LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

INQUIRY INTO THE ECONOMIC IMPACT OF THE CONSTRUCTION OF A VERY HIGH SPEED (VHST)

Report No. 4 of the Standing Committee on Economic Development and Tourism

November 1997

Resolution of Appointment

A standing committee be appointed to inquire into and report on:

(a) matters related to economic development, science and technology and the impact of tourism on the A.C.T. economy, community and infrastructure;

(b) strategies to increase the level of activity in the tourism sector; and

(c) other matters relating to tourism in the A.C.T. that the Committee considers should be drawn to the attention of the Assembly.

Legislative Assembly for the A.C.T., *Minutes of Proceedings*, (1995), No. 1, p 9 as amended by No. 13, 22 June 1995, pp 96 - 97

Terms of Reference for the Inquiry that is the Subject of this Report

That the Standing Committee on Economic Development and Tourism:

(1) inquire into and report on the potential impact of the construction of a very high speed train on Canberra's future economic development with particular reference to:

  (a) the consequences for employment growth in the short, medium and long term;

  (b) the impact of the development on Canberra's private and public sectors;

  (c) the impact on Canberra's tourism sector;

  (d) the impact on other transport modes and freight movements in and out of Canberra; and

  (e) any other related matter; and

(2) report to the Assembly on or before Tuesday, 2 December 1997.

Legislative Assembly for the A.C.T., *Minutes of Proceedings*, (1995-96-97), No. 85, p 633 as amended by No. 91, 15 May 1995, p 677

Committee Membership

Mr Harold Hird, MLA (Chairman)

Mr Simon Corbell, MLA (Deputy Chair)

Mr Paul Osborne, MLA

Secretary: Ms Beth Irvin

Administrative Officer: Mrs Kim Blackburn

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Preface

The submissions received by the Committee have confirmed the importance of the Very High Speed Train (VHST) project to the economic development of the A.C.T. and region. The majority of submitters were very supportive of the project with few, if any, reservations. They detailed how the private and public sectors will need to work together for the A.C.T. to be positioned to maximise benefits.

Numerous factors and actions form the basis for economic development and a number of submissions pointed to the importance of infrastructure. Market access is a key ingredient of economic development. The fast train would improve access by better linking Canberra to the Australian people and markets of the world. The most important infrastructure projects for the region are considered to be the international airport and a fast train link to the other capitals. Together these could form the basis of an emerging transport hub for Canberra and the region. A fast train link would confirm Canberra's status as the National Capital and would provide a major competitive edge for the attraction of international tourists.

The deliberations of the Committee were restricted to some extent by the confidentiality requirements of the tri-government competitive process which limits the information that proponents, governments and consultants can make available publicly. The private sector consortia have not made the details of their projects available to the public. In fact, two of the six shortlisted proponents chose not to make submissions to the Committee. The Government, in its submission, attempted to facilitate the work of the Committee by developing a range of hypothetical projects to give some indication of the likely costs and benefits. Due to the lack of information, rather than being able to focus on detailed issues most submissions addressed the terms of reference broadly. The real analytical work will take place when details of the real proposals are known.

Nevertheless the Committee has been able to highlight a number of significant issues which it believes the Government should be addressing now to ensure that real benefits flow to Canberra as a result of the development of the VHST. These form the basis of the Committee's recommendations.

The Committee is concerned to ensure that the A.C.T. Government takes a proactive and strategic role in the development of a VHST link and does not simply assume certain benefits to flow from the project. Such a major infrastructure development project as the VHST will have major economic, social and environmental ramifications for the Territory. The Government must at all stages plan and, wherever possible, anticipate these changes so that any negative impact can be avoided or ameliorated.

The general content of the submissions received made the Committee aware that the A.C.T. Government is currently involved with the Governments of New South Wales and the Commonwealth in a competitive process. The timetable of this process is important for a number of the recommendations being made by the Committee. The

Assembly will need to be careful not to jeopardise the process by coming to conclusions prior to the completion of the three government competitive process. Like a tender process we cannot be seen to favour one party over another prior to the governments making their decision or put the process at risk.

The three Governments are currently part way through stage two of a three stage process. Proponents will submit detailed proposals to Government by 15 March 1998. Governments will evaluate these submissions and then ask one or more proponents to enter negotiations and commit to detailed financial, planning and environmental processes. The community will be provided with an opportunity to comment on the details of the project in the second half of 1998 and early 1999.

The activities of this Committee and a number of actions currently being undertaken by the Government are seeking to ensure two outcomes. Firstly, that the VHST project between Canberra and Sydney is given all the support required to ensure its development. Secondly, that the costs and benefits associated with the project are highlighted and that the A.C.T. community is given the opportunity to work together to maximise benefits for Canberra and the region. Most submissions highlighted the critical role of the private and public sectors' early preparation and working together to achieve these outcomes.

The Committee has now been briefed on the activities that are being undertaken on the VHST project and will continue to monitor the progress of this important project for the A.C.T. and region.

The VHST project will be the most significant infrastructure development proposal to affect the Territory in decades. The Committee is confident that if the report's recommendations are adopted by Government Canberra will be better placed to ensure real economic and social benefits for the people of the Territory whilst at the same time minimising the risk of detrimental impact on our community.

Harold Hird, MLA
Chairman

25 November 1997

Summary of Recommendations

Recommendation 1.

The Committee recommends that the Government undertake an analysis of the likely employment displacement effects of the VHST based on the information available to the Government from the commercial-in-confidence material provided by the proponents. The Committee considers that this analysis should commence at the beginning of stage three in the Call for Proposals process.

Recommendation 2.

5.66. The Committee recommends that the Government establish a unit within the Chief Minister's Department to monitor and oversight the potential social and economic impacts of the project.

Recommendation 3.

5.67. The Committee recommends that the Government commence negotiations with all the proponents to facilitate opportunities for the location of major support facilities including headquarters, control operations, freight and passenger terminals, maintenance facilities and other associated support elements such as catering in Canberra. These negotiations should commence at the beginning of stage three in the Call for Proposals process. This action should ensure that the A.C.T. is well positioned to gain maximum economic benefits from the project once the successful proponent has been announced.

Recommendation 4.

5.68. The Committee recommends that the Government ensure that the tender packages for the development, design, construction and operation of the service are prepared in such a way that there is opportunity for small and medium sized firms in Canberra to fairly compete.

Recommendation 5.

5.69. The Committee recommends that the Government establish a mechanism to ensure that the business community is kept up to date with progress on the project; provide networking opportunities for local businesses to individually, or to form consortiums and strategic partnerships, to tender for contracts during the development, design, construction and operation of the project; and ensure the views of the business community are put to Government.

Recommendation 6.

5.70. The Committee recommends that the Government ensure that its business incentives programs facilitate the involvement of local firms in the VHST project.

Recommendation 7.

5.71. The Committee recommends that the Government establish a mechanism to ensure that the tourism industry is kept up to date with progress on the project; advised of any likely impacts on the industry as a result of the project; and the views of the tourism industry are put to Government.

Recommendation 8.

5.72. The Committee recommends that the Government consider substantially increasing its marketing budget to effectively promote Canberra as a varied and interesting destination to lengthen visitor stays and yield. This may be especially important once the VHST is in operation.

Recommendation 9.

5.73. The Committee recommends that the Government facilitate the development of Canberra as a regional transport hub.

Recommendation 10.

5.74. The Committee recommends that the Government develop suitable road transport infrastructure to allow easy access to and from the transport hub.

Recommendation 11.

5.75. The Committee recommends that the Government undertake a preliminary assessment of fast and efficient public transport links between the VHST terminal and Civic, Woden, Belconnen, Tuggeranong and Gungahlin.

Recommendation 12.

5.76. The Committee recommends that the Government facilitate the upgrading of Canberra Airport to international status in order to service the South-East region.

Recommendation 13.

5.77. The Committee recommends that the Government - when examining the relative merits of each of the consortia's bids to develop, design, construct and operate the VHST - take into consideration the relationship between the VHST's journey time and the economic impact not only for Canberra but for the region.

Recommendation 14.

5.78. The Committee recommends that the Government undertake social impact statements on the possible demographic and social effects on Canberra of the VHST. These statements should be based on the information available to the Government from the commercial-in-confidence material provided by the proponents. This analysis is to commence at the beginning of stage three in the Call for Proposals process.

Recommendation 15.

5.79. The Committee recommends that once the successful tender is announced the Government consider the benefits of forming a delegation similar to a Trade Delegation (comprising representatives from the business community, the tourism industry, Government officials and the Assembly) to visit overseas regions where the relevant VHST operates. The Committee considers that the A.C.T. could learn much from these regions. The delegation could then advise the Government, business community and tourism industry.

Chapter 1. Introduction

Reference by Assembly

1.1. On 10 April 1997 the Assembly asked the Committee to inquire into and report on the potential impact of the construction of a very high speed train (VHST) on Canberra's future economic development. The Committee was asked to particularly investigate:

(a) the consequences for employment growth in the short, medium and long term;

(b) the impact of the development on Canberra's private and public sectors;

(c) the impact on other transport modes and freight movements in and out of Canberra; and

(d) any other related matter.[1]

1.2. The motion to establish the inquiry was moved by Mr Simon Corbell, MLA who stated:

> the goal of this proposed inquiry is to examine the impact a [VHST] could have on Canberra's future economic development. This would be an important step in ensuring that the A.C.T. is prepared and also that the community is aware of the impact such a development could have on the A.C.T. economy in the short, medium and long term.
>
> Such an examination has not been undertaken by the A.C.T. Government since the early years of self-government. Three reports were undertaken at various stages during 1990. These included a report by the A.C.T. Office of Industry and Development, a report by the A.C.T. VFT Advisory Committee, and an A.C.T. Government response to the specific VFT Concept Report put forward by the consortium of BHP, Elders IXL, Kumagaigumi and TNT for a very fast train linking Sydney, Canberra and Melbourne. Each report, in its time, was beneficial to the debate that was occurring then on the BHP bid and its implications for Canberra. The reports do not address the circumstances facing our city now; nor do they address the context in which the [VHST] proposal is now emerging. This is not a failing of these reports; it is simply a result of the time and context in which they were written.
>
> Today the A.C.T. Government is relying on reports written and based on circumstances which existed nearly eight years ago. It is a basis which should be built on, not one which should be left as is. That is what this inquiry ... would seek to achieve. For Canberra and its residents to fully understand and be prepared for the development of a [VHST] and its impact on our city we need to take a closer look now at what it will mean for our future. We need to start looking at details and implications. We need to

1 Legislative Assembly for the A.C.T., *Minutes of Proceedings*, (1995-96-97), No. 85, p 633

> stop making assumptions and simply presuming that the project will bring benefits automatically, without any foresight, without any planning.[2]

1.3. Mr Corbell specifically queried the project's employment opportunities for Canberra, the risk of it making Canberra just a satellite suburb of Sydney, the risk that tourism will decline as people simply visit Canberra for one day rather than several and the long term economic benefit of the project for the Canberra region.

1.4. Mr Corbell stressed that:

> [his] intention is that this inquiry not interfere with the existing joint secretariat examination of the [VHST] which is considering the issues surrounding the development of the train itself and its financial and environmental implications. This is not the aim of this inquiry. Neither is this inquiry in any way an attempt to delay the [VHST] project. It will not delay this project and it will place no constraint on governments making decisions regarding the development of a VHST.[3]

1.5. Other Members of the Assembly spoke to Mr Corbell's motion. Ms Lucy Horodny, MLA successfully moved an amendment asking the Committee to examine the project's impact on other transport modes and freight movements. She added that:

> we believe it is very important that the full impacts, both positive and negative, of the construction of a [VHST] link between Canberra and Sydney are fully explored and understood by the community before any commitment is made by governments to proceed with a particular train option.
>
> While the potential benefits of a [VHST] link to Sydney have been bandied about for a number of years, often this has been done by the proponents of particular train proposals who stand to benefit from its construction and there has been little talk about any potentially negative impacts from a [VHST]. A lot of the debate has been focused on the technological and cost differences between the different train proposals and the negative and positive environmental impacts of particular route options and designs, but there has been little debate about the social and economic costs and benefits to the Canberra community of a [VHST] link.[4]

1.6. Mr Michael Moore, MLA stated that:

> this inquiry ... has a very important role. The mayor of Lille [in France] had used the opportunity [of a VHST from Paris to Lille] to enhance their economic standing of that city in a whole range of ways. I think Mr Corbell is quite right in saying that we should try to understand the benefits that a project like this has the potential to bring to Canberra.

