation.

- RFS Document needs to be reviewed and feedback to Association by 18th April and then forwarded to conference. discussion paper to be available early March.
- One association will be held by secret ballot. Council will nominate a councillor to vote who will receive the ballot paper. No copy will come to council.
- The new board is to come into force from 1st September 2012 subject to approval from Fair Work Australia and Electoral Commission.

Below please find a copy of the draft minutes, for your information.

Attachments

- 1 Minutes - E Division 15 February 2012

15) **DELEGATES REPORT - MEETING WITH THE HON DUNCAN GAY**
(Cr)

RECOMMENDED:

1. That the Delegates Report of the meeting with The Hon Duncan Gay, held on 9 February 2012, be received and noted.

The General Manager and I attended a meeting with Minister Duncan Gay at Boorowa on Thursday 9 February 2012 along with the Councils that form the Blayney to Demondrille Railway group to present the Taskforce report to the Minister and to enforce the need for rail access and reduce road transport. The meeting included the following presentations;

1. Presentation of the final report from the Ministerial Task Force for the Reopening of the Blayney-Demondrille rail line. (proposed by Weddin Shire Council)
2. Development of NSW Intermodal Transport Plan. (proposed by Cootamundra Shire Council)
3. Clarification of any proposed changes to non-competitive tendering for RMS work on Highways. (proposed by Weddin Shire Council)
4. Gocup Road: the need to secure funding and increase in heavy logging traffic in region. (proposed by Tumut Shire Council)
5. Discussion on the preservation of the new Bells Line route over the Blue Mountains. (proposed by Cowra and Weddin Shire Councils)

These items were discussed together as the rail line reopening would impact on these activities and development of transport links.

A copy of the Task force report has been supplied for the business paper.

Attachments

- 1 Cowra Ministerial Taskforce Report

CR BR KINGHAM
MAYOR

Mr GA Wilcox
GENERAL MANAGER

**MINUTES OF THE MEETING OF BLAYNEY SHIRE ACCESS COMMITTEE
HELD AT BLAYNEY SHIRE TOURIST AND COMMUNITY INFORMATION
CENTRE ON THURSDAY 9 FEBRUARY 2012**

The meeting commenced at 5.40pm.

1. Present:

Val McCarthy	Betty Wilson	Jenny McMahon
Iris Dorsett	Cr Scott Ferguson	D Shaw (BRC)
D Nelson (BRC)	L Rodwell (DES)	Anton Franze (DCS)

2. Apologies: Allan Ewin and Tania Wills

RESOLVED: That the apologies tendered on behalf of Allan Ewin and Tania Wills for their non attendance at the meeting be accepted and leave of absence granted. (Wilson / McCarthy)

3. Presentation on Changes to BCA 2011 by D Nelson, Bathurst Regional Council (BRC)

4. Adoption of Minutes

RESOLVED: That the minutes of the meeting held on 8 December 2011 be received and noted as a true and accurate record. (Wilson / McCarthy)

5. Update on Heritage Park and Showground Projects

- Update provided.
- Heritage Park project in progress.
- Showground project awaiting funding announcements from Community Partnerships Program.

6. Recent Media

Positive report on Bathurst Access Committee from Western Advocate was tabled for information.

7. Future Agenda Items

- Accessible parking - Ogilvy Street
- Centrepoint accessible ramp into pool

8. Mobility Scooter Day

- Motorised Scooter Education Day and Workshop - Wednesday 7 March 2012. Outline of day provided by Tablelands Roads Safety Officer.

9. Accessible Trolleys

- IGA have been approached by a member of the public to implement trolleys suited to wheelchairs.

10. Millthorpe Tennis Courts Project

- The Millthorpe Tennis Courts Project has access issues. Ipad photographs were presented for information.

The next meeting is to be held at the Blayney Tourist and Community Information Centre on Thursday 12 April 2012, commencing 5:30pm.

There being no further business the meeting closed at 7.30pm.

**MINUTES OF THE MEETING OF BLAYNEY SHOWGROUND COMMITTEE
HELD IN THE BLAYNEY SHIRE CHAMBERS ON
TUESDAY 14 FEBRUARY 2012**

The meeting commenced at 5:36pm.

1. Present:

Mr P Davis	Blayney Harness Racing Club
Mr P Amos	Blayney A and P Society
Mrs S Webb	Blayney Junior Football
Mrs T Beuzeville	Blayney Senior Football
Cr D Bell	Blayney Shire Council
Cr S Ferguson	Blayney Shire Council
Ms K Rodwell	Carcoar and District Pony Club
Ms A Wright	Carcoar and District Pony Club
Mr A Franze	Blayney Shire Council

2. Apologies:

Cr A Ewin	Blayney Shire Council
Ms E Davis	Blayney Junior Football

RESOLVED: That the apologies be accepted. (Amos / Beuzeville)

3. Adoption of Minutes for the Previous Meeting:

RESOLVED: That the minutes be accepted as a true record of the meeting held 8 November 2011. (Rodwell / Wright)

4. Matters Arising:

- Cleaning of toilets (old and new) needs to be scheduled around event bookings.

5. Committee Member Reports

Blayney A and P Association

- Disappointment that concreting not undertaken.

Blayney Harness Racing Club

- No wheelie bins at Showground.
- Water leak on Northern side (between Pony Club and Trot Track).
- New fence around stables and request that no animals be tied to it.

Junior Soccer

- Season proposed for commencement 1 April 2012.
- Cleaning of the Pavilion - cleaned when last used (i.e. September). Responsibility should fall on all users to clean when entering and clean upon departure.

Blayney Senior Football Club

- Disappointment at no work at field one and inability to use Napier for competition.
- Club to contribute to concreting.

Carcoar and District Pony Club

- Condition of new toilets raised. Mesh has been put in place that will hopefully address.
- Show Jumping day at end of March.
- Central West Dressage are proposing to use the grounds in March, August and October.
- CSU are looking to wind up its Equine Facility, if this proceeds Blayney will be the only facility and sand arena between Blayney and Wellington.
- Lack of stables is only holding Showground back from holding bigger dressage.

Blayney Shire Council

- Long Track scheduled for 3 November 2012 (Rain day 4 November 2012).

RESOLVED: That reports from each of the stakeholders be received.

(Ferguson / Amos)

6. General Business

RESOLVED: That an invitation be sent to Central West Dressage to make a presentation on what the club does, activities and plans). (Rodwell / Webb)

RESOLVED: That a review be undertaken on the playing surface of the soccer fields at Showground. (Beuzeville / Webb)

7. Next Meeting

- The next meeting of the Blayney Showground Committee will be held on Tuesday 8 May 2012.

There being no further business the meeting closed at 6.55pm.

MINUTES OF THE CONFERENCE OF 'E' DIVISION COUNCILS OF THE SHIRES ASSOCIATION OF NSW HELD AT THE FORBES SERVICE CLUB, TEMPLAR STREET ON FRIDAY 17 FEBRUARY 2012 COMMENCING AT 10:00 AM (HOST COUNCIL - FORBES)

ATTENDANCE

- Cr Ray Donald, President, Shires Association of NSW;
- Mr Bill Gillooly AM, Secretary General, Local Government & Shires Association of NSW;
- Cr Adam Marshall, Vice President, Shires Association of NSW & Chair of Country Mayors;
- Ms Loren Plummer, Media Officer, Local Government & Shires Association of NSW;
- Mr Shaun McBride, Senior Strategy Manager – Finance, Infrastructure & Planning, Local Government & Shires Association;
- Ms Liz Gemes, Policy Officer, Rural Affairs & Emergency Services, Local Government & Shires Association;
- Mr Derrick Hines, Account Manager Government, Essential Energy;
- Mr Brian O'Mara, CEO, Local Government Procurement;
- Mr Peter Dearden, Regional Manager Western NSW Government Transport, Roads & Maritime Services.

LIST OF DELEGATES AND OBSERVERS

Bathurst City Council		Not in attendance
Blayney Shire Council	Cr Bruce Kingham Mr Glenn Wilcox	Mayor General Manager
Cabonne Council	Cr Bob Dowling Cr Ian Gosper Cr Sharon Wilcox Mr Graeme Fleming	Mayor Deputy Mayor Councillor General Manager
Central Tablelands Water	Mr Tony Perry	General Manager
Cowra Shire Council	Cr Bill West Cr Robert Bridges Cr Bruce Miller Mr Graham Apthorpe	Mayor Councillor Councillor Acting General Manager
Forbes Shire Council	Cr Phyllis Miller Cr Chris Roylance Mrs Carissa Bywater	Mayor Councillor General Manager
Lachlan Shire Council	Cr Des Manwaring Cr John Medcalf Mr George Cowan	Mayor Deputy Mayor General Manager
Lithgow City Council		Not in attendance
Oberon Council	Cr Don Fitzpatrick Mr Alan McCormack	Mayor Acting General Manager
Orange City Council		Not in attendance
Parkes Shire Council	Cr Ken Keith Cr John Magill Cr Barbara Newton	Mayor Deputy Mayor Councillor
Upper Macquarie Country Council		Not in attendance
Weddin Shire Council	Cr Maurice Simpson Mr Glenn Carroll	Mayor Director Corporate Services

APOLOGIES

- Minister Don Page BEc, MEc, DipRurAcctg MP, Minister Local Government;
- Mr Andrew Gee, Member for Orange;
- Mr Paul Toole, Member for Bathurst;
- Cr Greg Westman, Mayor, and David Sherley, General Manager, Bathurst City Council;
- Cr John Farr, Central Tablelands Water;
- Mr Paul Devery, General Manager, Cowra Shire Council;

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- Mr Roger Bailey, General Manager, Lithgow City Council;
- Mr Trevor Lobb, General Manager, Weddin Shire Council.

