Deputy Prime Minister the Honourable Michael McCormack, Minister Melinda Pavey, the Honourable Anthony Albanese, Honorable Guests, Colleagues, Ladies and Gentlemen,

Thank you for that kind introduction - and thank you for the honour of being asked to deliver this Keynote Address at this conference

Inland Rail may be a project that engineers dream about and as an engineer myself with a long association with the Australian rail system you could argue it doesn’t get much better.

But Inland Rail is much more than that and it is a real privilege to be asked to speak about this project today.

Inland Rail is about our country’s future prosperity. It is about equipping Australia with the core infrastructure it will need for the next 100 years and beyond.

Infrastructure that is needed to provide the freight pathways for the efficient movement of goods Australians will consume, or goods that are sent for export.

It is also a very rare project in that it offers not only a clear national benefit but a significant benefit to regional communities including the many indigenous nations who are the traditional owners of the land.

But first can I just reflect a little about rail in Australia because it is important to join the dots all the way to Inland Rail to understand the value of rail to Australia and the strategic rationale for this vital project.

Also I might add - to respond to those that often question the project’s purpose and value.

While it seems like an eternity ago I started in rail in the 1980’s.

In that time I have had the fortunate opportunity to be involved in the management of rail businesses in every state and territory in Australia both in the private sector and the public sector.
After stints with BHP and working for a number of years overseas my first rail experience was with the commonwealth-owned Australian National.

It was at a time when politicians, urged on by industry started to recognise that rail freight mattered and had to be fixed.

The States, while initially slow to react, ultimately saw the need for reform particularly as the financial hemorrhaging on their freight rail businesses worsened.

During that period I saw first-hand the effect of a totally dysfunctional and inefficient rail system that served our vast continent. In one of my early trips to the US in the late eighties it struck me how superior their rail system was.

A country similar in size to ours, albeit with a lot more people.

In Australia we needed no reminding that there were different track gauges. But on top of that we had different loading gauges in each State. Locomotives and train crews were changed at the borders.

And on the seemingly misguided belief that the law of physics was different in each State rollingstock was prevented, by railway engineers, from operating from one capital city to the next because of differing State-based standards.

At the time rail interoperability was seen as an insurmountable challenge.

The concept of rail and a supply chain was counter intuitive, it was chalk and cheese.

There was rail if you had to, and then there were all the other modes.

Innovation and reform was just plain difficult.

It doesn’t surprise any of us that interstate trucking companies flourished in that environment – freight will always find a way to move in the most efficient and cost-effective manner.

The entrepreneurs of the day were the small owner-drivers who made it big time. It is the reason we now have, probably, the most efficient and productive trucking operation in the world.

This consequence of this is the sole reason why today, rail’s share of freight movements along the east coast of Australia between each capital city, from our regions and through our ports is at dismally low levels – unsustainable levels.

I raise this point because for a country the size of Australia, with such a large and growing population along the expansive eastern seaboard and which is home to some of our most productive farming regions in the country, it was not just a failure of strategy and political will - it was first and foremost a failure of comprehension and understanding.
We have been totally blind to the fact there was even a problem and what the consequence will be if it is not fixed.

That said - the importance of rail to Australia (both in terms of freight and commuters) is getting much broader political support.

The warning bells have been ringing - driven by a number of factors such as population growth, road congestion and safety, environmental considerations and the emerging imperative to build efficient supply chains to drive a more productive Australia.

This is a belated but welcome shift.

But while it is true that the problem with rail along the east coast of Australia needs to be solved we should not forget that rail has made substantial progress over the past two decades on the back of major policy initiatives and structural reform.

Events like the establishment of the ARTC 20 years ago and the creation of the National Rail Corporation in the early 1990’s were major turning points during a period of substantial competition reform.

Both had strong bi-partisan support. And both were achieved through landmark inter-government agreements between State and Federal Governments.

Likewise the entry of private rail operators and the privatization of all government-owned rail operating companies were also landmark events that positioned the industry on a much stronger commercial footing.

However, while the rail journey over the past two decades has undoubtedly delivered a stronger industry there remains more work to be done to equip this country with a rail system it will need for the next 100 years.

For the purpose of arriving at an answer to that question I want to focus a little on ARTC and the interstate rail network.