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2 Mr Simon Corbell, MLA, *Hansard*, 10 April 1997, p 848

3 ibid, p 849

4 Ms Lucy Horodny, MLA, *Hansard*, 10 April 1997, p 851

> When we understand the possibilities we can get to and work in a non-partisan way to ensure that we can capitalise on those benefits to the good of each and every person in Canberra and to the greatest extent possible.[5]

1.7. Members of the Government expressed concern about the timing of the inquiry because:

- the tri-Government (A.C.T. NSW and Federal) “evaluation committee is commercial-in-confidence and will not be available to the Economic Development and Tourism Committee”;[6] and

- the successful bidder for the project is unknown and therefore the technology to be used is also unknown.[7]

1.8. The Chair advised the Assembly on 15 May 1997 that the Committee would report on 2 December 1997.

Conduct of Inquiry

1.9. The Committee advertised its inquiry in *The Canberra Times*, *Chronicle* and *Valley View* and asked for public comment to be lodged by 27 June 1997. The Committee continued to accept submissions after the original closing date, receiving its last submission in mid October 1997.

1.10. Twenty one submissions were received by the Committee. Four submissions were received from consortia which have been invited to put forward detailed proposals to the Government; 14 from local organisations or businesses; two from individuals; and one from the A.C.T. Government. A list of submissions is at Appendix A.

1.11. All of the submissions are summarised in this report. The summaries include the main points of each submission. The Committee finds the summaries useful in coming to terms with the issues raised by the submitters. The summaries are not exhaustive. They simply pick out the main points as Members of the Committee see them. Occasionally, the summaries contain quotations from the submissions.

1.12. The following Chapter summarises the Government’s submission; Chapter 3 summarises four submissions received from the six consortia which have been invited to provide detailed proposals to the Government; and Chapter 4 summarises the submissions received from individuals, businesses and organisations. At the end of each of these Chapters the Committee has provided an overview of the Chapter.

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5 Mr Michael Moore, MLA, *Hansard*, 10 April 1997, pp 849 - 850
6 Mr Trevor Kaine, MLA, (Minister for Tourism), *Hansard*, 10 April 1997, p 854
7 Mr Harold Hird, MLA, *Hansard*, 10 April 1997, p 850

1.13. The final Chapter of this report outlines the view of the Committee following an examination of all the preceding material. It contains findings and makes a number of recommendations.

1.14. The Committee held public hearings on 8, 9 and 29 October 1997. The persons and organisations who appeared at the hearing are listed in Appendix B. Unfortunately representatives from Thyssen Transrapid Australia Pty Limited were unable to attend any of the public hearings.

Chapter 2. The Government's Submission

2.1. The Government's submission addressed the following matters: history of the high speed proposal; economic impact of proposals; changes to Government involvement in the development of infrastructure and transport projects in Australia; cost to the taxpayer; reasons for the Government's involvement in the project; and an assessment of the benefits to the A.C.T.

2.2. The Government advised that six consortia have been invited to provide detailed proposals for the Canberra - Sydney service, namely:

- Capital Rail proposing tilt train technology;
- Goninan Consortium proposing tilt train technology;
- Inter Capital Express Limited proposing German tilt trains;
- Talgo Rail Services Australia proposing low technology Spanish tilt train;
- Speedrail Group proposing French designed TGV train technology; and
- Thyssen Transrapid proposing the German magnetic levitation system.

2.3. The Government submission stated that it was impossible to quantify the benefits and cost of the proposals until more details become available but that "there is the potential for significant benefits".

2.4. The submission commented that:

> the detail in these proposals will then enable cost benefit analyses to be completed. To date there has been insufficient information provided to produce any robust cost benefit analysis for the proposals, although some of the proponents have made some of the details of their proposals public. However, most have kept the detail commercial-in-confidence, therefore not enabling governments to produce a public cost benefit analysis.
>
> There is considerable variation between the proposals, ranging from project investment from $400 million to well over $3 billion. The economic impacts of the various proposals will therefore vary considerably.

History of the High Speed Proposal

2.5. In 1984 Dr Paul Wilde from the CSIRO suggested a very fast train between Sydney, Canberra and Melbourne. In 1987 a consortium led by BHP commenced a feasibility study to determine whether the service would be viable. The study (costing approximately $15 million) was completed in 1991 and concluded that:

> French TGV technology and a new rail alignment with trains running between Sydney and Melbourne with non stop-trip times of about three hours, could provide a service that was both competitive with air travel and a viable investment for the private sector.

2.6. The project did not proceed because the Federal Government did not agree to the consortium's proposal for a tax regime in which tax losses during construction would be passed through to investors.

2.7. The Speedrail Consortium suggested a more modest project using TGV technology and a new alignment in 1994. The Consortium believed that it could develop the project which "would not over-stretch the capital market", achieve travel times between Sydney and Canberra of between 80 and 90 minutes and attract sufficient patronage to attract private sector development.

2.8. With the support of the A.C.T. Government, Speedrail undertook further studies to ascertain the project's viability. The A.C.T., Federal and NSW Governments contributed $50,000 each towards the cost of these studies. The A.C.T. Government, in conjunction with the Federal Government, worked to ensue that the project would have Major Project Facilitation status.

2.9. These studies, which were completed in 1995, confirmed that the project could be undertaken by the private sector but would require assistance from the public sector (for example in the acquisition of land between Sydney and Canberra).

2.10. The Federal, NSW and A.C.T. Governments then announced the conditions which needed to be met for them to help the private sector development. For NSW, these were that:

> a VHST development should be at "no net cost to taxpayers"; studies can demonstrate the project's viability; and proponents must demonstrate their capacity to manage the project successfully.

2.11. For the Federal Minister for Transport the conditions were that:

- appropriate environmental impact studies are undertaken;
- there is full compliance with environmental safeguards; and
- those adversely affected by the project get adequate compensation.

2.12. For the A.C.T. Government, the key objectives were said to be:

- the project is built, owned, operated and financed by the private sector;
- it can achieve travel times that are competitive with air travel; and
- it will maximise regional economic development.

2.13. The Governments then established a Project Control Group to undertake the Call for Proposals process. A Project Task Force has been established to help the Project Control Group.

2.14. The Call for Proposals process began in March 1997. Interested parties were asked to outline their “capabilities and experience so that they could be shortlisted”. The Government then asked six consortia to put forward detailed proposals.

Economic Impact of Proposals

2.15. The Government expects the economic impact of each proposal to differ because of its financial requirements and perhaps choice of route, stops and other variables. A cost benefit study will be needed for each proposal to help Governments assess them.

2.16. The submission noted that proposals will become more refined at each stage of the process which helps the economic impact to be assessed with greater accuracy. The Government expects one or two proponents to reach stage three, the final stage in the Call for Proposals process. The proponent/s will then be required to undertake “very detailed independent impact studies as part of a joint government Environmental Impact Statement” (this study will cost over $1 million).

2.17. The submission commented that it is very difficult and expensive for Governments to undertake such detailed studies. The A.C.T. Government is considering providing a framework for the proponents to address in their cost benefit studies.

Changes to Government Involvement in the Development of Infrastructure and Transport Projects in Australia

2.18. The submission noted that in the past governments have been closely involved in major transport infrastructure projects (for example airports, roads and ports). This was to protect community interests and enhance quality of life as well as to provide economic development and increase employment opportunities. The submission noted that large transport projects impacted on other aspects of government service delivery and observed that governments have “access to the large capital requirements and the ability to sustain the slow return on assets”.

2.19. The Government’s submission acknowledged that funding mechanisms to facilitate private sector involvement in this type of development are now in place and the private sector is now able to undertake such large projects.

2.20. However, the submission noted the Government’s need to ensure that these projects:

> meet planning, environmental, economic and other approvals and that rigorous cost benefit studies and impact assessment studies are conducted.

No Net Cost to the Taxpayer

2.21. The A.C.T. Government requires the service to be privately operated, that is “to be built, owned, operated and financed by the private sector”. The Government considers that it is imperative that there is “no net cost to taxpayers”. In saying this the

Government does not mean that it "will not provide capital or operational funding to a project".

2.22. The A.C.T. Government also hopes to negotiate with the preferred proponent for extra benefits such as:

- additional services to the public;
- regional economic development; and
- additional revenue and savings for government.

Reasons for A.C.T. Government Involvement in the Project

2.23. The A.C.T. Government is involved in the project to:

> ensure that any community concerns about the feasibility of the proposal, land use, development, the environment, and economic impacts are clearly understood before the project obtains formal commencement and to ensure that the A.C.T. can maximise any economic development opportunities for the A.C.T. arising out of the proposals.
>
> ... The other major reason for involvement in the project is to ensure that the A.C.T. Government does not inherit a commenced, but unfinished major development project, which may then require a capital injection of A.C.T. public funds to enable the project to be completed.

2.24. The Government is also involved in the project:

- to facilitate private sector involvement in the development, construction and operation of the service;
- to ensure that the A.C.T. community gets the best service and return with the minimum risk;
- to improve the transport infrastructure between Sydney and Canberra;
- because the project is seen as "a critical and integral part of a major transport and economic development hub in Canberra". The Government hopes that the terminal will be close to the proposed International Airport, Environment Trade Development Zone and Freight Handling Facility and the existing and expanding Business Park;
- to improve low weight, high value freight transport through Canberra;
- to boost Canberra's role as the regional hub in southern NSW; and
- to increase the economic benefit to Canberra gained through its role as the national capital of Australia.

2.25. The submission noted that:

> The A.C.T. Government must be involved in the facilitation of the [VHST] project to ensure that the A.C.T. community receives the best service and the best returns for our future economic development and prosperity. The alternative position - no involvement in the formulation and evaluation of the proposal - would, if the service were to be developed at all, almost certainly result in a service which is not consistent with our economic development strategy. The lack of involvement by the A.C.T. Government and community could mean that the proponents may not proceed with the proposal - but perhaps move it to another region which is more receptive to the concept.

Assessments of the Benefits to the A.C.T.

2.26. The submission explained that the economic benefits to the Territory vary between each of the proposals because each involves different technology and expenditure needs. The location of the terminal/s and headquarters also influences the level of benefits to the Territory's economy.

2.27. The Government developed four scenarios which cover the broad spectrum of the size of the proposals shortlisted. The Government warned that:

> the capital expenditure for the four generic projects range from investments of $0.5 billion to $3 billion. This range is used because it captures, in broad terms, the capital expenditure of the projects being put forward publicly by the consortia. It needs to be stressed that these generic projects do not represent the specific proposals of any of the consortia as this information has not been made available to the public. It is likely that consortia may submit proposals outside this range of capital expenditure. Therefore the outcomes of this study provide only a broad indication of the likely economic impacts of a project at a specific amount of specific capital investment ... .

2.28. The submission estimated that the project cost ranged from $84 million to $510 million for the A.C.T.; direct A.C.T. employment during construction to range between 885 to 5,311 jobs with indirect employment ranging from 509 to 3,056 jobs (providing a total ranging from 1,500 to 9,000 new jobs); and the direct employment during operation of the service to range from 50 to 417 jobs with indirect employment ranging from 43 to 354 jobs (providing between 93 to 771 new jobs).

2.29. The submission noted that the construction stage of the project provided many opportunities for Canberra firms.

2.30. The Government contends that the service will significantly increase Canberra's tourism potential (particularly international tourism) and will "introduce new and high quality tourism markets to Canberra"; encourage visitors to use Canberra as a base to tour the A.C.T. and southern NSW; and place Canberra in a:

> prime position, located between Sydney and Melbourne in the transport corridor, meaning that any major changes to transport infrastructure will create a significant impact on tourist access for Canberra.