WELCOME

Cr Phyllis Miller, 'E' Division Chair welcomed all in attendance and acknowledged the Traditional Custodians of the land on which we meet today and paid respect to the Elders both past and present

Cr Phyllis Miller invited Cr Ray Donald, President of the Local Government & Shires Association to address the meeting.

ADDRESS BY CR RAY DONALD PRESIDENT OF SHIRES ASSOCIATION OF NSW

Cr Donald's address included discussion in relation to ratepegging, constitutional recognition; local government elections and transport.

ADDRESS BY LIZ GEMES LOCAL GOVERNMENT & SHIRES ASSOCIATION OF NSW

Ms Gemes spoke in regards to the Rural Fire Service discussion paper being developed by the Local Government and Shires Association. It was advised the Local Government & Shires Association are seeking input to this paper with submissions to close on 18 April 2012 (*the paper is to be released to Local Government Areas in three weeks*).

ADDRESS BY CR ADAM MARSHALL, SENIOR VICE PRESIDENT, LOCAL GOVERNMENT & SHIRES ASSOCIATION OF NSW

Cr Marshall spoke in regards to natural disaster surveys sent to affected Local Government Areas.

ADDRESS BY MR BILL GILLOOLY, SECRETARY GENERAL, LOCAL GOVERNMENT & SHIRES ASSOCIATION OF NSW

Mr Gillooly spoke in regards to the progress of moving towards forming One Association.

ADDRESS BY MR BRIAN O'MARA, CEO, LOCAL GOVERNMENT PROCUREMENT

Mr O'Mara spoke in regards to Local Government Procurement.

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**ADDRESS BY MR DERRICK HINES, ACCOUNT MANAGER,
ESSENTIAL ENERGY**

Mr Hines spoke in regards to Essential Energy activities.

**ADDRESS BY MR PETER DEARDEN, REGIONAL MANAGER
WESTERN, NSW GOVERNMENT TRANSPORT, ROADS &
MARITIME SERVICES**

Mr Dearden spoke in regards to Roads and Maritime Services activities.

CONFIRMATION OF MINUTES

RESOLVED: that the minutes of the Conference of 'E' Division Councils of the Shires Association of NSW, held at Cowra on 11 February 2011 be adopted. *(Cr Ken Keith/Cr Bob Dowling)*

CONSIDERATION AND DETERMINATION OF MOTIONS

Resolution Motion 1 – NSW Rural Fire Service Funding:

That the Shires Association:

- i). Express its concern to the Premier and the Minister for Emergency Services concerning the apparent reduction in funding allocation for brigade stations and tankers;
- ii). Call on the State Government to rectify this situation through alteration of priorities in future years.

(Cr Bob Dowling/Cr Maurice Simpson)

CARRIED

Resolution Motion 2 – NSW Rural Fire Fighting Fund Contributions:

That the Shires Association call on the NSW Government to review the framework for the NSW Rural Fire Fighting Fund to avoid the large variability from the "estimated probable contribution" and consequential impact on Councils.

That the Shires Association call on the Minister raising objections to the unreasonable charges for the Government Radio Network (GRN) communication platform.

(Cr Ken Keith/Cr Bob Dowling)

CARRIED

Resolution Motion 3 – NSW Rural Fire Service:

That the Shires Association request the Rural Fire Service to review the stringent requirements for Councils to provide training, Personal Protective

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Equipment (PPE) and plant identification prior to making plant available for fire break assistance at the request of the Rural Fire Service.

(Cr Maurice Simpson/Cr Ken Keith)

CARRIED

Resolution Motion 4 – Roads to Recovery Program:

That the Shires Association use all available means to lobby the Federal Government for the continuation of the Roads to Recovery program on a permanent basis, retaining the current administrative arrangements and with an increased level of funding recognising the current shortfall of funding for local roads.

(Cr Bill West/Cr Bob Dowling)

CARRIED

Resolution Motion 5 – Country Towns Water & Sewer Scheme:

That:

- i). The Shires Association call on the State Government to carry out an audit of current commitments under the Country Towns Water & Sewer Scheme as well as backlogs to obtain an accurate assessment of the current status of this important infrastructure in country areas;
- ii). The results of this audit be made widely available to Local Government with a view to seeking commitment from the State Government to reinstate and adequately fund this essential program for rural communities.

(Cr Bob Dowling/Cr Maurice Simpson)

CARRIED

Resolution Motion 6 – Impact of Carbon Tax on Local Government:

That:

- i). The Shires Association carry out investigations to ascertain the true impacts of the Carbon Tax on Local Government;
- ii). The results of this survey be communicated to both Federal and State Governments.

(Cr Bob Dowling/Cr Maurice Simpson)

CARRIED

Resolution Motion 7 – Local Government Elections:

That the Shires Association commence early negotiations with the NSW Electoral Commission to obtain data in relation to the actual costs of the 2012 Local Government Elections, with a view to entering into early discussions with the Electoral Commission for the 2016 elections.

(Cr Bob Dowling/Cr Bill West)

CARRIED

MINUTES OF THE CONFERENCE OF 'E' DIVISION COUNCILS OF THE SHIRES ASSOCIATION OF NSW HELD AT THE FORBES SERVICE CLUB, TEMPLAR STREET ON FRIDAY 17 FEBRUARY 2012 COMMENCING AT 10:00 AM (HOST COUNCIL - FORBES)

Resolution Motion 8 – Fringe Benefits Tax Rules for Motor Vehicles:

That the Shires Association raise with the Federal Government the impact the new taxation levels will have on regional and rural councils with the introduction of the new Fringe Benefits (FBT) rules for motor vehicles.

(Cr Bill West/Cr Ken Keith)

CARRIED

Resolution Motion 9 – Regional & Local Community Infrastructure Program:

That the Shires Association seek the continuation of the Regional & Local Community Infrastructure program to support the renewal of ageing community infrastructure.

(Cr Chris Roylance/Cr Bob Dowling)

CARRIED

Resolution Motion 10 – State Government Funding to Support Regional Tourism:

That the Shires Association urge the continuation of State Government funding to support the tourism sector in New South Wales.

(Cr Chris Roylance/Cr Bob Dowling)

CARRIED

Resolution Motion 11 – NSW Sport and Recreation Program:

That the Shires Association seek the expansion of the NSW Sport and Recreation Facility Grant Program to provide funding for rural and regional areas.

(Cr Chris Roylance/Cr Ken Keith)

CARRIED

Resolution Motion 12 – Eliminating Smoking in Public Areas:

That the Shires Association call upon the NSW Government to introduce legislation regulating and eliminating smoking in areas, where families gather for entertainment such as alfresco dining, sporting and recreation activities.

(Cr Des Manwaring/Cr Bill West)

LOST

Resolution Motion 13 – Noxious Weed Funding:

That the Shires Association press the State Government and Minister for Agriculture/Minister for Land and Water Conservation for a substantial increase in funding for the control of noxious weeds.

(Cr Ken Keith/Bob Dowling)

CARRIED

MINUTES OF THE CONFERENCE OF 'E' DIVISION COUNCILS OF THE SHIRES ASSOCIATION OF NSW HELD AT THE FORBES SERVICE CLUB, TEMPLAR STREET ON FRIDAY 17 FEBRUARY 2012 COMMENCING AT 10:00 AM (HOST COUNCIL - FORBES)

Resolution Motion 14 – Equitable Distribution of the Regional Development Australia Fund:

That the Shires Association work with the Australian Local Government Association to call on the Federal Government to use the former Regional and Local Community Infrastructure Program methodology to distribute the remaining funds in the Regional Development Australia Fund.

(Cr Ken Keith/Cr Bill West)

CARRIED

Resolution Motion 15 – National General Assembly:

That the Local Government & Shires Association 'E' Division Chair write to the Local Government & Shires Association President asking the following two motions be submitted to the National General Assembly:

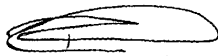
- i). That the Shires Association work with the Australian Local Government Association to call on the Federal Government to reinstate the Australian Council of Local Government with the Regional and Local Community Infrastructure Funding Program attached to it;
- ii). That the Shires Association lobby for the local Regional Development Australia committees to have a dedicated pool of funding which is allocated along similar lines to the Regional and Local Community Infrastructure Program..

(Cr Maurice Simpson/Cr Ken Keith)

CARRIED

CLOSE

There being no further business the Conference closed at 12:02 pm.



Cr Phyllis Miller OAM
CHAIRPERSON



FINAL REPORT

Ministerial Taskforce Blayney – Cowra – Demondrille Rail Lines

February 2012

This Report is the final output of the Cowra Ministerial Taskforce, which was established to oversee the development of a business case for the revival of sustainable services on the Cowra Lines.