ARTC was established in 1998 with a mandate to increase the volume of freight carried on its network.

In line with its mandate, ARTC’s sole purpose is to improve Australia’s productivity by making rail the mode of choice in the national logistics chain.

We have worked to achieve this by building, maintaining and operating a rail network that compares with the best in North America.

In our first full year of operation in 1998 ARTC, as a small SA-based rail network owner, earned access revenues of just $84 million and paid its first dividend to the Australian Government shareholder of $2 million.

By FY2017 access revenues had risen to $714 million and a dividend of $82.8 million was paid to shareholders.

Growth was driven by network expansions (particularly in 2004 with the take-up of the network in NSW), growth in HV coal volumes and overall economic growth.
Over the past 10 years ARTC has invested around $6.5 billion on the network. $4 billion has been invested on the Interstate network and $2.5 billion in the HV.

The $4 billion spent on the interstate has been funded by various means - ARTC debt, cash flows from operations and shareholder funds invested both in the form of equity and grants to the company.

A lot of the money was spent on fixing things after decades of neglect.

Track components and assets were replaced and the track upgraded and strengthened.

Much was invested in capacity enhancement projects like the $950m SSFL to separate freight from commuters, building new crossing loops to operate longer and more frequent trains, upgrading the freight lines to Port Botany and the Port of Melbourne and raising the vertical clearance to Parkes to allow the operation of double-stack trains from this location to Adelaide and Perth.

One of the key achievements over this period however has been upgrading the condition of the interstate intercapital track.

The entire main line network operates on concrete sleepers, much of the rail has been replaced with heavier duty 60kg rail to increase axle loads and make it stronger and more resilient. Many of the old safe working systems have been replaced.

We have an interstate track today that is in far better shape and well positioned for the next phase of complementary rail investment.

Which leads me to the questions?

What needs to be done now to complete a national rail system Australia will need; and

Why do we need to do it?

To help answer the question I want to take you back 100 years to an event that did leave a profound legacy.

A legacy we have built on through innovation, persistence and skill to give us something that today is of irreplaceable value to Australia.

Something we now just take for granted.

In October last year ARTC celebrated the 100-year anniversary of the construction of the standard gauge Trans Australian Railway linking Western Australia with the rest of continent.

The construction budget for the 1700 kilometre line was £4 million. The first train consisted of a single steam locomotive and 8 carriages.

The only thing still intact today from that date back in 1917 is the land.
That straight, flat 50-metre-wide rail corridor sitting there in parallel, for the most part, with the interstate Eyre Highway.

The original rail, sleepers, ballast and train types have long gone.

Today that corridor handles around 5 million tonnes of intercapital freight to and from Perth – a freight market similar to the Melbourne-Brisbane corridor.

It is carried by trains capable of being double-stacked with containers, up to 1.8 kilometres in length with a transit time comparable with road.

It is why rail to the west enjoys a market share of over 80% of land-based freight movements and offers a transport cost well below road for the journey.

And why is that important?

Well firstly transport costs are much lower than would otherwise be the case - resulting in lower cost for consumers and a more productive Australia.

Equally important however is that the investment in expensive transport infrastructure across those 3500 kilometres east to west is truly optimized between the modes.

Road freight, of course, plays an important part but railing freight to the west at this level, by trains configured in this way avoids the need to operate up to an additional 2500 truck movements per week on the Eyre Highway – or one every few minutes.

It took vision and commitment to build this railway and required innovation and skill to improve it.

Yet today the reality is that those impressive 1.8-kilometre trains with double stacked containers cannot run further east than Adelaide and Parkes.

Adelaide, Perth and Darwin are the only capital cities that can receive and dispatch trains of this configuration – trains that are common in places like North America so similar in size to Australia.

Trains that deliver higher capacity at lower cost to consumers.

And I do wonder at times why it has taken so long for the concept to catch on in eastern Australia.

Can you imagine the cities of Melbourne, Sydney and Brisbane being prepared to tolerate their ports being unable to accept the bigger international container ships or
their airports being restricted to Dash 8 aircraft if elsewhere in Australia there were no restrictions on vessels or planes?

Never in a million years. Yet rail is so important to the supply chains along the east coast.

The impact of not providing this type of infrastructure along the east coast results in rail having a measly market share of 25% between Melbourne and Brisbane and no real capacity for long term rail growth.