2.31. The submission noted that a 5 percent increase in tourism would bring an extra 130,000 visitors injecting an extra $23.4 million into the local economy and creating 430 new jobs.

2.32. The Government argued that if the project was completed before the 2000 Sydney Olympics it “would be a great benefit for Canberra”. If the project was not completed it:

> would be a great marketing opportunity for the many international visitors to return to Australia and visit Canberra on the [VHST].

Overview

2.33. The Committee notes that the Government is very supportive of the project as long as the successful bidder can demonstrate that the project will be a private sector development with no be net cost to the taxpayer, it’s travel time is competitive with air transport and it will maximise economic development in the region.

2.34. The Government is primarily involved in the project to ensure that the proposal is feasible so that the Territory will not inherit an incomplete project which could then become a drain on public funds; to ensure that community needs are met and concerns are understood; and to ensure that the project meets appropriate planning, environmental, economic and other approvals.

2.35. The Committee notes the Government’s view that it is too early in the process to quantify the social and economic benefits and costs of the six consortia’s proposals.

2.36. The submission contained estimates that the project has the potential to create direct and indirect employment in the Territory. These estimates range from 1,500 to 9,000 jobs during the construction stage and from 93 to 771 jobs once the service becomes operational.

2.37. The Committee notes that the Government will be negotiating with the successful proponent for additional benefits for Canberra and the Capital Region.

2.38. The Government argues that the project is essential to the Territory’s economic development; the diversification of its economy; future business and employment growth; and will help build better closer links with Sydney (and therefore to national and international markets). The project will provide many opportunities for local businesses to be involved during the development, design, construction and operation of the project.

2.39. The submission predicts a significant boost to tourism, particularly the international sector, the creation of new markets and that the service will provide better access to Canberra for tourists.

Chapter 3. Consortia's Submissions

3.1. This Chapter summarises the four submissions received from companies that have been invited by the Government to put forward detailed proposals. These companies are:

- Inter Capital Express Limited - German tilt train;
- Speedrail Group - French designed TGV trains;
- Talgo Consortium - Spanish tilt train; and
- Thyssen Transrapid Australia Pty Limited - German magnetic levitation system.

Inter Capital Express Limited

3.2. Ms Talintyre, Associate, Project Finance, submitted that:

> ICE [Inter Capital Express] firmly believes that the implementation of a [VHST] between Canberra and Sydney will enhance the future economic development of Canberra and the surrounding regions. The benefits which will be provided to the community will include employment growth in a variety of industries over the short, medium and longer terms, encouragement of growth of private sector industries in Canberra and hence lessening of the dependence of Canberra's economy on government policies, a significant increase in tourism which is already a major source of revenue for the Capital region, and the provision of assistance to the development of a truly integrated and customer focused transportation system. Such benefits will be provided by the private sector (ie ICE) at nil net cost to the government and ICE would strive to ensure that the Australian community received the maximum benefit over the short and longer term from the development of such a system.

3.3. She contends that the ICE proposal will provide state-of-the-art tilting technology to Australia and significantly improve the existing infrastructure assets and better operational performance to the rail industry.

3.4. Ms Talintyre is convinced that "a commercially and financially viable [VHST] can be implemented between Canberra and Sydney" which "does not require government funds" and which can "provide a credible return to investors".

3.5. She stressed that:

> it is thus important that the implementation of any new transport ... is coordinated with appropriate settlement, economic and environmental strategies in the affected areas so as to ensure that the Australian community receives the maximum benefit from the new infrastructure.

3.6. Ms Talintyre cautioned that it was difficult to quantify the size of the economic impact the project will have because the "tender documentation outlining the government's specific requirements" has not been released.

3.7. She argued that ICE does not need direct government funds; will bring "world best practice" to Australia; ensure that the intellectual knowledge gained through the project is used effectively; and "help Australian industry take advantage of the significant infrastructure opportunities emerging around the Asia-Pacific region".

3.8. Ms Talintyre stated that ICE will provide significant direct and indirect employment growth through the development, design, construction and operation phases of the project. Direct employment opportunities will involve a range of professional, semi-professional and unskilled workers directly employed with the project. The indirect employment opportunities included the hospitality industry, transport services (eg bus services and taxis), tourism attractions, real estate industry, retail industry and the education and training industry. She commented employment opportunities would be even greater if the line was extended.

3.9. She noted that the net increase in employment will depend on other factors such as:

- the extent to which unemployment resources within the Australian economy are used by the particular growth industry; and
- whether resources which may be underemployed in other industry sectors are better utilised in the growth industry, and the degree to which resources are imported from overseas to meet the increased demand for particular goods and services.

3.10. Ms Talintyre added that some employment growth could be lost through "substitution effect/diminished employment opportunities" (for example people who lost their jobs in the air or coach sector could gain employment on the new rail service).

3.11. In addressing the impact of the development on Canberra's private and public sectors Ms Talintyre expected the project to have a positive effect on both sectors by diversifying and increasing Canberra's economic base and stimulating regional development. She added that:

> the provision of the ICE service will promote business expansion in Canberra in general through decreasing transport and commuter costs (enabling a sustainable reduction in business costs), providing a reduced travel time for business personnel, expanding the general scope of investment opportunities and facilitating the development of new skills through the transfer of technology and the fact that such a project has not been developed in Australia prior to this time (experience, the development of benchmarks etc will be cultivated throughout the life of the project).
>
> It is important to note that industrial growth is predominantly associated with proximity to labour, markets and existing distribution infrastructure and that commercial growth is typically aligned with increases in population growth. The ICE service will assist both areas of growth through initially improving the existing distribution infrastructure. The improved infrastructure will then encourage an increase in the population base via generating employment opportunities and thence stimulating a general improved standard of living in the region.

3.12. Ms Talintyre suggested a number of other benefits including the establishment of business parks close to the service and Canberra, increased housing development, growth in services and retail outlets, establishment of a freight distribution hub, development of industry clusters, improved communications, and improved accessibility to the private sector could encourage involvement in global markets.

3.13. Ms Talintyre expected significant benefits to the tourism industry through better links between Canberra and Sydney. These benefits include increased visitors through the VHST being a tourist attraction, promotion of rural retreat and weekender growth, increased variety of trips, increased share of the international market, expansion of marketing opportunities, increased tourism along the corridor and stimulating new products and services.

3.14. However, Ms Talintyre warned that the tourism growth needed to be carefully planned to eliminate negative externalities (for example increased “pressure on the natural environment and the crowding-out of various regional attractions”).

3.15. Ms Talintyre expected the service to benefit other transport modes and freight movements by assisting in:

> the development of an integrated transport system through the creation of integrated ticketing systems, improved transport feeder services and an overall increase in the perception of transport services in general. The development of such a system by the public sector will also alleviate the growing demands by the Capital region community for increases in the overall expenditure on transport infrastructure.

3.16. She added that in order to be financially viable the service would need “to carry several million passengers per year”. Some of these passengers will be new traffic but the vast majority will be diverted from existing modes of transport (such as airlines, coaches and cars). The ICE service expects to reduce the market share of airlines, coach companies and private transport. This may result in less congestion at Sydney airport, decreased employment (which may be offset by other employment opportunities), reduced traffic congestion and accidents, less road maintenance, reduced pollution (atmospheric and noise) and decreased energy use.

3.17. Ms Talintyre expected the service “to assist the development of the Sydney to Canberra corridor as a more significant freight corridor” by creating new markets for freight services, “facilitation of some just-in-time manufacturing practices”, development of more automated and flexible manufacturing systems (production to order rather than stock), creating off peak freight trains, increase freight handling and loading facilities and helping companies be more competitive through better freight service.

Speedrail Group

3.18. Mr Budd, Director, Public Affairs, submitted that if the Speedrail Group was selected as the preferred bidder, the following list of benefits were expected:

- construction work with a value in excess of $1 billion;
- a high Australian content for the overall project;
- creation of 13,500 jobs over a 3 year construction period;
- lower cost travel for many users, particularly business travellers;
- facilitation of long term planning for growth in the south-eastern region, coupled with reduced pressure on development to the north and west of Sydney;
- Speedrail will encourage the integration of business and social activity along the corridor. Its fares will not encourage daily commuting, but it will make Canberra, and centres along the corridor, more attractive places to live and work, by making Sydney accessible in terms of facilities and services;
- this access throughout the corridor will bring substantial benefits to the communities along the route;
- for those who wish to work while travelling, Speedrail will provide an excellent working environment, so time spent in travelling will be productive;
- road maintenance savings;
- accident cost savings;
- savings in energy used for transport in the corridor, arising from the greater efficiency of Speedrail compared with cars and aircraft;
- reduced CO_2 emissions deriving from reduced energy consumption;
- elimination of the losses of the existing rail service between Canberra and Sydney;
- the project will benefit tourism activities in Sydney, Canberra, Goulburn and the Southern Highlands;
- Speedrail will be a tourist attraction in its own right. Centres along its route will gain additional visitors as a result of people travelling on Speedrail simply for the experience; and
- among Canberra's tourism services, attractions, accommodation providers and transport providers will all benefit.

3.19. On the question of the impact on other transport modes Mr Budd expected Speedrail's patronage to be derived from a combination of existing and new traffic with the majority coming from the diversion of road users. He noted that about 80 percent of travel between Sydney and Canberra is currently by road.

3.20. Mr Budd commented that Speedrail's fares and journey time will be competitive with air travel and the Group hoped to divert air travel to the VHST. The Group plans to locate Canberra's terminal at the airport to "reinforce its role as the primary transport terminal for Canberra". He noted that a VHST should enhance the operation of Canberra Airport.

3.21. Mr Budd expected Speedrail to divert car and coach traffic to its service and replace the existing rail service between Sydney and Canberra. He concluded by stating that Speedrail will be able to carry freight but that its impact on other transport modes has not been studied.

3.22. A paper completed in 1995 called *Economic Significance of Speedrail Project* by Jenny King from the Institute of Transport Studies at the University of Sydney was included in Mr Budd's submission. The paper studied the economic and environmental impact of high speed rail projects in other countries, in particular Japan. The paper concluded that:

> the immediate benefit of high speed rail services is the enjoyment of fast, comfortable, reliable and safe transport by the users. The success of the existing high speed rail systems is largely contributed by this benefit, which has made high speed rail a competitive form of transportation. In Japan, France, Germany and Spain ridership has in many instances exceeded the projections of their developers.
>
> Indirectly, high speed rail is believed to contribute positively to society and the economy. From the evidence available to date, travel time and accident cost savings, promotion of regional development, the extension and creation of commercial and business activities in areas along the route, increased tourism demands, and energy savings are among the benefits of high speed rail. In the short-term, there is also the spin-off economic effects of construction expenditure from the construction of the high speed rail and related urban projects that will be enjoyed by the local economies. The benefits in high speed rail corridors have to be matched against any possible loss of benefits in other locations through the diversion of resources. On balance, the limited evidence suggests a positive net benefit to the economy as a whole.
>
> While evidence of these benefits are present, there is still a lack of quantification of the effects being undertaken; which if available, would bring to light even more the benefits of high speed rail systems.

Talgo Consortium

3.23. Mr Bullen, Marketing Manager, commented that the Talgo train could be in operation for the 2000 Olympics in Sydney; initial journey time from Canberra to the CBD of Sydney of three hours, which will reduce to two hours through incremental upgrades to the track; the cost of upgrading the existing infrastructure would be minimal compared to the cost for the TGV and Maglev technology; freight services would benefit from using the upgraded infrastructure; it is "an environmentally friendly train" because of reduced fuel consumption and maintenance costs; and is stable and safe.

3.24. Mr Bullen concluded by stating that:

> Talgo have also developed their own High Speed Train, bench tested to 500 km/hr and rail tested to 360 km/hr. This is not the train we are proposing for the Sydney - Canberra line, as we do not think it is financially viable for the patronage travelling in this corridor due to its infrastructure requirements.