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Executive Summary

- The Ministerial Taskforce was established to oversee the development of a business case for the recommencement of services on the Cowra Lines, including consideration of any potential local or state government regulatory and policy measures that may support this outcome.
- The Taskforce was established in response to community concern regarding the suspension of services on the lines, and to a report commissioned by councils of Blayney, Cowra, Harden, Young and Weddin (prepared by SAMROM) that indicated that there may be an economic basis for considering recommencing services.
- The Taskforce engaged Booz&Co to prepare a detailed business case for its consideration.
- The high-level conclusions of the two reports are largely consistent.
- While there is some divergence on specific estimates of costs and revenues, and contestable freight volumes, the two Reports agree that:
 1. a threshold volume of bulk grain in the vicinity of 150,000 – 160,000 tonnes per annum (export and domestic) is required for services on the line to be sustainable (with a positive BCR); and
 2. a key challenge is to ensure that risk is allocated appropriately between stakeholders to provide the right commercial drivers to support any recommencement of services on the Cowra Lines.
- Primarily as a result of divergent views on contestable volumes, the SAMROM Report finds a positive BCR of 1.18 and the Booz&Co Report a negative BCR of 0.56.
- Subsequent identification of additional freight volumes suggests that both reports would produce a positive benefit cost ratio for the recommencement of services on the lines – that is, that a business case exists for the revival of the lines (provided freight volumes can be secured).
- Importantly, discussions with industry stakeholders have indicated a preparedness to commit to the use of rail given some surety that the lines will be re-operationalised. Commercial imperatives regarding strategic logistics options, however, mean that industry needs some certainty regarding the future of the lines by June 2012.
- The key next step is identifying an appropriate operating and governance framework to support the revival of the lines. The key objective is to commercially secure supply of rail services and the ensuing positive benefits identified in the business case.

To this end, the Taskforce recommends the exploration of the regional infrastructure model, outlined in the Booz&Co Report, supported by an exclusive franchise.

1 Introduction

The Blayney-Cowra-Demondrille Rail Lines, including the Koorawatha-Greenethorpe Line (the "Cowra Lines"), form part of the Country Regional Network (CRN), owned by the Country Rail Infrastructure Authority. The lines are non-operational, having been progressively suspended since 2007 due to low traffic volumes and safety concerns.

In 2009, the Shires of Blayney, Cowra, Harden, Young and Weddin commissioned a study into the prospects for revival of the Cowra Lines. This study, prepared by rail operations, planning and management consultancy, SAMROM, provided an analysis of the potential of the lines and assessed the engineering and operational issues associated with recommencing services. The final Report was presented to the former Minister for Transport and Roads.

The Commonwealth Government's *NSW Grain Freight Review* also recommended that "an independent study of the potential use of the Cowra Lines for the movement of container and other non-grain traffics be undertaken" to determine if an economic justification existed for the recommencement of services and the long term retention of the lines. The former NSW Government, in its response to the Review, accepted this recommendation.

Following a meeting on 22 March 2010 between the former Minister for Transport and Roads, the Hon. David Campbell MP, and the Mayors of Blayney, Cowra, Harden, Young and Weddin, the Minister established a Ministerial Taskforce to progress the matter.

The objective of the Ministerial Taskforce is to oversee the development of a business case, based on the economic benefits of firm commitments for sustainable use of the lines, including consideration of supporting regulatory and policy measures to support this.

In 2010, the Taskforce commissioned consultancy, Booz&Co, to prepare a detailed cost benefit analysis for the revival of the lines, which has now been completed. Booz&Co adopts a similar methodology to the SAMROM, giving consideration to the importance of contestable freight volumes, market characteristics and operating models in developing a benefit-cost analysis for a resumption of rail services on the Cowra Lines.

This document comprises the core output of the Taskforce, the final report to the Minister. It identifies the Taskforce's findings regarding the strength of the business cases presented in both the SAMROM and Booz&Co Reports, and sets out recommendations for progressing the project, for the consideration of the Minister.

Section 2 of this paper contains a summary of findings across key areas of analysis, including required capital investment, ongoing maintenance costs, contestable freight volumes, avoidable road maintenance costs, externality costs and potential operating models.

Section 3 discusses the potential for additional freight volumes that have been identified since the completion of both reports, and the significance of these in the evaluation of a business case for lines.

Section 4 provides further detail around potential operating models that may support the recommencement of services on the Cowra Lines. Particular attention is given to the:

- importance of sharing risk appropriately among stakeholders, identified by both SAMROM and Booz&Co, as means of maximising the likelihood of renewed operations being sustainable; and
- suggested next steps in identifying an optimal operating model.

Section 4 also outlines the Taskforce's recommendation that the regional infrastructure model proposed by Booz&Co, supported by an exclusive franchise for the network (based on either maximum subsidy or minimum service level bids), is explored in greater detail.

2 Comparison of SAMROM and Booz&Co Reports

This section discusses the findings of the SAMROM and Booz&Co Reports across the key areas of capital investment, track maintenance costs, contestable freight volumes, avoidable road maintenance costs and externalities. It also identifies the outcomes of the benefit-cost analysis for each report, reform initiatives suggested, and observations of the Taskforce. The revised SAMROM figures reflect those provided in its response to the Booz&Co Report.

2.1 Investment and maintenance costs

SAMROM	Booz&Co
<p>SAMROM initially estimated an upfront capital investment requirement of \$10.5M to rehabilitate the lines. Additional capital investment of \$31M over 20 years was identified for major periodic maintenance (MPM).</p> <p>In its response to the Booz&Co Report, SAMROM adjusted these figures to \$13.8M and \$62M respectively. The revised figure of \$62M reflects a cyclical MPM program, with \$15.5M invested at five yearly intervals over a 20 year period.</p>	<p>Booz&Co estimates the initial investment required to rehabilitate the lines at \$26.8M, with an additional capital requirement of \$83.3M over 20 years for MPM.</p>
<p>SAMROM provides an estimate of \$1M per annum for routine periodic maintenance.</p>	<p>Booz&Co provides an estimate of \$1.24M per annum for routine periodic maintenance.</p>
<p>SAMROM suggests unit costs for steel sleeper insertion and ballast and tamping should be at least 20 per cent lower than those estimated by Booz&Co, based upon industry standards. Accordingly, the unit cost of steel sleeper insertion is estimated at approximately \$172/sleeper, and of ballast and tamping at \$26.40/metre.</p>	<p>Booz&Co estimate the unit cost of steel sleeper insertion at \$215/sleeper, and of ballast and tamping at \$33/metre</p>

Both reports are reasonably consistent in their estimates of the costs of bridge and level crossing upgrades. SAMROM initially estimated the cost of the Carcoar Tunnel upgrade at \$1M, and Booz&Co at \$1.78M. In its response to the Booz&Co Report, however, SAMROM acknowledged that the Booz&Co estimate was based on a detailed engineering assessment completed subsequent to SAMROM releasing its initial findings.

2.2 Contestable freight market

SAMRON	Booz&Co
SAMRON estimated an average potential export grain task of 100,000 tonnes per annum, and an average potential domestic grain task in excess of 150,000 tonnes per annum (155,000 tonnes used for analysis).	Booz&Co estimated an average potential export grain task of 45,000 tonnes per annum, and an average potential domestic grain task of 25,000 tonnes per annum.
In its response to the Booz&Co Report, SAMRON revised these figures acknowledging it had been “overly optimistic” in its estimation of export grain but defending a higher figure for domestic grain. SAMROM accepts the Booz&Co estimate for export grain of 45,000 tonnes per annum but suggests a domestic task of 100,000 tonnes per annum.	The lower estimates provided by Booz&Co were predicated primarily on the changed market dynamic since deregulation of export wheat sales.
SAMROM estimated a potential container task of 11,900 Twenty foot Equivalent Units (TEU) per annum. This figure comprises predominantly export movements to Port Botany, although some domestic movements are included (frozen foods from Melbourne).	Booz&Co estimate a contestable container task for a local operator of 3,300 TEU per annum. This figure comprises export movements via Blayney.
In its response to the Booz&Co Report, SAMROM revised its estimate to 7,300 TEU per annum on the basis of excluding speculative mineral traffic. SAMROM includes domestic through container movements from Melbourne in its estimate.	Booz&Co also factored in through movements between Blayney and Melbourne of 4,000 loaded and 2,000 empty TEU, but on the basis that these would be moved by a third party and would therefore only generate access revenue for a Cowra operation.

Both SAMROM and Booz&Co arrive at reasonably similar estimates regarding the overall level of contestable freight for rail should the lines be re-operationalised. In particular, both identify the importance of grain volumes to the sustainability of rail operations, and the challenge presented by the seasonal variation in the volume of grains produced in the region. Both consultants identify a similar quantity of grain required for economic viability (in the vicinity 150,000-160,000 tonnes annually), with SAMROM suggesting this is achievable and Booz&Co suggesting it is not. The main point of difference lies in the estimation of contestable *domestic* grain, for which SAMROM maintains a more optimistic projection.

It should be noted, however, that both SAMROM and Booz&Co exclude log traffic and potential mineral volumes from Broula from their final analyses on the basis that these are not contestable or remain somewhat speculative. Booz&Co did perform a sensitivity analysis with mineral volumes included, but this did not yield a positive BCR in its analysis.