Just outside of this building, as my good friend the Mayor of Parkes Ken Keith always reminds me, there is a truck every minute or so at peak times moving freight long distance between Victoria, southern NSW and Queensland.

So to me one of the greatest transport challenges we face as a nation is to properly equip the fast-growing east coast of Australia (including the regions, the cities and the ports) with a freight network (both road and rail) that has been optimally configured to handle the future freight task.

And to do so based on the premise of selecting the right mode for the right load.

There is no reason as a Nation we shouldn’t strive to replicate the textbook arrangement we have to the west.

Inevitably for the reasons I mentioned earlier it requires a substantial commitment to more rail infrastructure and associated intermodal facilities such as terminals and adjacent warehouse precincts.

We need to finish the job to lower rail transit times and achieve full interoperability and efficiency providing every State in Australia access to a network capable of inter-operating these super trains point to point across the nation

This is fundamental to Australia’s future prosperity. Australian businesses and producers are depending on it.

And all of us here recognise that for our cities to remain livable, our roads to be safe, our environment to be protected – then a world class freight supply chain is a non-negotiable.

So then what is the right solution?

Many have said that we have an existing interstate network therefore why can’t we just continue to upgrade it avoiding the need to build something like Inland Rail.

That may be right to a degree. ARTC has done a lot of that - but the hard truth is, on the east coast of Australia, our fastest growing region, much of the existing mainline network has reached its limits and no amount of incremental improvement or investment will change that.

Add to that the increasing challenge of navigating freight trains through the Sydney Trains network between Flemington in Sydney and Newcastle.
If rail is going to play a more dominant role on the east coast of Australia we need to fundamentally re-configure the network to meet the service characteristics the customers demand including, the complementary investment into terminals.

We have to remove the kinks, make it more operationally efficient and build extra capacity. We have to make it faster, more transit time competitive, more reliable and more resilient. And rail needs to become more embedded in our national supply chains through its connectivity with terminals and ports.

And wherever possible we must separate it from rapidly growing metropolitan commuter networks.

It is why Inland Rail is so important in this context and the basis of the considerations in preparing the 2015 Programme Business Case.

The facts have been well documented.

Firstly

- The east coast of Australia comprises 79 per cent of Australia’s population and contributes 75 per cent of the nation’s GDP.

- The freight task on the east coast is significant with the interstate freight task alone projected to increase by 70 per cent by 2030 to 140 billion tonne kilometres

- With Australia’s east coast population forecast to increase by 60 per cent over the next 40 years there will be significant pressure on freight infrastructure. Meaning:-
  
  o The existing infrastructure between Melbourne and Brisbane has insufficient capacity to meet future freight demand. There is little scope for the existing rail infrastructure to be upgraded to do more.

  o The current north–south freight infrastructure (road and rail) is already constrained.

  o The continued reliance on road for freight transport will result in increasing safety, environmental and community impacts with associated costs.

  o The existing north–south freight infrastructure is impacting accessibility to supply chain networks for regional producers and industries.

  o The lack of resilience on existing north–south freight infrastructure exposes supply chains to disruptions and sub-optimal reliability

Inland Rail is a strategic initiative to make a decisive step change in the capacity, productivity and interoperability of the national freight rail system.
It will rebalance modal share between road and rail to optimal levels akin to best practice elsewhere.

With Inland Rail Australia will have completed a key missing link.

The construction of a standardised transport backbone linking together every State and the NT with a world-class system will serve our future generations well.

And that doesn’t mean things will never change.

Who knows what things could look like in 100 years.

I am sure when our forebears made the decision to build the Trans Australian Railway 100 years ago little would they have known that the single steam locomotive and 8 carriages that operated the first train would become in time a 1.8km train weighing over 5000 tonnes and nearly 7 metres high.

My crystal ball is no better than theirs, but I am sure the types of transport vehicles moving along the Inland Rail corridor and the network generally will change dramatically over the next 100 years.

But then again, if you think hard about it - it’s always been about capturing and securing the land and the corridor to provide a thoroughfare for freight movements.

It’s the value of the land reserve and its juxtaposition with communities and supply chains that drives the ultimate value for centuries to come.

That’s what Inland Rail does. And that is why getting on with it is important.

Thank you for your time today.