Thyssen Transrapid Australia Pty Limited

3.25. Mr Brennan (representative of Transrapid) submitted that:

> Thyssen Transrapid has concluded that Australia is eminently suitable to the application of Transrapid. The distances between major conurbations on the east coast are less than 1,000 kms, providing the ideal competitive distance against aircraft and ground transportation. Due to the high sustainable speed and high acceleration and deceleration rates of the Transrapid, maximum passenger numbers will be attracted to the system providing relief to airports, highways and existing intercity rail connections. Additionally, due to the increasing concerns in Australia to minimise noise and other environmental pollution, the Transrapid system offers important advantages. Indeed, it seems likely that Transrapid is the only VHST that will satisfy Australia's current stringent environmental standards. For these reasons it is assessed that Transrapid will become the preferred High Speed Ground Transport System in Australia over the coming years, connecting the major cities of the Eastern Seaboard to each other and providing real growth opportunities to key regional markets due to its capacity to make stops without significantly impacting overall journey times.

3.26. He noted that the service would need to divert existing car and air traffic and that it was important that the service be seen as a "technical, environmental and financial success with a reliable and safe service". Mr Brennan cautioned that the service could not afford to be based on "slower traditional train technology". He added that technology "encumbered by a noise footprint and environmental issues" were not satisfactory alternatives.

3.27. Mr Brennan stated that:

> the key to the viability of the link between Canberra and Sydney, will be the ability of a system to attract maximum passenger numbers. To date, limited detailed information has been made available to all bidders from the detailed studies and surveys undertaken over the last few years into the likely passenger numbers.
>
> Only with viable ridership/revenue surveys can the credibility of the proposed financing concept be assured and financing is the key to all high speed ground transportation projects. Further information will be provided by the three Governments in a data room which is expected to be opened shortly.

3.28. Mr Brennan commented that Thyssen Transrapid intended to construct and operate the route in stages to allow for cash flow and revenues to support the project and were considering two route options - an inland route Parramatta-Sydney CBD-Sydney Airport then the Hume/Federal highway to Canberra and a coastal route Parramatta-Sydney CBD-Sydney Airport-Wollongong and then the Hume/Federal highway to Canberra.

3.29. He expected 10,000 jobs would be created during the construction stage of the project with 2,800 direct and indirect jobs during the operational stage; Canberra's population will increase because people now living and working in Sydney will prefer to live in Canberra's better lifestyle; and businesses will want to relocate to Canberra, which in turn will create more employment.

3.30. Mr Brennan anticipates that the service will boost tourism and be a tourism attraction in itself; and travel will be easier and cheaper thereby attracting more tourists to Canberra.

3.31. In assessing the service's impact on other transport and freight, Mr Brennan commented that:

> Transrapid Superspeed Maglev would replace passenger flights between Canberra and Sydney since it would provide a faster connection to Sydney CBD at less than half the cost of an economy class air ticket. This would open up a large number of slots at Sydney Airport for longer distance flights increasing revenue to the airlines.

3.32. He added that Canberra could become Sydney's second airport; Canberra Airport could become a regional hub for passengers and an important freight centre for the region. Mr Brennan commented that the service could "provide a freight service or better utilisation of the system" which could take containers straight from aircraft.

3.33. Mr Brennan concluded by saying that the service could provide a "general containerised freight service" which would reduce road freight transport which was slower and less efficient.

Overview

3.34. As the Committee expected, all the proponent's submissions were very supportive of the project and its positive benefits for Canberra. They expect the project to be commercially and financially viable. This does not surprise the Committee because the consortia's will need to convince their financiers who will not be risking their funds if they have any doubts to the project's commercial and financial success.

3.35. Most of the submissions discussed the opportunities for new jobs to be created in the short, medium and long term. Direct and indirect employment opportunities will be realised during the development, design, construction and operation stages of the project. One submitter acknowledged that this employment growth may be offset with other negative factors such as displacement/diminished employment opportunities because of the service's expected impact on other transport modes (such as air and coach).[8]

3.36. Three of the four submissions expect the project to have a positive impact on Canberra's private and public sectors by diversifying and increasing Canberra's economic base. Other benefits include business expansion and population growth

8 Inter Capital Express Limited, *Submission*

through the improved transport infrastructure and quality of life provided by the service; closer proximity to national and international markets; a higher qualified and more diverse workforce gained through the new technology which has not been previously developed in Australia; and stimulation of regional development. The project will also lessen Canberra's dependence on Federal Government policies (for example reduced public sector employment).

3.37. One submitter included a paper which concluded that the benefits gained along VHST corridors needed to be "matched against any possible loss of benefits in other locations through the diversion of resources".[9]

3.38. Three submissions discussed the service's anticipated boost to Canberra's tourism sector with the service being seen as a tourist attraction in its own right. Other matters brought to the attention of the Committee were the benefits of easier and cheaper travel; increased variety of trips such as rural retreat and weekend visits; increased share of the international market; and increased tourism along the corridor which may stimulate new products and services.

3.39. One submitter suggested that tourism growth should be carefully managed to eliminate negative externalities (for example crowding at attractions).[10]

3.40. In relation to the impact on other transport modes and freight movements three submitters noted that the service hoped to have a major impact on air and road (car and coach) transport. One consortium hoped to replace the existing rail service between Sydney and Canberra.[11] The service will also significantly improve Canberra's transport infrastructure which will help make Canberra a regional transport hub. The project should also enhance Canberra Airport's chances of becoming an international airport. The proponents expect the service to carry freight.

3.41. Other benefits said to be associated with the service include reduced road accidents and maintenance; less pollution (both atmospheric and noise); and decreased energy consumption.

3.42. Other related matters canvassed by the proponents are the expected high Australian content for the project; the social and public benefits (people have a greater transport choice of cheaper and faster travel, traffic and time savings, and a reduction in personal injury caused by less accidents); and environmental benefits.

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9 Speedrail Group, *Submission*
10 Inter Capital Express Limited, *Submission*
11 Speedrail Group, *Submission*

Chapter 4. Other Submissions

4.1. The Committee received 16 submissions from "other" individuals, businesses and organisations. These submissions are summarised below.

A.C.T. and Region Chamber of Commerce and Industry Limited

4.2. Mr Peters, Chief Executive, submitted that:

> the Chamber strongly supports the construction of the project. It has potential direct and indirect economic and social benefits for both Canberra and also for the region. It would reinforce Canberra's role as the National Capital, in physical terms, as it would integrate our city into the national transport network.

4.3. He noted that the A.C.T. has improved its road links and the Territory has linkages into the domestic airline transport system. However, to be a "transport hub" Mr Peters argued that the Territory needs to be part of the national rail system and have scheduled direct international air flights. Mr Peters commented that if these omissions were rectified then Canberra would be the National Capital rather than "just a political and administrative centre".

4.4. Mr Peters saw the VHST project as an opportunity to integrate the A.C.T. into the national rail system, thus correcting one of the omissions mentioned above. He believes that the project will eventually connect Brisbane, Sydney, Canberra and Melbourne.

4.5. Mr Peters considers that the project will bring demographic changes to Canberra. He suggested that people may choose to retire in Canberra because of cheaper housing and living costs.

4.6. He commented on the positive employment opportunities from the planning and construction of the project. He suggested that the Government lobby to have the administrative headquarters for the project and the servicing of rolling stock in Canberra. He also suggested that Canberra would experience positive employment growth if the project led to increased population and the multiplier effect from the increased economic activity.

4.7. Mr Peters noted that the private sector could benefit from the many advantages from operating in a larger economy including increases in demand for real estate, sub-contracting opportunities during construction and operation of the project and increases in retail demand. He suggested that the public sector could benefit from a reduced need for unemployment benefits and additional revenue from increased economic activity.

4.8. He predicted that the project could increase visitor numbers to Canberra, particularly international visitors and suggested that the Government increase its tourism promotion. He cautioned tourist operators to contain prices otherwise Canberra could price itself out of the destination market.

4.9. Mr Peters suggested that the project could reduce road transport for passenger and freight traffic; traffic congestion in Sydney and Canberra; and congestion at Sydney Kingsford Smith Airport. If Canberra Airport was upgraded to land international passenger and freight services and linked to the rail project this could further decrease Sydney's airport congestion.

Ansett Australia

4.10. Mr Eager, Director, A.C.T., stated that:

> Ansett offers 183 scheduled services into and out of Canberra per week or a total of 14,682 passenger seats per week. Between Sydney and Canberra, the Ansett Group offers 31 jet and 79 turbo prop inbound services and 38 jet and 79 turbo prop outbound services per week.
>
> In addition Ansett Australia operates a growing number of code share services with our International Partner Airlines, including United Airlines, Air New Zealand, Malaysian and KLM Airlines. These services both originate and terminate in Canberra, significantly enhancing the focus and accessibility of international tourism for the Nations Capital.

4.11. He commented that it was difficult to assess the economic impact of the VHST because the successful tenderer (and therefore the technology to be used) has not been decided. He noted that the factors which will divert the air market to rail travel are the journey time - the faster the rail service the greater share of the air market it will divert (as long as the price and quality is comparable); and the frequency and capacity of the service.

4.12. Mr Eager stated that:

> some consortia are projecting 100 percent penetration of the air travel market between Sydney and Canberra. ... If this was the case, the impact on the level and frequency of air services between Canberra and Sydney would be significant.
>
> As the level of demand for scheduled airline services between Canberra and Sydney declined, air operators would begin to downsize aircraft and/or reduce frequencies as load factors become economically unsustainable. If the VHST reached 100 percent penetration of the air travel market, scheduled air services between the two centres would be curtailed.

4.13. He added that the number and size of aircraft types from other centres to Canberra could also be reduced which would reduce the choice for passengers travelling from Canberra to centres other than Sydney. This could lead to reduced investment in air terminal facilities and infrastructure at Canberra Airport.

4.14. Mr Eager concluded by saying that:

> the impact on employment in air transport operations in the A.C.T. is unclear. This would depend on the extent to which business and leisure travellers from Canberra wish to travel to destinations beyond Sydney.

Australian Capital Region Development Council

4.15. Mr Freeland, A.O., Chair submitted that:

> the Australian Capital Region Development Council (ACRDC) supports the private sector development of a [VHST].
>
> ... transport is very important in the Capital Region. The strategy [ACRDC's Regional Development Strategy] seeks "Enhanced land, sea and air transport infrastructure which maximises the inter-and intra-regional movement of goods and services and further develops the region's export capacity." The regional community is keen to ensure that infrastructure is of as high quality as possible to encourage new investment and improve competitiveness for existing industries.

4.16. He added that:

> one of the priority actions in the area of transport is to "Strengthen Canberra/Queanbeyan's role as the regional transport network hub through private sector development of a Sydney to Canberra [VHST] link, eventually extended to Melbourne; and development of Canberra airport as an international freight and charter hub."

4.17. Mr Freeland further added that the South East Australian Transport Strategy (SEATS)[12] supports the construction of a VHST. He noted that:

> the SEATS report concluded that the Gippsland/Monaro Region has the capacity to make a major contribution to Australia's future economic performance. A [VHST] between Melbourne, Canberra and Sydney was seen as of significant benefit to the SEATS region. Overseas experience suggests that demand can be created by such a link. This would enhance the economic opportunities for the SEATS region, which would be opened up by such a project, particularly in NSW.

4.18. Mr Freeland suggests that the "livability of the region" would be greatly enhanced by the project by providing "fast high quality public transport access through the whole region". He predicts the primary benefits to be in tourism and business travel.

4.19. He stated that the SEATS report noted the significant benefits to the public from the private sector development of transport infrastructure such as this project. The report noted that the most important benefit is the transfer of risk from the public to the private sector.

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[12] SEATS is an initiative of the Commonwealth Government and local governments in south eastern Australia and is supported by the ACRDC in association with Westernport and Gippsland Regional Development organisations.

4.20. Having taken into account the ACRDC's Economic Development Strategy and the SEATS report, Mr Freeland suggested several opportunities which would flow from the construction of a VHST including:

- tourism - the project could increase day trippers, weekend getaways and specific tours (for example winery tours). The project brings the SEATS region within convenient travelling times from Melbourne and Sydney (which are the main sources of domestic tourists and the international gateways for the region);

- business and other services - the most significant benefit to business is time savings. The project would also increase business opportunities to existing businesses and attract new businesses. The SEATS report states:

  > the difficulty of access for business travellers to the region will be a growing impediment to the further development of globally competitive engineering products and services. Business travellers will increasingly require fast land transport ([VHST] or similar) or regular and frequent air-services to relevant destinations.