2.3 Avoidable road maintenance costs and externalities

SAMRON		Booz&Co	
SAMRON use the following road maintenance and net externality parameters (road less rail costs):		Booz&Co use the following road maintenance and net externality parameters (road less rail costs):	
Road maintenance	1.00c/ntk*	Road maintenance	1.26 – 2.48c/ntk*
Accident costs	0.78c/ntk	Accident costs	0.36c/ntk
Greenhouse gases	0.12c/ntk	Greenhouse gases	0.05c/ntk
Air pollution	0.09c/ntk	Air pollution	0.08c/ntk
Noise pollution	0.03c/ntk	Noise pollution	0.03c/ntk
TOTAL	2.02c/ntk	TOTAL	1.78 – 3.00c/ntk
*note: SAMROM use the 1.00c/ntk as a general figure for freight moved by articulated vehicles, but also include the estimated cost of upgrading the Koorawatha to Greenethorpe road route, cited at \$4M.		*note: Booz&Co use a figure of 2.48c/ntk for movement within the region and 1.26c/ntk for movements to port, based on differing road qualities.	
SAMROM calculate the total avoidable road costs and externality benefits to be \$1.9M/annum, comprising:		Booz&Co calculate the total avoidable road costs and externality benefits to be \$742,000/annum, comprising:	
Road maintenance	\$941,420	Road maintenance	\$496,000
Accident costs	\$734,000	Accident costs	\$131,000
Other externalities	\$225,941	Other externalities	\$80,000
Congestion	n/a	Congestion	\$35,000
TOTAL	\$1,901,668	TOTAL	\$742,000

While the core data used by both SAMROM and Booz&Co are reasonably consistent (in order of magnitude), the differences in the final estimates are primarily a reflection of the differences in the contestable freight volumes that are used. SAMROM also cite the inclusion

of the “generalised cost” of the Koorawatha to Greenethorpe road upgrade as a contributing factor to the divergent estimates. It should also be noted that SAMROM’s treatment of the Booz&Co figures in its final analysis (contained in the response to the Booz&Co Report) is not entirely transparent. A/Professor Philip Laird, who prepared the externalities section of the SAMROM Report, provided some commentary on Booz&Co’s methodology, but did not offer any revised parameter estimates. It is assumed that the SAMROM BCR was re-worked using the agreed lower freight tonnages, but retaining the original parameter estimates.

2.4 Reduced transport costs

SAMRON	Booz&Co										
<p>SAMROM initially calculated savings from reduced freight operating costs of \$360,000 per annum. This figure was derived based on the assumption that “5% of the transport cost of traffics attracted to rail will be realised by local industry”.</p>	<p>Booz&Co calculated savings from reduced freight operating costs of \$1.47M per annum. This figure was based upon forecast volumes with the following savings:</p> <table border="0"> <tr> <td>\$12/TEU</td> <td>Cowra-Blayney traffic</td> </tr> <tr> <td>\$105/TEU</td> <td>Cowra-Sydney traffic</td> </tr> <tr> <td>\$20.20/tonne</td> <td>Export grain to Port Kembla</td> </tr> <tr> <td>\$7.69/tonne</td> <td>Domestic grain to local mills</td> </tr> <tr> <td>\$30/tonne</td> <td>Melbourne-Blayney TEU</td> </tr> </table>	\$12/TEU	Cowra-Blayney traffic	\$105/TEU	Cowra-Sydney traffic	\$20.20/tonne	Export grain to Port Kembla	\$7.69/tonne	Domestic grain to local mills	\$30/tonne	Melbourne-Blayney TEU
\$12/TEU	Cowra-Blayney traffic										
\$105/TEU	Cowra-Sydney traffic										
\$20.20/tonne	Export grain to Port Kembla										
\$7.69/tonne	Domestic grain to local mills										
\$30/tonne	Melbourne-Blayney TEU										
<p>In its response to the Booz&Co Report, SAMROM largely accepts the Booz&Co approach to establishing freight savings, but applies its revised freight volumes identified in Section 2.2.</p> <p>SAMROM calculates a new figure for reduced freight operating costs of \$2.42M per annum.</p>											

The final approach to establishing freight transport savings across the two Reports is consistent, and the variation in the final estimate reflects the differing forecast freight volumes (primarily domestic grain).

2.5 Outcomes of benefit-cost analysis

SAMRON	Booz&Co
SAMROM calculates financial revenues and costs over a period of 15 years to be:	Booz&Co calculates financial revenues and costs over a 20 year period to be:
PV of total revenues \$7.1M	PV of total revenues \$16.0M
PV of total costs \$6.5M	PV of total costs \$65.9M
NPV \$635,078	NPV (-) \$49.9M
SAMROM initially calculated a BCR of 1.28 over a 15 year period, based on a NPV of \$4.9M.	Booz&Co calculate a BCR of 0.56 over a 20 year period, based on:
	PV of total benefits \$42.6M
	PV of total costs \$76.8M
	NPV (-) \$35.14M
As a result of its consideration of the Booz&Co Report, SAMROM revised its BCR to 1.18 over a 20 year period, based on a NPV of \$9.63M.	

SAMROM and Booz&Co assume different structural models to establish revenues and costs, and accordingly caution should be exercised when directly comparing the two analyses. SAMROM bases its analysis on the prevailing vertically separated model, with one operator capturing all the locally generated traffic and state government retaining responsibility for the track. Booz&Co assume a small vertically integrated operator hauling containers to Blayney and deriving track revenue from other commodity movements, including grain. Despite this, the difference between the final BCRs is predominantly due to the divergent estimates of the forecast contestable volume of domestic grain.

2.6 Operating model

SAMRON	Booz&Co
<p>SAMROM identifies that the success of any operating model is dependent (among other things) upon:</p> <ul style="list-style-type: none"> ■ The acceptable allocation of risk between above rail, below rail and terminal operators; ■ The ability to secure commitments from end-users (customers) to use the lines; and ■ The agreement of the track manager to institute an appropriate maintenance regime consistent with operator and customer requirements. 	<p>Booz&Co conclude that the preferred operating model for the line would be that which is more successful in:</p> <ul style="list-style-type: none"> ■ Allocating and managing risk; and ■ Ensuring that the freight industry has some “skin in the game”. <p>Booz&Co also suggest that a potential model may “require a change in the competitive paradigm and a move away from open competition [for] above rail [operations]”.</p>
<p>SAMROM suggests an operating model based on the “short-line” experience in the United States. The key difference between true short-line models (as they operate in the USA) and the SAMROM approach is that the former are vertically integrated entities, while the latter would remain vertically separated. SAMROM does stipulate, however, that any potential hybrid short-line operator for the Cowra Lines should “have considerable input in the overall track maintenance strategy”.</p>	<p>Booz&Co explores four different operating models, recommending:</p> <ol style="list-style-type: none"> 1. A vertically integrated local operator to haul containers to Blayney (conceptually similar to a short-line operator); 2. Third party access for mineral and grain haulage; and 3. Local councils and businesses “collaborating” to fund infrastructure upgrades.

Both SAMROM and Booz&Co suggest that it is necessary for any proposed operating model to satisfy three basic criteria to maximise the likelihood of securing a successful outcome – that:

1. risk should be shared appropriately among stakeholders;
2. commitment should be sought from end users of the line; and
3. below rail investment strategies should be aligned with above rail operations.

While the final models are slightly different in form – SAMROM suggesting a vertically separated short-line operator capturing all regional freight, and Booz&Co a smaller vertically integrated short-line operator capturing local container traffic and earning access revenue from other commodity flows – both are remarkably similar in their attempt to meet the

three criteria identified above. The key difference is the ongoing subsidy requirement suggested by Booz&Co, which again is primarily a reflection of different views regarding the contestability of domestic grain movements.

It should also be noted that while both SAMROM and Booz&Co agree on the need for better alignment of below rail investment strategies with the exigencies of the above rail operator, the two make different assumptions of how this can be achieved. SAMROM assume this can be achieved within the existing framework of vertical separation between above and below rail operations, with the State Government retaining control of the track. Booz&Co suggest that vertically integrated model is appropriate, with co-funding from state, local and private sources for ongoing infrastructure requirements.

This is explored in greater detail in Section 4.

2.7 Summary of findings

There is a significant consistency across the findings of the two reports. Both employ similar methodologies for deriving costs and benefits, and make similar recommendations regarding appropriate operating models.

The key points of difference exist around the level of government investment required (and achievable) and size of the contestable freight task. A summary of key findings is contained at Table 1.

Finding	SAMRON	Booz&Co
INITIAL INVESTMENT	\$13.8M	\$26.8M
MAJOR PERIODIC MAINTENANCE	\$62M over 20 years	\$83.3M over 20 years
ROUTINE PERIODIC MAINTENANCE	\$1M/annum	\$1.24M/annum
CONTESTABLE GRAIN – EXPORT	45,000 tonnes/annum	45,000 tonnes/annum
CONTESTABLE GRAIN – DOMESTIC	100,000 tonnes/annum	25,000 tonnes/annum
CONTESTABLE CONTAINER TASK (TEU)	7,900 TEU/annum	3,300 TEU/annum*
AVOIDABLE ROAD COSTS AND EXTERNALITY BENEFITS	2.02¢/ntk \$1.90M	1.78–3.00¢/ntk \$0.74M
REDUCED TRANSPORT COSTS	\$2.42M/annum	\$1.47M/annum
ECONOMIC ANALYSIS	NPV \$9.63M	NPV (-) \$35.14M
BCR	1.18	0.56
OPERATING MODEL	Vertically separated short-line operator	Vertically integrated short-line operator
*excludes an additional 6,000 TEU to/from Melbourne from which a local operator would derive access revenue		

Table 1: Summary of key findings, SAMROM and Booz&Co Reports.