- advanced technology/information technology - the VHST technology will provide an opportunity for the region to be marketed as a high technology region. Advanced technology/information technology firms will also benefit from improved access to markets; and

- manufacturing - it is crucial for advanced manufacturing and business services to have fast access to national and international markets - the VHST will provide this access. The VHST will also provide opportunities for high value light weight freight services to compete with air services.

4.21. Mr Freeland included a copy of his address to the VHST Conference (held in June 1997) which stated:

> a study of the economic costs and benefits of the Very Fast Train (VFT) project in 1990 undertaken by KPMG PeatMarwick estimated that the benefits from a VFT to the A.C.T. alone would be in the order of $30 million annually in travel savings; 430 new jobs annually; a population increase of 800 annually; and, household income growth of $10 million annually.
>
> ... The opportunities for the region in the construction phase include:
>
> - construction worth around $1 billion;
> - the development of Permanent Way from Sydney to Canberra;
> - 270 kilometres of track work;
> - powerlines and communication infrastructure along the route;
> - creation of jobs (according to one consortium this could be around 13,000 jobs);
> - a chance to purchase land along the route as its value would be expected to increase; and

- construction of carparks, hotels and other associated infrastructure along the route.

> The opportunities arising from the operation phase include:
>
> - a terminal and associated freight handling facility;
> - a depot for train washing, daily maintenance and overnight stabling of trains;
> - a depot for maintenance of the Permanent Way;
> - a workshop for the major overhaul of rolling stock;
> - corporate headquarters and control centre; and
> - permanent jobs created in maintenance and operation of the train system and associated industries.
>
> ... There is no reason why the terminals and freight facilities, or other maintenance facilities, or employment in the construction and operation phase could not be regional.
>
> ... The train should also encourage decentralisation to the southern tablelands and provide urban development opportunities along the corridor.

4.22. Mr Freeland included a report completed in 1996 called *Strategic Transport Links for Regional and National Prosperity - South East Australian Transport Strategy Implementation Report* from the South East Australian Transport Strategy Inc. The paper concluded that:

> Transport impediments are holding up identified investment of at least $300 million in the region. Poor access is also reducing the returns for existing businesses and preventing further investment. It is likely that key transport improvements would generate billions of dollars in investment in the region.
>
> Highway improvements are vital for the short term to improve the efficiency of resource extraction and primary processing industries. However, improvements in access to national and international markets are required to generate a leap forward in economic development for the region as a whole. Such improvements could include the [VHST], an international port or a major airport.

Australian Hotels Association, A.C.T. Region

4.23. Mr Smith, General Manager, stated that:

> the Australian Hotels Association, A.C.T. Region supports the development of a [VHST] to or passing through Canberra.

4.24. He suggested that the service would encourage international and domestic visitors to travel to Canberra which would increase employment and allow tourism operators to re-invest into their businesses. He noted that all the community benefits from tourism.

4.25. Mr Smith stated that Canberra needed to be promoted as a destination and was concerned that the new service may not be able to realise its full potential because "funding to promote Canberra has been limited".

4.26. He called on the successful bidder to keep fares affordable and suggested that it may be better if the journey took one and a half hours rather than one hour if that meant significantly reduced fares.

Canberra Business Council Inc.

4.27. Mr Kleinig, then Executive Director, submitted that:

> the Canberra Business Council considers that the potential that high speed rail will provide for Canberra and the surrounding region and, or course, as a means to increasing national productivity is the single most important project this century and probably the next. It will take Canberra and much of the region out of the backwater and place it into mainstream Australia. It will also open the doors in regard to transport infrastructure for the entire South East Region so that the Region's full potential becomes more accessible.

4.28. He added that:

> the A.C.T. Government should be fully supportive of extending high speed rail to initially Melbourne and then to major centres of importance, eg, Brisbane and Adelaide. If this occurs, and Canberra already has major facilities located here, the importance of Canberra will grow.

4.29. Mr Kleinig cautioned that the economic benefits for Canberra will be dependent on the outcome of the negotiations between the NSW, A.C.T. and Federal Governments. He suggested that it was imperative that the A.C.T. Government identify the project's potential and position itself (and the region) to enter into agreements with the successful tenderer once the announcement is made.

4.30. To this end Mr Kleinig suggested that the Government (in consultation with the region) develop a strategy to best position itself, and that negotiations should commence now with each of the bidders. He stated that:

> elements of the strategy should include location of major support facilities for [the VHST] including headquarters, control operations, freight and passenger terminals, maintenance facilities and other associated support elements, ie, catering providers, etc.
>
> ... If locations for these facilities can be successfully negotiated at this early stage, it will then allow the need for other facilities such as accommodation requirements, etc, to be assessed. It will also have a major bearing on other major infrastructure facilities such as international airport status being phased in for the Canberra Airport.

4.31. Mr Kleinig commented that the economic benefits to Canberra will be significantly improved if the link is extended to Melbourne.

4.32. He stated that although the impact on the private and public sectors and tourism industry will depend on the outcome of the A.C.T. Government's negotiations with the successful tenderer, Canberra's fast transport to Sydney and Melbourne creates enormous opportunities for the Territory. He suggested that the uniqueness of fast rail transport should be exploited and the Territory needs to develop strategies to encourage travellers to stay overnight.

4.33. Mr Kleinig predicted that the project will lessen congestion at Sydney Airport; reduce road transport between Sydney and Canberra and boost the local car hire and taxi industry; and reduce domestic air flights between Sydney and Melbourne but increase flights between Adelaide and Brisbane.

4.34. He noted the Territory's lower infrastructure costs compared to Sydney and Melbourne and suggested that the Government emphasise this point during its negotiations with tenderers. Mr Kleinig also suggested that the Government exploit the Territory's exceptional lifestyle as well as its excellent educational, sporting and health facilities, strong advanced technology, information and communication industries as well as its emerging environmental industry.

4.35. Mr Kleinig commented that:

> the French experience ... shows quite a marked regional and technopolis development along the entire high speed rail corridors.

Canberra Property Owners Association Ltd

4.36. Mr Lourandos, President, commented that the Association:

> strongly supports the development of the [VHST] link to Sydney. ... The development should go ahead as soon as is practicable.

4.37. He believes that the VHST will include Canberra in the national rail system and provide fast and efficient rail access to Sydney and Melbourne. Canberra would then become the transport hub for the south eastern region. This would boost the Canberra economy by increasing the population and economic activity which flows on to increased demands for residential and commercial real estate and retail activity.

4.38. Mr Lourandos predicted:

- increased employment growth through the development, design, construction and operation stages of the project, particularly if local businesses won contracts during the development stage and if the administrative centre and maintenance facilities were based in Canberra. Other benefits include the flow on from increased population, increased tourism activity and business growth through improved freight services to interstate markets;

- benefits to the public sector through lower unemployment and a broader tax base (including revenue from improved land sales);

- that the private sector would benefit from increased economic activity which "would strengthen the property market and provide new business confidence". This could lead to increased local, interstate and international investment;

- a boost in tourism (which may need increased promotion by the Government and private operators). If Canberra Airport was upgraded to allow international flights Canberra could become a gateway for overseas visitors;

- reduced congestion for Sydney Airport because travellers would use the VHST rather than air transport. This would also reduce travel delays caused by the congestion;

- a more competitive Canberra market through better accessibility to the Sydney market;

- that Canberra could become a distribution centre for freight, particularly if Canberra Airport was upgraded to allow international flights; and

- that Canberra could become the transport hub for the South Eastern Region through better transport infrastructure.

4.39. Mr Lourandos commented that it was important that the train stopped at a number of destinations between Sydney and Canberra; the travel time was competitive with other forms of transport; and the project be eventually extended to Melbourne with the Sydney/Melbourne trip taking no more than three hours.

Casino Canberra

4.40. Mr Richards submitted that:

> the overall benefits flowing on to the Casino due to the boost in the local economy out weigh the negative effects of loosing punters to Sydney if the VHST proposal goes ahead.

4.41. He qualified his statement by adding two provisos: the journey must be quick, cheap and convenient; and the project should be examined in conjunction with upgrading Canberra Airport to allow international flights with the rail and air terminals co-located.

4.42. Mr Richards noted the Airplan report's prediction of an injection of $76 million into the local economy through visitor spending if the airport was upgraded by the year 2000. He added that the challenge would be to encourage visitors to make Canberra a gateway port.

4.43. He suggested that smaller airlines and charter flights may be attracted to Canberra because of reduced time spent holding patterns, reduced runway congestion and less expensive landing fees. Mr Richards suggested that VHST should be promoted as a more efficient means of travelling to Sydney with perhaps a share of the market opting to break their journey in Canberra. Through this he hopes that people will realise that Canberra, rather than Sydney, is the capital of Australia.

4.44. Mr Richards identified the project's:

- strengths as improving the region's transport infrastructure which will stimulate growth; making Canberra a suburb of Sydney which may increase immigration and decrease emigration; making Canberra's image more sophisticated; reduce road transport travelling time between Canberra and Sydney and being competitive with air transport; increasing tourism and business; increased employment by 430 new jobs annually which leads to household income growth of $10 million annually; increased business opportunities in information technology/high technology creating a stronger, more reliable economy; reliable hourly service between 6 am to 11 pm (as proposed by Speedrail); and Canberra Airport may be upgraded to allow international flights;

- weaknesses as diverting 14 percent of road and up to 60 aircraft per day will not increase the Casino's patronage, Speedrail have estimated that 78 percent of their market will be "traffic diverted from other modes" leaving only 22 percent as new traffic; this diversion will have a negative effect on businesses and jobs reliant on road and air transport which, in turn, decreases the opportunities created by the project; and overnight visitors may become "day trippers" because of the frequency and speed of the service;

- opportunities as the Casino's need to develop special programs and packages to attract a new market; developing strategic partnerships to create incentives for day trippers to become overnight visitors; and the increased likelihood that Canberra Airport will be upgraded thereby allowing the Casino to encourage punters from Asia and the Pacific; and

- threats as travel **from** Canberra being fast, cheap and convenient encouraging Canberrans to Sydney; and if the VHST and upgrading Canberra Airport are considered separately.

Master Builders Association of the A.C.T.

4.45. Mr Bryant, Executive Director, stated that:

> our firm view is that a [VHST] link from Canberra to the other capital cities would boost construction activity in the short-term and cause the A.C.T. and region economy to diversify and grow into one which is more robust and developed and importantly, less dependent on the public sector.

4.46. He submitted that in the short term the project would cost over $1 billion and create between 13,500 and 15,000 jobs. He suggested that Canberra would be ideal location for specialist consulting and engineering firms involved in the project and that the Government should position itself to take advantage of this during the negotiations with the successful bidder.

4.47. Mr Bryant stated that:

> when large scale construction programs occur in or near the A.C.T., the opportunity for local contractor and employment involvement is not maximised. This should not be repeated with this construction project. Industry and Government will need to promote the formation of strategic alliances to ensure that A.C.T. firms have the opportunity to bid for work in their own right or as consortia, where their expertise is appropriate.

4.48. He predicted a long term economic benefit to the Territory through the business and social integration and growth along the entire route. Mr Bryant suggested that this would make Canberra "the hub of a regional economy".

4.49. Mr Bryant considers that Canberra's role as the National Capital will be enhanced by the VHST to Sydney and Melbourne which will alleviate the need for the Federal Government to relocate outside the A.C.T. He envisages the project will help the private sector diversify its economy away from its reliance on the Federal Public Service.

4.50. Mr Bryant thinks that the major challenge for the tourism industry is to promote Canberra as a tourist experience and destination "rather than one which provides opportunities for tourism visitors". He commented that the VHST may increase "day trippers" and that the Territory would need to promote its diverse attractions to encourage overnight stays. He also suggested that the Territory needed to entice visitors to Sydney to stay overnight in Canberra, perhaps by marketing Canberra as part of a regional tourism experience.

4.51. Mr Bryant noted that the project could reduce congestion at Sydney's Mascot Airport, particularly if Canberra Airport was upgraded to allow international flights. He suggested that rail should be the "economic artery" between Brisbane, Sydney, Canberra, Melbourne and Adelaide and the project could help Canberra become the "regional aviation hub".

4.52. He concluded by noting that the VHST will reduce road maintenance and accident costs; provide an "office" for business travel; and, because rail is more efficient than air or road transport, reduce energy consumption and carbon gas emissions.

Mr Fraser

4.53. Mr Fraser submitted that:

> whilst I find the [VHST] concept to be exciting and adventuresome, I believe that much work needs to be done before a VFT system can effectively be inserted into the Australian railway and transport scene. An effective national rail policy for all Australian Governments needs to be formulated and implemented, to determine the future of the national railway system, for both passenger and freight traffic, and ensure a level playing field in competition with road and air. It is probable that if a national approach to rail upgrading was adopted, a minimum of expenditure on existing

> facilities would enable the present railway journey between Sydney and Canberra to be improved to the extent that most needs would be covered.

4.54. He questioned whether the VHST fitted into the "national railways" or fulfilled a specific purpose.

4.55. Mr Fraser explained that the Canberra and Sydney track is basically a 1887 track trying to meet the demands of the 21st century; that if the present track were upgraded to 20th century standards the "trip could be done in about 2 1/4 hours with present rolling stock"; and that freight transport should be improved. He noted that in the Adelaide - Perth corridor 80 percent of freight is moved by rail but between Brisbane, Sydney, Canberra and Melbourne only 21 percent of freight is carried by train. He suggested that the track should be upgraded to "fast freight train standards" (which would also improve travel time for passenger trains) and loading facilities should be improved.

4.56. He complained that:

> between 1 July 1974 and 30 June 1994, the Commonwealth Government advanced grants for upgrading and maintaining the national highway system amounting to $12.56 billion in 1994 prices. By contrast, expenditure on rail capital works in the same period was only $0.82 billion.

4.57. Mr Fraser also complained that "there is not a level playing field between road and rail". He claims that railways are expected to operate on a commercial basis but roads are not. Mr Fraser suggested that heavy articulated trucks' road user charges should be increased (like in New Zealand); and that "full competition policy" be implemented on road, air and rail transport. He also noted that although railways pay diesel fuel excise most of the excise is spent on roads.

4.58. He claimed that rail transport when compared to other forms of transport had less "social costs" such as greenhouse gas emissions, noise pollution, environmental damage and the costs associated with accidents.

4.59. Mr Fraser is concerned that the VHST "will not eventuate due to inadequate planning". He suggested that if the tracks between Sydney, Canberra and Melbourne were upgraded the passenger and freight services could be improved to such an extent to negate the need for a VHST.

Mr Huntley

4.60. Mr Huntley submitted that:

> installation of a [VHST] can only have positive and beneficial effects. In the interim a "Not so Very Fast Train" operating at speeds of some 200-250 kilometres per hour on either an upgraded existing line, or preferably on a new line linked to the Sydney-Melbourne network; could suffice for a period. While the initial costs may scare some cost accountants, my belief is that this Inquiry should not be frightened by the initial cost alone.

4.61. He noted that the VHST project "could bring a positive multiplier effect upon regional economic growth". He suggested that the reconstruction or construction of infrastructure (such as rails, sleepers and terminals) would provide employment growth. Mr Huntley considers that the benefits would be even greater if the project was extended to Melbourne.

4.62. Mr Huntley quoted from a Institution of Engineers report which suggested that there would be considerable benefits to economic growth and employment in the A.C.T. and region if a new rail line was constructed.

4.63. He saw opportunities for excursion trains (including eco-tourism excursions) to be operated out of Canberra which, in turn, would increase employment in the hospitality industry.

4.64. Mr Huntley stated that "the impact upon Canberra's public and private sectors is potentially very positive with the potential for many longer term beneficial developments".

4.65. He thought it would be appropriate for private enterprise to own and operate the VHST and rolling stock and Government to own the railway line as well as private bus and freight companies owning their own VHST, rolling stock and regional infrastructure.

4.66. Mr Huntley suggested that Australia's fuel energy could be conserved by freighting farm produce by rail instead of road; motor trains could be established in regional centres to bring passengers to Canberra for medical treatment or "hospital carriages" could be established to transport people to and from hospitals to Canberra, thus reducing health costs; motor trains could transport students to and from the Territory's tertiary institutions with students studying and undertaking research during transit; and that passengers could use the VHST as an "office", especially people who work in Sydney but choose to live in Canberra.

4.67. He felt that the project could "bring many benefits to Canberra's tourism sector" by attracting more day trippers, and, if the line was extended to Melbourne, more again. The trip could become part of a "great train journey".

4.68. Mr Huntley expressed concern that:

> changes to future fuel costs, especially if liquid fuels become more expensive, could render some current road transport unviable, therefore unsustainable, but higher fuel costs would have a lesser impact on trains.

4.69. He also noted that "rail travel is known to be safer overall than road travel".

4.70. Mr Huntley suggested that the Committee include a number of other matters in the inquiry including: the future availability and cost of energy for transport; the implications on public transport if the Federal Government restricted the use of liquid and gaseous energy; the affect on transport of the future availability and cost of energy; whether terminal infrastructures need to be upgraded; whether a freight distribution depot should be included in the project; whether refrigerated warehousing should be built close to the rail terminal; the effect on transport of people being employed on a "permanent part-time basis"; whether Canberra should be included in the "north-south rail network linking Melbourne to Darwin"; and whether it would be economically viable to upgrade and restore the railway line to the Monaro region.

4.71. Mr Huntley noted that car thefts and breakins in Sydney provided a disincentive for people to travel to Sydney by car; increased fuel costs could make air travel more expensive; if air passengers took their total transit time into consideration VHST travel could be very competitive; trains are able to operate in fog where aircraft usage is restricted; and people could live in Canberra and commute to Sydney by train to work. He also noted that the project "could help Australia achieve desirable greenhouse targets".

Property Council of Australia, A.C.T. Division

4.72. Ms Cunich, Executive Director, stated that "the Property Council fully endorses the construction of a VHST to Canberra" because it is critical to the economic and social development of the Territory and it will strengthen Canberra as a regional centre.

4.73. She added that the service will help Canberra attract new business, especially if taken into consideration with Canberra's high quality of life, educational facilities, clean and safe environment, quality housing, strong technology based industries and highly educated and flexible workforce.

4.74. Ms Cunich commented that with the recent public sector cuts Canberra must diversify its economic base by attracting new business to Canberra; accessibility and transport are key elements to growth; the project can provide jobs during all stages of its development and operation; the Government could benefit through increased rates and taxes, new developments and a reduction in reliance on Government services; tourism will benefit through wider exposure, increased visitor numbers, longer visitations, easier access for sporting events and new jobs; increased technology base opportunities; the sale of Canberra Airport and new freight movements created an opportunity for Canberra to be a freight hub; and A.C.T. service providers (for example ACTEW and Totalcare) have an opportunity to service the VHST.

Queanbeyan City Council

4.75. Mr Whitworth, Director, Environmental Services Division, submitted that the:

> Queanbeyan City Council has supported the concept of a [VHST] serving the Sydney/Canberra corridor since the concept was first considered several years ago.

4.76. He noted that the project could have a positive effect on Queanbeyan's employment and help offset the reduction in employment in the public sector; and, provided the VHST's terminal was close to Queanbeyan (say at or near Canberra Airport), it's tourism industry should benefit.

4.77. Mr Whitworth would not support freight being transported on the VHST if it increased transport costs for Queanbeyan businesses or effected the "economic viability of the existing freight service". He also expressed concern that the existing passenger rail service continue, particularly if the cost of the new service disadvantaged sections of the community.

Royal Australian Planning Institute, A.C.T. Division

4.78. Mr Burnham, President, commented that it was "premature to consider the economic impact of a [VHST]" because it will depend on the technology (Maglev, TGV, tilt), route (new or existing track, possible extension to Melbourne), location of the terminals (airport, Kingston, Civic) and whether Canberra Airport is upgraded to international status.

The Institution of Engineers, Australia, Canberra Division

4.79. Mr Walters, President, submitted that:

> the Canberra Division of the Institution of Engineers Australia strongly supports the concept of a [VHST] connection to Sydney because:
>
> - it has the potential to contribute to the economic growth of Canberra and its ability to attract a viable alternative to a shrinking government sector employer;
> - reduced travel time between Canberra and Sydney not only benefits the people of Canberra but it also benefits the region as a whole;
> - it is essential for the A.C.T. to attract new enterprises to the A.C.T. and region: the [VHST] will provide this opportunity;
> - it is a clear example of an engineering project providing community benefits;
> - it will provide employment opportunities directly and indirectly for members of our profession; and
> - it can present environmental benefits, especially in terms of energy use, and a well planned route and project will enable the successful management of any environmental impacts.

4.80. He expressed concern that the project be fully implemented as soon as possible rather than a staged project of gradual upgrading of the existing line. Mr Walters added that:

> economic rationalism and the principle of "user pays" must not be allowed to mask the strong community, government and commercial benefits. Governments must be prepared to contribute in exchange for the full range of benefits which will flow from the project.

4.81. Mr Walters argued the VHST is needed to reduce travel costs, provide a reliable service, preserve fuel and increase accessibility between Canberra and Sydney. He commented that new businesses need to be attracted to Canberra to offset government redundancies and with Canberra's high quality of life and cheaper living and business costs Canberra is an attractive alternative to Sydney.

4.82. He asserted that the current service is not suitable for business needs and suggested that the new service should: be successful, technically sound and completed as a single project; attract new patrons; not conflict with freight; compliment air travel; attract business through its pricing and provision of services such as an "office"; stop at a number of centres in Sydney and the region; and be able to be extended to Melbourne.

4.83. Mr Walters commented that the project would provide opportunities to increase business and employment in the region. He suggested that stage 1 (design), the Business Centre and maintenance facilities be located in Canberra; and the Environmental Impact Assessment should be prepared from Canberra. Mr Walters urged the Government to consider providing incentives for the successful bidder to encourage this.

4.84. He expected the project to increase travel to Canberra from Sydney with decreased road travel leading to less accidents, reduced fuel consumption and environmental benefits; increase the likelihood that Canberra Airport will be upgraded to international status; increase accessibility to Southern Sydney, possibly Western Sydney and Goulburn; and consolidate Canberra as the regional centre for the Southern Highlands.

4.85. Mr Walters considered the environmental impact of the project. He identified the benefits as less noise pollution at Sydney Kingsford Smith Airport, greater fuel efficiency and less traffic accidents. The adverse environmental aspects could be increased noise pollution, property severance, community severance and disturbance of flora and fauna. He urged the Government to establish a framework to ensure that the environment is properly managed and that the community is adequately consulted.

4.86. In addressing the fiscal aspects of the project Mr Walters suggested that all the beneficiaries should be considered not just the user. He argued that the economic benefits flowing from the project should also be carefully considered. He also suggested that Community Service Obligations need careful consideration.

Tourism Council Australia, Canberra Region

4.87. Ms Nolan, Manager, submitted that the Canberra Branch:

> and many in the tourism industry consider there are positive as well as negative aspects of [the VHST] ... however overall the project will be beneficial to the A.C.T. and the region, the tourism industry and all Canberrans.

4.88. She noted that the tourism industry directly or indirectly affects all the community and the industry makes a significant contribution to the economy. Ms Nolan added that the Territory's employment and revenue go up with increased visitation and length of stay or reduce if visitor numbers drop or the length of stay is decreased. She considers the biggest challenge facing the industry and Government to be to "increase the length of stay of the visitor and the visitor yield".

4.89. On the negative side, Ms Nolan expressed concern that many in the industry think the VHST will increase "day trippers" which will result in people experiencing less of Canberra and the industry spending more in marketing.