SAMROM assumes a significant level of untied government investment is achievable, while Booz&Co suggests that any level of funding would require that Government is provided with surety that the desired outcomes could be secured.

The single most significant point of divergence between the two reports, however, is the estimation of contestable domestic grain volumes. Booz&Co estimate a domestic volume of 25,000 tonnes per annum, whereas SAMROM estimate a task of 100,000 tonnes per annum. While there is a divergence of views regarding the level of domestic grain that is contestable, there is reasonable consensus around the total (export and domestic) grain volume required to sustain the lines. Booz&Co indicate that the viability of the lines rests on a threshold level of grain (domestic and export) of 160,000 tonnes per annum, and SAMROM achieve a positive BCR on the basis of achieving a total volume of 145,000 tonnes per annum. Essentially, the Reports do not disagree on “how much” grain is required, but do disagree on “how much” domestic grain is contestable for rail.

The implication, as suggested in both reports, is that the real challenge in re-operationalising the lines is finding an operating model that allocates the risk appropriately between

stakeholders and “locks-in” demand. SAMROM and Booz&Co draw closer together in their final analyses, and disagreement over freight volumes is ultimately secondary to the question of which parties should bear the risk for these volumes. This is reflected in the conclusions of both reports, which advocate sharing risk between key stakeholders rather than shifting it entirely to government. In many ways, the ability to allocate risk appropriately between stakeholders, and thereby “lock-in” demand may be the litmus test for the viability of re-opening the lines.

2.8 Taskforce observations

The Taskforce accepts the Booz&Co analysis as an input into the development of a business case for the recommencement of services on the lines, but qualifies this with the observation that the Report would benefit from more thorough consideration of three key issues – potential freight volumes; strategic factors that may influence demand and sustainability of the lines; and costs of road transport and associated externalities.

Subsequent consultation by councils has indicated the potential for significant additional freight volumes, and preparedness from industry to commit to delivering these volumes on rail, provided that surety is given regarding the future of the lines. These additional volumes, comprised primarily of mineral and log traffic, are not currently captured in the Booz&Co Report. If they were included, it is anticipated that they would have a significant impact on the final benefit cost ratio (this is explored further in Section 3).

The Taskforce suggests that the potential strategic benefits to the state from the Cowra Lines are not sufficiently appraised. The growing freight and passenger tasks are placing an increasing burden on the NSW rail network, and creating constraints to improving network efficiency and the objective of lifting both state and national productivity. Indications from rail users are that capacity constraints are already emerging both through the Blue Mountains and on the main line corridor between Parkes and Stockinbingal. While the Booz&Co Report explores the Cowra Lines as an alternative route for existing and some potential freight movements, it is the view of the Taskforce that greater consideration could have been given to the Cowra Lines as an alternative route to alleviate capacity constraints elsewhere on the NSW network. Specifically, greater emphasis on linkages between freight in the area and strategic considerations such as:

- supply chains to Port Kembla;
- impacts of the Maldon-Dombarton project; and
- Infrastructure Australia’s work on a national freight strategy,

would have improved the report.

The Taskforce also suggests that maintaining the Cowra Lines improves the ability of the rail operations to accommodate temporary shutdowns elsewhere on the network.

The Taskforce notes that the Booz&Co Report follows Australian Transport Council (ATC) guidelines to estimate externality costs and uses these to undertake an economic analysis of recommencing services on the line. It is suggested, however, that inadequate consideration was given to future scenarios in which the costs of road transport may increase and the viability of rail may improve. The Taskforce is of the view that a number of issues require more pragmatic assessment, including:

- increasing labour costs facing the road transport industry as it becomes more difficult to recruit and retain qualified heavy vehicle drivers;
- potential shocks to fuel prices (from factors such as peak oil or international disputes); and
- potential improvements to the commercial framework for road use through road pricing initiatives.

Noting these concerns, the Taskforce recommends that the benefit-cost ratio contained in the Booz&Co Report is recalculated incorporating the additional freight volumes that have been identified.

RECOMMENDATION 1:

THAT THE BENEFIT-COST RATIO IS RECALCULATED WITH THE INCLUSION OF ADDITIONAL VOLUMES IDENTIFIED THROUGH SUBSEQUENT STAKEHOLDER CONSULTATION

RECOMMENDATION 2:

THAT THE FINAL BENEFIT-COST RATIO IS CONSIDERED WITHIN AN APPROPRIATE STRATEGIC NETWORK FRAMEWORK NOTING THE POTENTIAL FUTURE CAPACITY CONSTRAINTS AND NEED FOR AN ALTERNATIVE CORRIDOR

RECOMMENDATION 3:

THAT POTENTIAL SCENARIOS IN WHICH THE RELATIVE COSTS OF ROAD AND RAIL MAY CHANGE ARE CONSIDERED IN EVALUATING SUSTAINABILITY OF THE LINES, INCLUDING LABOUR SHORTAGES, INCREASES IN FUEL PRICES AND ROAD PRICING REFORMS

3 Potential for additional volumes

Local stakeholder consultation undertaken since the completion of the SAMROM and Booz&Co Reports has indicated the potential for significant additional freight volumes from two key sources – ore from the Broula Mine to Port Kembla and the Southern Highlands, and timber from the Bathurst and Oberon regions to Tumut (via Cootamundra). The presence of these volumes, if contestable by rail, impacts the assessment made of the sustainability of the lines, and therefore warrants inclusion in the final business case for revival of services.

The Taskforce notes that Booz&Co performed a sensitivity analysis based on the inclusion of potential volumes from Broula. Booz&Co conducted two analyses – one with the inclusion of 70,000 tonnes, the initial forecast volume at the time the report was prepared, and one with the inclusion of 170,000 tonnes, the maximum permitted under current planning approvals. Neither volumes produced a positive BCR, however the 170,000 tonnes analysis resulted in a NPV of (-) \$1M – that is, a near break-even outcome. As a result, Booz&Co recommended that if this volume was ever realised, it may “warrant a reinvestigation of the business case” for the lines.

Since the finalisation of the Booz&Co Report, there is greater certainty regarding both mineral volumes from Broula, and previously un-scoped timber traffic.

3.1 *Visy Pulp and Paper Mill, Tumut*

In 2001, Visy invested \$450M in the development of a new facility near Tumut. The plant was subsequently expanded in 2009, doubling its capacity and bringing total investment to nearly \$1B. In excess of 2.5 million tonnes of paper is produced annually.

Although much of the timber is sourced from local plantations, a significant volume is now also sourced from plantations to the north of Cowra, near Bathurst and Oberon. Volumes from these regions total around 200,000 tonnes annually and will be sustained for at least the next 20 years. At present, this traffic travels on road via the Mid Western Highway to Cowra, then south to Tumut. The task requires 15 b-doubles operating on a continuous cycle.

In discussions with the Taskforce, Visy, in conjunction with current transport operator, Sutherland’s Transport, has expressed a firm commitment to using rail for the movement of logs from Bathurst and Oberon to Tumut provided that rail is commercially competitive with current logistics arrangements.

Visy also emphasised, however, that to align with its own strategic business planning timelines, it needs to be provided with some certainty regarding the revival of the lines by June 2012.

Visy has also indicated that Class 3 track is adequate for this task.

Operationally, logs would be moved by road to Kelso, by rail from Kelso to Cootamundra and then by road to Tumut. A letter of intention from Visy is attached at Appendix 3.

3.2 Broula Mine, Cowra

The Broula Mine project is intended to access a magnetite and haematite deposit located approximately 20 kilometres west of Cowra. Limestone deposits have also been identified in this area.

Planning approvals were granted in 2007, and initial production volumes were forecast at 70,000 tonnes per annum, with a planning limit of 170,000 tonnes per annum. These volumes were used in the development of the benefit-cost analysis by Booz&Co.

Since SAMROM and Booz&Co undertook their research and consultation, ownership of the Broula Mine has passed to the Singapore-based mining group, Abterra. Abterra has indicated a desire to expedite development of the mine, and extract annual tonnages of 170,000 tonnes of magnetite and 200,000 tonnes of limestone within a short period of the mine becoming operational. Abterra has also indicated a preference for these volumes to be moved by rail to Port Kembla and the Southern Highlands respectively, with Class 3 lines possibly being adequate for the task.

A letter of intention is provided at Appendix 3.

3.3 Further opportunities

The Taskforce has observed a willingness from industry to engage in discussions to improve the use of rail. Further work is needed, however, to secure commitments to this effect, and Councils will continue to engage with industry on this matter. Accordingly it is recommended that the business case remains open to the inclusion of additional volumes as operating and governance options are progressed, but only where the provision of these volumes is underpinned by clear commitments from industry based on sound commercial considerations.

RECOMMENDATION 4:

THAT BUSINESS CASE REMAIN OPEN FOR THE INCLUSION OF ADDITIONAL VOLUMES, WHERE SUPPORTED BY CLEAR COMMITMENTS FROM INDUSTRY BASED ON SOUND COMMERCIAL CONSIDERATIONS.