4.90. On the positive side, Ms Nolan commented that the VHST will be a tourist attraction which will allow new markets to open up; improve Canberra's transport infrastructure which will help the Territory's convention sector attract large conventions, meetings and exhibitions; and improve access to Canberra during foggy weather.

4.91. Ms Nolan noted that international and domestic visitors travel patterns are changing. She explained that international visitors often have limited time but want to see as much of the country as possible - the VHST will allow visitors to see a lot in a short time.

4.92. On the other hand Ms Nolan said that domestic visitors are bored and want "something different". She considers that the uniqueness of the VHST will provide that "something different" and make Canberra a more appealing destination.

4.93. Ms Nolan commented that the location of terminals in Canberra and Sydney was a very important consideration. She considered it essential that terminals be located close to "hotels, motels and tourists attractions and the associated facilities".

4.94. She suggested that the Australian Tourist Commission market the VHST as an "Australian experience". She felt that this approach would increase Canberra's prominence in the international market.

4.95. Ms Nolan concluded by stating that:

> if the tourism industry is to derive maximum advantage from the [VHST], then the "train" and the city have to be promoted as an entity.

Urban Research Program, Research School of Social Sciences, The Australian National University

4.96. Professor Troy, A.O., Head, submitted that:

> similar investments in infrastructure elsewhere have brought significant economic benefits. These benefits have been positive in the sense that they have helped open up medium and long term employment growth, in addition to the employment during construction. They have also been significant in the sense that they have reduced

> environmental costs and reduce operational and maintenance costs on other systems such as the highway system. The size of these benefits is dependent to some degree on the technology chosen for the [VHST] and, of course on the prices charged for the service it can provide.

4.97. He noted the projects potential to attract more domestic and international tourists to Canberra; assist local firms to be more competitive in the Sydney market; assist local consulting and research firms to exploit their proximity to major research institutions such as the ANU and CSIRO to expand to other markets; and help establish Canberra as the "'natural centre' for the south east region of Australia".

4.98. Professor Troy saw the construction of the VHST's greatest benefits to Canberra would eventuate when a "new all weather, 24 hour airport is built outside Sydney" which would probably be built "in the Canberra-Sydney corridor with a site near Goulburn being the most favoured". This would benefit Canberra's tourism market and commercial and industrial development. He predicted that the VHST would eventually be extended to Melbourne - providing even greater benefits to Canberra (and the South Eastern region) through the Melbourne market.

4.99. Professor Troy also commented that the project would reduce car and coach traffic on the Hume Highway as well as a significant amount of the high value freight which is transported by road and air. This would reduce traffic accidents and maintenance costs of the highway.

4.100. The VHST would also allow greater accessibility to and from Canberra during winter when transport is adversely affected by fog. The project could help reduce congestion at Sydney airport. Professor Troy also pointed out that, depending on which technology is selected, the project could reduce our dependence on non renewable energy sources.

Overview

4.101. The majority of submitters were very supportive of the VHST project with few, if any, reservations. The exceptions were the Royal Australian Planning Institute, A.C.T. Division who thought that it was too early to consider the economic impact of a VHST; Ansett Australia who restricted their comments to the impact of the VHST on airline services which is too soon to assess; and Mr Fraser who was primarily concerned that the VHST be part of a national rail policy rather than filling a specific one-off purpose.

4.102. All submitters who supported the project were very positive of the opportunities for employment growth in the short, medium and long term. Submitters discussed the direct and indirect employment opportunities during the project's development, design, construction and operational stages. Several submitters[13] noted the opportunities for employment if the Government was able to persuade the

[13] For example, *Submissions*, 1, 2, 4 and 6

successful bidder to locate their headquarters, control operations, maintenance facilities or other associated support elements in Canberra. One submitter was mindful of the NSW Government's (and if the link was extended to Melbourne, the Victorian Government's) keen interest to secure these elements for their state/s.[14]

4.103. The submissions which supported the project noted many benefits for Canberra's private and public sectors. The primary benefit is that the project will help diversify Canberra's economy which will make it more robust and less dependent on the public sector. Other benefits included increased business opportunities, particularly in the information technology/advanced technology sectors; the service will make it easier to entice new businesses to Canberra because Canberra will be seen as an attractive alternative to Sydney; stimulation of regional development; and a more competitive Canberra market through improved access to national and international markets. A number of submitters noted that the economic benefits to Canberra will be significantly increased if the link is extended to Melbourne.[15]

4.104. Mr Bryant from the Master Builders Association of the A.C.T. stated that in the past local contractor and employment involvement in large scale construction programs in the Territory and region have not been maximised. He suggested that the Government and industry will need to work together to ensure that local firms have the opportunity to bid for work during the development, design, construction and operation of the project.

4.105. One submitter noted that the economic benefits to Canberra will be dependent on the outcome of negotiations between the NSW, A.C.T. and Federal Governments.[16] He suggested that the Government exploit Canberra's lower infrastructure costs (compared to Sydney and Melbourne) and the city's high quality of life, excellent educational sporting and health facilities and strong advanced technology, information technology and communications industries during these negotiations. The submitter called on the Government to develop a strategy as soon as possible to position itself to maximise opportunities for Canberra.

4.106. The Committee was very concerned to read that the South East Australian Transport Strategy Report had identified that $300 million in investments in the region were being held up by transport impediments.

4.107. Mr Richards from Casino Canberra expressed concern that the service could have a negative effect on businesses and jobs reliant on road and air transport.

4.108. Most submitters expected the service to boost Canberra's tourism industry. Submitters suggested that the VHST will be a tourist attraction in itself; help open new tourism markets; improve transport infrastructure which will help the convention

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14 Canberra Business Council Inc., *Submission*
15 For example submissions 1, 2, 3, 4, 5, 6, 10 and 12
16 Canberra Business Council Inc., *Submission*

sector; improve access to Canberra during foggy weather; increase Canberra's share of the international market; and encourage more domestic visitors to Canberra.

4.109. Some submissions cautioned that the service could increase "day trippers" and noted that the challenge for Canberra will be to market itself as a "destination" and increase the length of stay of the visitor and the visitor yield. Another submission was concerned that overnight visitors may become day trippers because of the frequency and speed of the service.

4.110. One submitter warned tourism operators to contain prices so that Canberra did not price itself out of the destination market.[17] Another submitter suggested that Canberra could be marketed as a regional experience.[18] Mr Smith from the Australian Hotels Association, A.C.T. Region expressed concern that the "funding to promote Canberra has been limited" and called on the successful tenderer to keep fares affordable. One submitter called on the Government to increase its tourism promotion,[19] while another suggested that both the Government and private operators may need to increase tourism promotion.[20] Other submissions suggested that the Territory needs to develop a strategy to encourage visitors to say overnight in Canberra.[21]

4.111. Mrs Nolan from the Tourism Council Australian, Canberra Region commented that increased day trippers results in people experiencing less of Canberra and causing the industry to increase marketing budgets. She also commented that it is essential for the terminals to be located near accommodation, attractions and associated facilities.

4.112. In order for the tourism industry to gain maximum advantage from the VHST, Mrs Nolan suggested that the Australian Tourist Commission market the VHST as an Australian experience and that the VHST and Canberra should be promoted as an "entity".

4.113. All submissions except the Royal Australian Planning Institute, A.C.T. Division commented on the likely impact on other transport modes and freight movements. Positive impacts mentioned in the submissions are: reduced car, coach and freight traffic on the Hume Highway; reduced congestion at Sydney's Kingsford Smith Airport; decreased road accident and maintenance costs; improved transport infrastructure which will help Canberra to become a regional transport and freight hub; reduced energy consumption and carbon gas emissions; increased likelihood that Canberra Airport will be upgraded to international status; and the integration of

[17] A.C.T. and Region Chamber of Commerce and Industry Limited, *Submission*
[18] Master Builders Association of the A.C.T., *Submission*
[19] A.C.T. and Region Chamber of Commerce and Industry Limited, *Submission*
[20] Canberra Property Owners Association, *Submission*
[21] For example *Submissions* 6, 9 and 10

Canberra into the national rail system with likely extensions to at least Melbourne but perhaps also Brisbane.

4.114. Two submitters suggested that the service should stop at regional centres and that it be extended to Melbourne.[22]

4.115. The Queanbeyan City Council were concerned that Queanbeyan businesses not be disadvantaged with freight charges; about the economic viability of the existing freight service; and that the existing passenger rail service be continued.

4.116. Mr Eager from Ansett Australia commented that, at this stage, the impact on employment in air transport in Canberra is unclear. The factors which will effect this are the journey time, cost, quality, frequency and capacity of the service. He noted that air services between Canberra and Sydney could be downsized and/or reduced in frequency and that the number and size of aircraft from other centres to Canberra could be reduced.

4.117. Mr Fraser expressed concern that the VHST be considered as part of national rail policy rather than in isolation.

4.118. Mr Walters from the Institution of Engineers, Australia, Canberra Division was concerned that the project could adversely affect the environment through increased noise pollution, property severance, community severance and disturbance of flora and fauna. He suggested that the Government ensure that the environment is properly managed and that the community is adequately consulted.

4.119. The Australian Capital Region Development Council preferred the project to be undertaken by the private sector because the financial and commercial risk would then be taken by the private sector rather than the public sector; the Master Builders Association of the A.C.T. mentioned the social benefits in a reduction of personal injury caused by road accidents and the improved working environment for passengers; and the Institution of Engineers, Australia, Canberra Division suggested that Community Service Obligations will need careful consideration and that all the beneficiaries of the service, not just the user but also the economic benefits flowing from the project, should be carefully considered.

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[22] *Submissions* 4 and 12

5. Findings and Recommendations

5.1. The inquiry was initiated to consider the likely positive and negative impacts of the proposed VHST to see if there were any “unintended” consequences and to assess what, if anything, should be done now so that Canberra can position itself to gain the maximum benefits from the project.

5.2. The Committee is well aware that much of the quantitative data would not be made available to properly assess the full economic and social benefits. The Committee believes this did not undermine the effectiveness of the inquiry.

5.3. The first part of this Chapter identifies the key issues arising out of the inquiry listed under each term of reference. The second part of the Chapter lists fifteen recommendations.

Key Issues

5.4. The key factors **affecting employment growth** in the short, medium and long term include:

- diversifying Canberra’s economic base away from its dependence on Federal Government policies;
- acknowledging the fact that the successful tenderer has not been decided and therefore the technology to be used is unknown;
- the degree to which local businesses can gain contracts for the project along with the success of the Government in attracting new businesses to Canberra and in marketing Canberra to attract domestic and international visitors;
- the ability of the Government to negotiate with the successful tenderer to locate their headquarters, control operations, maintenance facilities or other associated support elements in Canberra;
- the level of employment displacement effects from the impact of the service on other transport modes (such as air and coach); and
- the success of the Government’s strategy to maximise benefits to Canberra.

5.5. In assessing the **impact of the development on Canberra’s private and public sectors** the following key issues emerged:

- Canberra’s accessibility to Sydney;
- competition between Canberra and other regions to maximise benefits;

- economic development should not just rely on the VHST but should continue to recognise that other factors are involved in creating employment and increasing economic development in Canberra;
- the need for the Government and industry to continue working together to maximise benefits;
- negotiations between the Government and the proponents should begin as soon as possible;
- the need for the Government to develop a strategy to help industry compete for tenders;
- the difficulty for governments to ensure that local businesses are considered by the private sector in a private sector development;
- the question of whether the Government should establish a structure within a Department to facilitate the involvement of local businesses in the project;
- the optimum size of the tender packages to be let by the successful bidder for the project;
- the need for the governments to specify the size of the tender packages for the project to be included in its tender documents to the six consortia;
- Canberra's ability to participate in the development, design, construction and operation of the service; and
- the public sector's confidence in Canberra's economy.