4 Operating models and risk allocation

4.1 Existing arrangements

The purpose of this section is to provide further explanation of the proposed operating models discussed in the SAMROM and Booz&Co Reports. The Taskforce considers that there is significant value in the further exploration of these and other models as mechanisms for allocating risk effectively among stakeholders, capturing contestable rail demand and supporting the long term sustainability of any renewed operations on the lines.

SAMROM and Booz&Co reach largely similar conclusions regarding the importance of adopting an appropriate operating framework. The Taskforce suggests that a pressing consideration for government – if it is to re-commence services on the line – is determining the optimum governance and operating arrangements, and how to give effect to these.

Existing arrangements on the Cowra Lines provide for the separation of above and below rail activities into discrete business entities. Responsibility for track maintenance and train control rests with the Country Rail Infrastructure Authority (delivered under contract by the ARTC, and from 2012 John Holland), while the provision of above rail services remains a commercial proposition for private sector rail operators on an “open access” basis. This operating model is predicated on the core principle that separation of track and train operations facilitates – or “unlocks” – competition for above rail service provision, thereby driving improved and more efficient levels of service. It is noted, however, that within the current market environment, competition for the provision of above rail services has failed to materialise, and so too have the benefits that above rail competition was anticipated to deliver.

Accordingly, the Taskforce is of the view that there is value in exploring alternative operating models that more closely reflect the current operating environment on the Cowra Lines.

4.2 The approach of SAMROM and Booz&Co

The present low freight volumes and inability to form unit trains in the Cowra region suggests that the lines are unlikely to hold much commercial appeal for larger rail operators, in particular in a structurally separated and open access environment. Accordingly, both SAMROM and Booz&Co suggest an exclusive local or small-scale operator as the most effective means of sustaining rail operations on the Cowra Lines.

4.2.1 The SAMROM short-line model

SAMROM cites the United States (US) short-line model as a successful precedent for managing low volume branch lines. SAMROM identifies the trend in the US of larger rail

operators “divesting secondary lines to smaller locally based companies ... [that] develop more appropriate work practices and cost structures while providing an outstanding level of customer service”. A key feature of US short-line approach is that the operator is vested with both above and below rail responsibility, allowing the alignment of above and below rail investment decisions. Ultimately, SAMROM recommend a hybrid approach under which vertical separation is maintained, but the above rail operator has “considerable input in the overall track maintenance strategy”.

The key question that remains unaddressed in the SAMROM Report, however, is by what mechanism the above rail operator can be guaranteed “considerable input” into the track maintenance strategy.

4.2.2 The Booz&Co integrated rail/regional infrastructure model

Booz&Co presents four different operating models, and ultimately recommends an optimised approach based on these two models – the integrated rail model and the regional infrastructure model.

The integrated rail model envisaged by Booz&Co is a vertically integrated model under which a single entity has the exclusive right to operate on the lines, and manages both track and train operations. The right to operate the lines is decided by competition “for the market”, achieved through the periodic auction of an exclusive franchise.

Additionally, under this model funding arrangements for regional infrastructure are reformed, with an integrated approach taken to road and rail funding. The model is intended to deliver two key outcomes – to:

- facilitate a “consolidated view of regional infrastructure” and promote the allocation of funding to the most efficient mode (road or rail); and
- share the risk between key stakeholders by “potentially introducing some industry “skin in the game” on infrastructure”.

Booz&Co identify that the key risk in this approach is that above rail operations may not materialise as anticipated.

Under Booz&Co’s hybrid approach, an exclusive franchise would be auctioned for a small vertically integrated operation, and public subsidy allocation would be collaboratively decided/managed by an entity comprising state and local government, and local industry, through an integrated funding structure for regional road and rail infrastructure. The focus would be on improving the delivery and coordination of existing funding.

4.2.3 Summary

Table 2 contains a summary of key features of the suggested operating models put forward by SAMROM and Booz&Co.

SAMROM and Booz&Co essentially agree that two important preconditions for recommencing services on the Cowra Lines are that above rail operations and below rail investment strategies are aligned, and that risk is allocated appropriately between stakeholders. Furthermore, SAMROM and Booz&Co also both endorse a short-line model as the most effective means of achieving these outcomes. The key difference between the two reports lies in the suggestion by SAMROM that a short-line operation is practical within a vertically separated railway, a suggestion which primarily serves to mitigate the level of structural reform required to recommence services on the lines. Booz&Co, on the other hand, suggest vertical re-integration as a preferred approach.

	SAMRON	Booz&Co
OPERATING STRUCTURE	Vertically separated, with local short-line above rail operator and continued state government ownership of below rail assets	Vertically integrated, with local short-line operator responsible for above and below rail functions
FREIGHT TASK	Short-line operator would capture all locally generated freight movements, including intermodal and grain traffic	Short-line operator would capture local container movements between Blayney and Cowra only
ACCESS REVENUE	Paid to third party track operator	Collected from other freight movements, including bulk grain and intermodal traffic between Blayney and Melbourne
RISK ALLOCATION	Acknowledged that the volume and revenue risk would need to be appropriately shared between the above rail operator, State Government and any potential terminal operator – no mechanism is identified to achieve this	The successful franchisee would bear revenue risk, and share volume risk with the funding entity. Funding would be jointly provided by State and Local Government, and potentially local industry
ALIGNMENT OF TRAIN OPERATIONS AND TRACK INVESTMENT	Flagged the need for close cooperation between above and below rail operators – no mechanism is identified to achieve this	A vertically integrated structure, by vesting above and below rail strategic decision making in the one entity, would ensure the alignment of priorities

Table 2: Key features of proposed operating models, SAMROM and Booz&Co Reports.

4.3 A fresh approach

The Taskforce concludes that an important precondition for resuming services on the Cowra Lines is satisfied – that the volume of freight required for sustainable operations appears to exist. In other words, with the inclusion of additional volumes, there appears to be a positive Benefit Cost Ratio (BCR) underpinning revival of the services.

A positive BCR alone does not indicate a strong business case. Rather, it is the extent to which the benefits that deliver that positive ratio can be secured that guarantees economic benefit. There are a number of risks associated with re-investing in the lines that remain.

Industry has indicated its intentions to use rail, if available. The remaining challenge, therefore, is to translate these intentions into firm commitments that ensure that volumes are achieved and that the business case is realised. Whether or not commitments to use rail can be obtained will be, in essence, the threshold test for sustainability on the lines.

The Taskforce recognises that obtaining commitments from industry to providing freight volumes will be governed by the manner in which risk is shared between the stakeholders involved – that is, the operating and governance models that are in place. The Taskforce suggests that the current operating model does not effectively share risk as it:

- provides too little surety to industry that lines will be maintained to the level required for commercial operations;
- provides too little incentive to industry to use the lines (investment is not driven by users' demand); and
- has too greater a reliance on *untied* public subsidy for ongoing sustainability.

Both the SAMROM and Booz&Co Reports support this conclusion, and suggest alternative operating models to underpin sustainable operations.

Relevant to this approach, however, is that the sustainability of the lines cannot be considered in isolation, and complementary access and funding arrangements for road are required both to:

- encourage the consolidation of freight onto rail; and
- avoid duplicating investment in competing infrastructure.

The benefits of an integrated road/rail approach are outlined in the Booz&Co Report. Booz&Co suggest the "Regional Infrastructure Model" (RIM) as an appropriate governance framework. Under this model, an entity consisting of local councils and businesses would work with State Government to ensure that funding is allocated to the most efficient mode – road or rail. Specifically, the entity would be responsible for:

- guiding "a consolidated view of regional infrastructure spending [to support] the most efficient mode"; and

- ensuring that funding is “directed towards supporting rail rather than building competing infrastructure”.

Potential mechanisms for delivering these outcomes would include:

- developing an integrated total asset management plan; and
- overseeing incremental road pricing on supporting road links.

4.4 Franchising under the Regional Infrastructure Model

The question that remains is what the appropriate operating and governance model is to share risk appropriately among stakeholders and secure freight volumes on rail. Noting the absence of above rail competition under existing arrangements, the Taskforce concurs with the Booz&Co approach of facilitating competition *for* the market “through a periodic auction of an exclusive franchise of the network”. The key challenge in this process is bundling elements of a franchise package to deliver these outcomes.

The final package should be bundled in such a way that it represents value for money, provides surety of use and appropriates risks to those parties with both the ability and willingness to accept and manage these effectively.

The Taskforce recommends that the RIM entity would be an appropriate body to oversee the development and refinement of enablers and obligations through a market testing process, such as an Expression of Interest (EOI). This would facilitate the finalisation of a franchise package through an auction of either a:

- defined level of service for the least subsidy; or
- defined subsidy for the highest level of service.

RECOMMENDATION 5:

THAT THE GOVERNMENT ENDORSE FURTHER EXPLORATION OF FRANCHISING THE OPERATION OF THE COWRA LINES AS A VERTICALLY INTEGRATED RAILWAY

RECOMMENDATION 6:

THAT AN ENTITY COMPRISED OF KEY STAKEHOLDERS IS DEVELOPED TO OVERSEE THE PROGRESSION OF A FRANCHISE PACKAGE – TO BE TESTED THROUGH AN EXPRESSION OF INTEREST PROCESS

Appendix 1 – Terms of Reference

Introduction

The Blayney-Cowra-Demondrille rail lines (including Koorawatha-Greenethorpe), are part of the Country Regional Network (CRN) which is owned by Rail Infrastructure Corporation. The lines are a composite of a number of different sections which are non-operational, having been progressively suspended since 2007 due to safety concerns.

There is local interest in reinstating the three lines as a regional rail network. The Shires of Blayney, Cowra, Harden, Young and Weddin recently commissioned a study into the prospects for revival of the Cowra-Demondrille rail lines. This study undertook an analysis of the potential of the lines and assessed the structural and operational issues of recommencing services on these lines.

The NSW Government response to the Commonwealth's NSW Grain Freight Review report supported the undertaking of a business case study to determine if recommencement of services and the long term retention of these lines, including the Cowra to Blayney link, are warranted.

Following a meeting on 22 March 2010 between the Minister for Transport and Roads and the Mayors of Blayney, Cowra, Harden, Young and Weddin the Minister has established a Ministerial taskforce to oversee this task.

Objectives

The objective of the Ministerial taskforce is to oversight the development of a business case, based on the economic benefits of firm commitments for sustainable use of the lines. The taskforce will also consider any supporting regulatory and policy measures that may be considered by both the local councils and the NSW government to strengthen the business case. The tourism potential of the line is also to be taken into account.

This information will inform future Government and Council(s) decision making in relation to the Blayney-Cowra-Demondrille (including Koorawatha-Greenethorpe rail lines).

Governance

The Taskforce will be chaired by the Deputy Director General, Transport Policy and Planning, and consist of representatives of NSW Industry and Investment, Mr Bill West, Mayor of Cowra and Mr Maurice Simpson, Mayor of Weddin.

The Taskforce will meet bi-monthly to monitor progress.

Secretariat support for the Taskforce will be provided by NSWTI.

Scope of Work

The following principles will guide the development of the business case:

1. a requirement for full compliance with the existing safety regulatory framework for rail operations;
2. the need for consideration of a mechanism for obtaining industry commitment to use the lines;
3. a detailed Benefit Cost Analysis and triple-bottom line approach to guide the business case;
4. an assessment of governance options for the lines, aimed at improving the linkages between infrastructure, operations and business requirements; and
5. a survey of the Carcoar Tunnel to ascertain its suitability for containers.

The responsibility for and associated cost allocation for these tasks will be determined by the Taskforce.

Key Outputs

1. Report into the Carcoar Tunnel.
2. Report on the business case.
3. A draft and final report to the Minister for Transport and Councils outlining the findings and recommendations of the Taskforce.

Timeframe

The Taskforce will hold its inaugural meeting no later than 22 June 2010. The timeframe for the delivery of the tasks identified in the scope of works will be determined by the Taskforce.

Appendix 2 – Carcoar Tunnel Survey

CARCOAR TUNNEL



CLEARANCE INVESTIGATION

May 2010

Southcoast Civil & Survey Pty Ltd
27/28/29 - Fraser Highway - (Mudgee 5823 1703/552)
Email: peter@southcoastcivil.com.au
Web: www.southcoastcivil.com.au

CARCOAR TUNNEL

Clearance Investigation May 2010

Introduction

Carcoar Tunnel is located on the Blayney - Demondrille (Harder) Line from 310 475km to 310 757km. The Tunnel is 282m in length with a right hand curve passing through its entire length. It was constructed in 1886 and conforms to the Old Standard Tunnel Profile shown in S.T. 73 (see attached). The drainage system in the tunnel varies from the standard as it has side drains and no centre drain and appears to have a concrete floor. The track consists of 94lb jointed rail on timber sleepers through the entire length of the tunnel. The timber sleepers appear to be in good order.

Track Alignment

The curve which passes through the tunnel has been re-centred with the Blayney end Tangent point at 310 156.0km and the Cowra end Tangent Point at 310 645.8km.

1. The Design Radius of the curve is 481.4m with a 50.0m transition on the Blayney End and a 35.0m transition on the Cowra End. The design alignment has minimal track pulls in the tunnel with the largest being 65mm at the Blayney Portal and at 310 640km.
2. The design of the tunnel with the concrete kerb at the top of sleeper level restricts lateral movement in the track and therefore inhibiting any changes to design alignment or rectifying any alignment defects.
3. The Design Super is 20mm based on 'F' Sheets from 1877 and from earlier track re-centring in 1849. The existing super in the tunnel varies from 6 mm at 310 480 & 310 700km to 40mm at 310 670km & 310 640km (superelevation difference was increased to 20mm to allow for this variation).
4. The track speed of 70km/hr as indicated on the 'F' Sheets is not achievable through the tunnel; a reduced speed would be more suitable to minimize the risk of contact with the tunnel walls.

Kinematic Profile

The kinematic envelope is based on the assumed vehicle (non-electric rolling stock). The envelope represents the maximum displacement of a vehicle from the track centreline and from rail level.

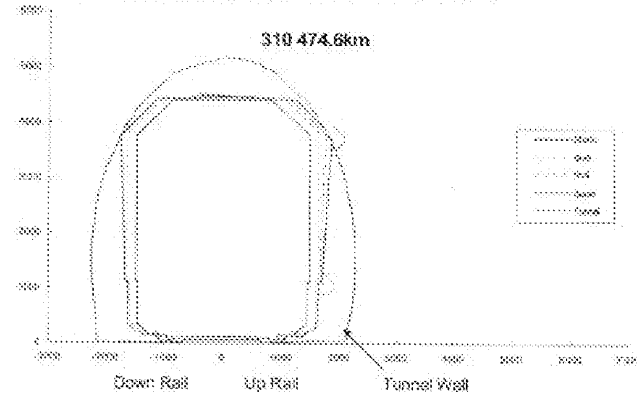
The parameters that are included in the kinematic profile are listed below:

1. Vehicle width - non-electric rolling stock
2. Vehicle roll of 2°
3. Bogie movement of 75mm
4. Track Misalignment of 25mm
5. Superelevation Difference 20mm
6. Bounce 50mm
7. Gauge variation

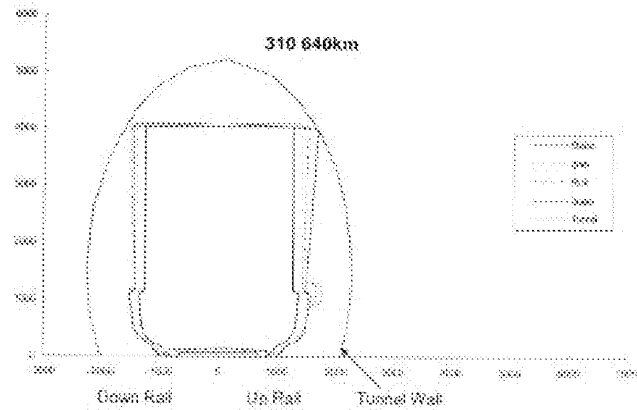
The criteria listed above were used to determine the ability of non-electric rolling stock to pass through the tunnel without coming into contact with the tunnel walls.

The attached kinematic profile below indicates the relationship between the kinematic profile and the tunnel wall and in a number of locations the profile encroaches on the outline of the tunnel. It should be noted that the 200mm safety margin has not been applied in which case the kinematic profile would encroach on the Up Side and Down Side tunnel walls.

The profile shown below is that of a non-electric rolling stock outline



The profile shown below is that of a wagon with an 1130mm deck height and a 2850mm container.



Conclusion

The analysis of the kinematic profile data through Gatorar Tunnel has indicated a non-compliance with clearance requirements. There are a number of locations where the wagons with a deck height of 1130mm and a 2860mm high container would impact with the tunnel wall including the location shown above.

The variation in existing superelevation in the tunnel as well as minor alignment variations could result in a vehicle striking the tunnel wall in more locations. The fact that the 200mm safety margin has not been applied also increases the risk.

Previous investigations had revealed that a lower profile container wagon with a deck height of 1020mm would be able to pass through the tunnel with less significant clearance issues than the wagons with a deck height of 1130mm.

The possibility of track lowering could be considered but this is dependent upon the effect of removing the concrete floor of the tunnel (test boring would be required). The effect on the structural integrity of a tunnel which is in excess of 120 years old would also need to be considered. The distance measured from the top of low rail at 310 881km to the concrete floor was 450mm, which equates to less than 200mm cover between the tunnel floor and the underside of the sleeper. The possibility of lowering the rail level by reducing the ballast depth is not possible.

The shaving of part of the tunnel lining at restrictive locations could also be a possibility but this would not solve the issue of the 200mm safety margin. From the standard plan of the tunnel, the wall would appear to be 600mm thick but this would require further investigation as any trimming of the tunnel lining may lead to a loss in structural integrity.

Yours faithfully

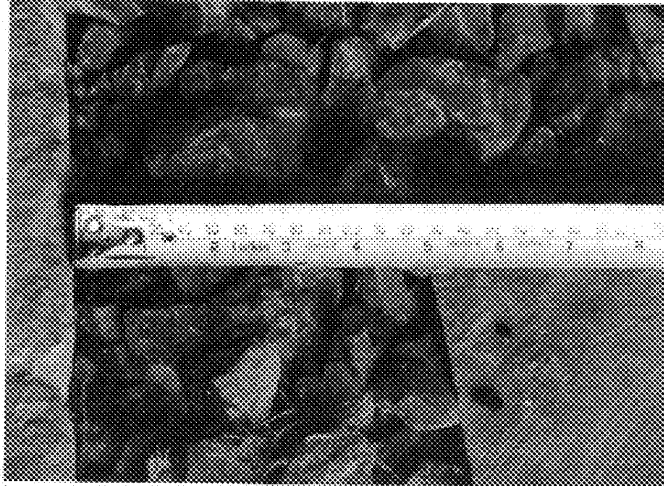
ONTRACK SURVEY AND DESIGN PTY. LTD.



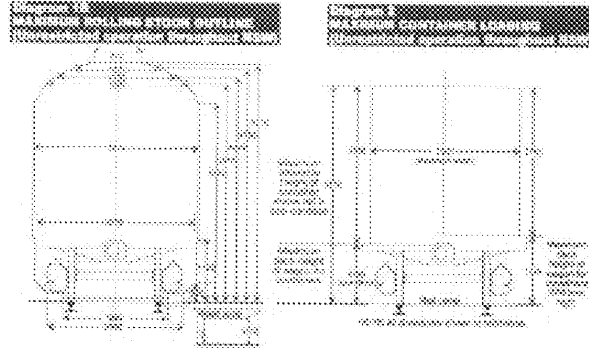
PETER NELSON
Director



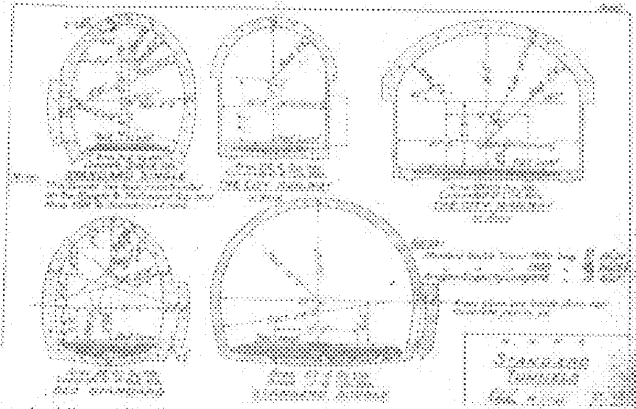
Picture 1 - 310 480km Blayney - Demondrille Line - Concrete Side Drains



Picture 2 - Space between sleeper ends and concrete kerb - restricting track slewing



Extract from Train Operations Conditions Manual - Section 5



Standard Tunnel Profiles ST 75

Appendix 3 – Letters of Intention



Abterra Australia Pty Limited
Suite 201, 10 Century Circuit, Brooklawn Hills NSW 2153
Tel: (+61) 2 8858 6256
Fax: (+61) 2 9639 3641

12 December 2011

To Whom It May Concern:

Letter of Intent – Cowra Lines Railway

Abterra Australia Pty Ltd is a wholly owned subsidiary of Abterra Ltd. It is the sole owner of Grouse Mine approximately 19 kilometres west of Cowra, NSW.

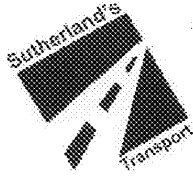
Abterra Australia Pty Ltd has development approval to mine 170,000 tonnes of magnetite and 300,000 of limestone per annum. The preferred method for transporting the minerals to market is by rail which is more economically viable and has less environmental impact.

Abterra supports the re-opening of the Blayney-Demondrille Line (commonly known as the Cowra Lines Railway) not only for the transport of our products to market, but for the benefit of regional economic development.

We would be prepared to discuss a business contract for rail access at your convenience.

Yours faithfully

Lucy Liu
Marketing Manager
Abterra Australia Pty Ltd



SUTHERLAND'S TRANSPORT PTY LTD

ABN 74 065 546 545

Havelock Street PO Box 272 Cootamundra NSW 2590. Phone: (02) 6942 4137. Fax: (02) 6942 4795.
www.sutherlandstransport.com.au

To whom it may concern:

Sutherlands Transport Pty Ltd operates from an existing Rail Terminal at Cootamundra.

Our business interests are in developing road and rail transport systems throughout the regional areas of NSW in the firm belief that rail / road connectivity is essential to transport large quantities of products over medium to long distances.

Our intention is to develop a new rail terminal at Cootamundra, complimentary to our existing functioning terminal, in recognition that the freight task is growing and we can develop innovative transport solutions around road / rail specifically within the Southern Riverina district of NSW.

We are supportive of the reopening of the Blayney to Demondrille rail lines, (known as the Cowra Rail lines) as it forms a vital link from the Bathurst area to our Cootamundra Rail Terminal.

As we are located on the Melbourne / Sydney rail corridor, and from our Cootamundra terminal we are able to link directly to Sydney & Melbourne Ports by rail.

Our only alternative route from the Bathurst area currently, is via Parkes, which is 200kms longer and compared to the Cowra option (if it were available) adds around \$10.00 per tonne to our transport costs: uncompetitive against road freight options for our customers.

We have already identified through one of our major clients in Visy Tumut 250000 + tonnes of pulp logs and woodchip that could be converted from road to rail if the line was reestablished.

We are also aware of significant opportunities for general freight and bulk containerized grain traffic connecting the North and South of NSW through the Cowra line, and these customers would also directly connect to the main Melbourne / Sydney line if it were to be reopened.

Our investigations suggest that an additional 100000 tonnes p.a. of this traffic could be developed, connected and transshipped through our Cootamundra terminal.

Yours faithfully,

Mark Williams
Business Manager
Sutherlands Transport Pty Ltd.



FOR A BETTER WORLD

Visy Pulp and Paper Pty Limited (461) 23 055 513 (44)
439 Sadara Road (PO Box 88), Tumut NSW 2720 Australia
Phone +61 2 9647 7822 Facsimile +61 2 9647 5315
www.visy.com.au

15 December 2011

To Whom It May Concern

Cowra Lines Rail Lines Ministerial Taskforce

Visy Pulp and Paper Pty Ltd (VPP) currently operates a pulp and paper mill located at Tumut NSW. This plant currently sources raw plantation softwood fibre from the plantations located around Tumut / Tumbarumba, Bombala, Braidwood and Bathurst / Oberon. The haulage distances from these plantations extend out as far as 450 kilometres.

Currently all of this wood fibre is hauled on trucks in either log or chip form. The distance involved in hauling this fibre has a substantial cost as well as involving considerable truck movements.

At present Visy hauls approximately 240,000 tonnes of pulplug and 30,000 tonnes of wood chips from the Bathurst / Oberon area. Visy is intent on pursuing more cost effective and efficient means of transporting this fibre. Should a rail option be available which presents Visy with a cost effective alternative, then we would be interested to pursue this option.

Yours sincerely

Dean Hawkins
Fibre and Forestry Manager
Visy Pulp and Paper Pty Ltd

Nestlé Purina PetCare



AUSTRALIA

BLAYNEY PLANT
25-2525M COWRA ST
BLAYNEY NSW 2799
AUSTRALIA
TEL +61 2 6891 2000
FAX +61 2 6891 2000

12 December 2011

Glenn Wilcox
General Manager
Blayney Shire Council
PO Box 62
Blayney NSW 2799

Dear Glenn,

Further to our recent discussions we confirm that Nestlé Purina Blayney factory is currently not utilising our rail siding for inbound grains, and currently all of our wheat requirements (our major raw material) arrive by road on B-Double trucks.

This has been the case for the last few years, and previously we had wheat regularly arriving on both the Western and Southern (Cowra) rail lines, which provided the optimum sourcing flexibility.

At various times during the last three years, we have hosted consultants and provided input in support of the reopening of the Cowra line, and it remains our position that this would be advantageous to our operation, subject to the availability of a willing rail provider with suitable rolling stock.

Please don't hesitate to contact me should you require further information.

Yours Faithfully,

Johannes Meintjes
Factory Manager - Blayney Factory

(Registered Nestlé Australia Ltd ACN No. 888 011 018)

Appendix 4 – Booz&Co Final Report

booz&co.

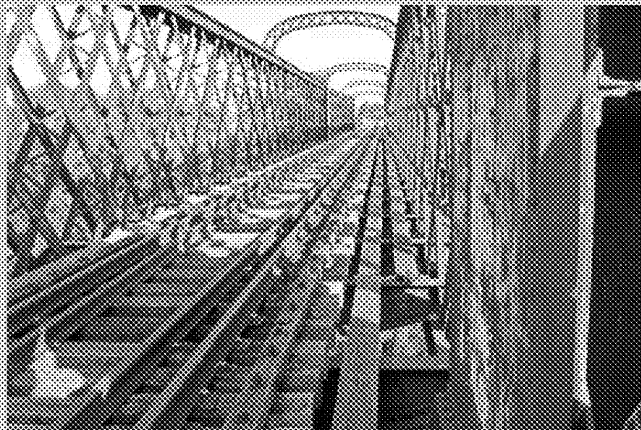
Final Report

**Re-Opening the Cowra Rail Lines:
Cost Benefit Analysis and Policy Options**

NSW Department of Transport

Sydney, Australia

October 2011



This document is confidential and is intended solely for the use and information of the client to whom it is addressed.