5.6. The key issues concerning **the impact on Canberra's tourism sector** include:

- the likely increase in Canberra's share of the international and domestic market;
- the potential of the VHST as a tourism attraction;
- the potential impact on the accommodation industry;
- improved accessibility to and from Canberra, especially during foggy weather;
- the possible creation of new tourism markets;
- improved transport infrastructure providing easier and cheaper travel;
- increase in tourism along the corridor could stimulate new products and services;
- the need for Canberra to continue to improve marketing itself as a destination and regional experience;

- the need for a strategy to be developed to increase the length of stay and yield by visitors using the VHST;
- the location of terminals;
- the management of tourism growth to eliminate negative externalities;
- the importance of the fares structure;
- the timing of the project;
- further development of a competitive edge;
- the importance of a “sense of arrival”;
- the need for the Canberra Tourism and Events Corporation to receive adequate funding to effectively market Canberra;
- the high cost of airfares in Australia; and
- the fact that most Australians (and most people around the world) never fly.

5.7. In considering **the impact on other transport modes and freight movements in and out of Canberra** several key issues were raised including:

- the impact on air transport;
- whether Canberra Airport is upgraded to international status and its impact on transport infrastructure and freight handling;
- the reduced traffic on the Hume Highway;
- the reduced congestion at Sydney’s Kingsford Smith Airport;
- the environmental impacts;
- the possible extension of the link to Melbourne and other capital cities;
- the concerns raised by the Queanbeyan City Council; and
- other transport needs to and from Canberra Airport.

5.8. **Other matters** brought to the Committee’s attention included:

- social and public benefits;
- the level of Australian content for the project;
- environmental impacts;

- town planning issues;
- the link between the service's journey time and economic development;
- consideration of all the beneficiaries of the service, not just the user but also the economic benefits; and
- the experience of overseas regions with a VHST.

5.9. These issues are discussed in more detail below.

Consequences for Employment Growth in the Short, Medium and Long Term

5.10. A number of submitters and witnesses commented on Canberra's reliance on public sector employment and the negative impact of the recent public sector redundancies (with the flow-on multiplier effect) on employment. These people saw the VHST project as an opportunity to diversify Canberra's employment base - thereby making Canberra less reactive to the actions of the Federal Government.

5.11. Mr Lourandos, from Canberra Property Owners Association Limited, best summed up this attitude when he stated that:

> without downgrading the ... responsibility the Federal Government has to Canberra ... one thing that this community should strive for is to establish a broader economic base so that we can play our role in creating a vibrant Canberra and so that, as a community, we are not dependent on the Federal Government for our well-being. ... The well-being of the Canberra community should not depend entirely on the Federal Government.
>
> ... The Canberra Property Owners Association considers [the VHST] a vital ingredient in Canberra's future and a piece of infrastructure that will be a catalyst for achieving the aim of broadening Canberra's economic base. The community has come to realise that the broad picture items, such as infrastructure, provide the framework for the well-being of the community.[23]

5.12. The Committee was told that a number of factors will influence the Territory's portion of the new jobs that will be created as a result of the project. These factors include which tenderer is successful (project cost ranges from $500 million to over $3,000 million); the success of local businesses in gaining contracts during the development, design, construction and operation of the project; the success of the Government in attracting "functions of the project" such as the headquarters, the control centre, the catering and maintenance to Canberra; the success of the Government in attracting other new businesses to Canberra as a result of the improved infrastructure and quality of life provided by the VHST; the success of Canberra in marketing itself as a destination for domestic and international tourists; the level of success of the service in gaining patronage; "the employment displacement effects

[23] Transcript (Mr Lourandos), 9 October 1997, p 84

from the impact of the service on other transport modes”[24]; whether human resources which may be currently underemployed are better utilised; and what happens with the Territory’s economy between now and when the project is commenced.

5.13. The Committee heard evidence concerning estimates of the likely direct and indirect employment growth for Canberra which ranged from 1,500 to 9,000 new jobs in the construction stage and 93 to 771 new jobs once the service starts operating.[25]

5.14. A number of witnesses thought it was imperative that the Government develop a strategy to maximise benefits to Canberra. Mr Purdon, from the Master Builders Association of the A.C.T., commented that:

> we need to be pushing as hard as possible for the maximum number of long-term jobs that spin off ... as well as the substantial short-term employment boost. We would like to see some of the longer-term jobs sticking in the A.C.T., such as the head office function associated with the facility, ideally some of the maintenance work associated with it, and the opportunities for catering to provide services for the [VHST]. There is no reason why any or all of those facilities could not be located within the A.C.T. and for us to take the benefit of that. I am sure New South Wales would be keen to pursue those things as well, but from our point of view we would like to see them here.
>
> ... The last comment I wanted to make was that, as a centre with a very substantial engineering, planning, architectural, building and support services base, Canberra has a pool of resources, of technical and professional resources, that can be made available, and I am confident they will be used by the successful rail consortium. As a community, we need to be pushing those aspects of the project.[26]

Impact of the Development on Canberra’s Private and Public Sectors

5.15. The Committee agrees with the overwhelming evidence presented to it that the construction of a VHST has the potential to significantly boost Canberra’s economy. The principal benefit to Canberra is that the VHST will make Canberra and the Capital Region a more attractive place to live and work by making Sydney more accessible for business and recreational activities.[27]

5.16. The Committee was also told that Canberra may be in competition with other cities along the route, particularly Goulburn, to maximise any benefits to be gained from the VHST. The witness said “the ball will be at Canberra’s feet and it must be picked up”.[28]

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[24] Transcript (Mr Budd), 9 October 1997, p 59
[25] A.C.T. Government, *Submission*, Attachment 3, p 18
[26] Transcript (Mr Purdon), 8 October 1997, pp 38 and 39
[27] Transcript (Mr Budd), 9 October 1997, p 57
[28] ibid, p 59

5.17. However, the Committee considers that Canberra cannot afford to simply rely on the VHST. The Committee agreed with Mr Freeland, from the Australian Capital Region Development Council, when he said:

> the Australian Capital Region Development Council did carry out a detailed study over the last year or so in terms of the economic development factors affecting Canberra and the region. One of those - a very important one - was transport infrastructure. In the report that we issued on that economic development strategy, it ranks fairly highly as a very significant influence on our future economy.
>
> Also, that report singled out the [VHST] connection between Sydney and Canberra, and hopefully at some stage continuing on to Melbourne, as one of the factors that would have a very direct influence on jobs and the economy, not only for Canberra itself, but also for the rest of the region. I should emphasise that ... transport and a [VHST] are not the only things that will help our economy. On their own they may not do much, but without them there is little doubt that our economy will not proceed as fast as it could with such a train. We would do everything that we could to encourage the completion of such a train.[29]

5.18. The Committee heard evidence that the Government and industry need to work individually and together to maximise benefits to Canberra. Mr Purdon, from the Master Builders Association of the A.C.T., commented that:

> the bottom line is that the private organisations themselves have to be positioning their individual firms in relation to the various consortia and have to make sure that those consortia understand their roles and the contribution that we as a body of professional support can provide. There is an opportunity for a variety of business organisations within Canberra to promote the opportunities that exist in the talent base here. The A.C.T. Government should communicate to the various consortia that we have a role and we have some resources here that can be used in that project. The A.C.T. Government certainly has to be able to draw on the resources that are here and make sure that this information is in front of each consortium. Whether they go to the point of saying, “You have really got to try to build some of those resources into your bids” is another matter, but certainly they must be able to go forward in the knowledge that there is a strong support base here.[30]

5.19. Mr Bryant, also from the Master Builders association of the A.C.T., added that:

> it would behove governments ... to support local industry by way of facilitating business networking support, particularly within the consulting engineering and allied professionals, to ensure that the relatively smaller scale of A.C.T. consultants are not cut out of work opportunities. What we would seek from the A.C.T. Government is access to their business network support schemes within their business incentives program so that A.C.T. firms and regional firms can collaborate to obtain the necessary scale of operations to effectively bid for work and match the expertise of other offices in Sydney and Melbourne and other capital cities.

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[29] Transcript (Mr Freeland), 29 October 1997, 1
[30] Transcript (Mr Purdon), 8 October 1997, p 39

> ... A prime asset that the A.C.T. has is access to land. Land in the A.C.T. is not in short supply. Our AMTECH Estate is evidence of that. Certainly, there are other areas within the A.C.T. that can be offered to the consortia to locate their facilities in the A.C.T. We have seen it as a feature of the present A.C.T. Government and past governments that they are prepared to offer an attractive suite of incentives to entice business to relocate or establish in the A.C.T.[31]

5.20. Rear Admiral Crawford, Rtd, from the Canberra Business Council Inc., suggested that the Government should begin negotiations with the proponents as early as possible because:

> I fear that, if we delay, we could find Canberra being overwhelmed by the size of the offers from Sydney- and Melbourne-based governments. [However, he added that] we should not be trying to get the whole lot [all the elements during the construction and operation of the service], because I think an ambit claim would weaken our argument.[32]

5.21. Mr Purdon, from the Master Builders Association of the A.C.T., when asked whether the Government should be putting in place a strategy to develop links and connections with the various consortia to ensure opportunities are available for local businesses to compete for portions of the project, answered:

> Most definitely. I am sure that the sooner those links are drawn out, elaborated, and supported in a variety of ways, the better the A.C.T. community will benefit from this kind of scheme. It would be nice ... [if] part of the evaluation criteria brought to bear on this exercise by the A.C.T. Government was that there be an assessment of maximum benefit to the A.C.T. community in all of the various facets associated with the [VHST] link.[33]

5.22. The Committee heard evidence that it can be very difficult for Governments to ensure that local businesses are considered when contracts are being let in a privately constructed and operated project. Mr Freeland, from the Australian Capital Region Development Council, noted that:

> it is hard for governments to insist, at least in my experience, on particular regions or particular tenderers taking preference over others. We do have the natural advantage, that our people are close to the job. In other words, in terms of travel and in terms of accommodation facilities and so on, we have people on the ground, and that gives us that natural advantage.[34]

5.23. When Mr Freeland was asked if he thought it might be useful to establish a structure (for example something akin to the CanDeliver Corporation) within a government department to facilitate the involvement of local businesses in the tendering process he answered:

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[31] Transcript (Mr Bryant), 8 October 1997, pp 39 and 40

[32] Transcript (Rear Admiral Crawford, AM, RAN, Rtd), 8 October 1997, pp 31 - 32

[33] Transcript (Mr Purdon), 8 October 1997, p 40

[34] Transcript (Mr Freeland), 29 October 1997, p 4

> yes, I think it could well do. Some of the difficulty the smaller firms have is knowing what is going on, frankly. The tender systems that are available now, like BASIS - where government tenders, at least, are put on the Internet or faxed out to various firms - help a lot in that. They really do. I have talked to small firms who got work through that. So that would help. I think a CanDeliver-type organisation would help in terms of keeping firms informed about what is going on and what is available.[35]

5.24. Mr Freeland went on to comment about the size of the tender packages. He stated:

> the other [problem] ... to avoid is one that has happened with some of the roadwork tenders. In other words, they have been issued in such large bundles that only really very large firms can have a hope of tendering. The government needs to ensure, if possible, that the tenders are issued in a way that firms of the size that we have are able to tender.[36]

5.25. Mr Freeland added that this criteria should be included in the tender documents which have already sent out to the six consortia invited by the Government to put forward detailed proposals. If this is not the case he suggested that this criteria should be included before the end of the process.[37]

5.26. The Committee heard evidence that Canberra has the ability to participate in the development, design, construction and operation of the service. In this regard one of the proponents commented that:

> the [Speedrail] Group will want to draw on resources from places along the route, including Canberra. I think Canberra clearly has a base of engineering and probably other services which could be relevant to the design phase of the project.[38]

5.27. Another important point raised during the hearings concerned public sector confidence. A witness told the Committee that:

> confidence is an integral part of the economic equation, and there does exist a certain malaise in parts of the Canberra community. An announcement that the project will proceed can provide a spark that will help to overcome this malaise.[39]

Impact on Canberra's Tourism Sector

5.28. Nearly all submitters and witnesses predicted a significant boost to tourism by increasing Canberra's share of the international market and encouraging more domestic visitors. Many people commented that the VHST will be a tourist attraction in its own right; improve access to and from Canberra especially during foggy weather; create new markets (for example specialised tours such as wine tours and

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[35] ibid

[36] ibid

[37] ibid

[38] Transcript (Mr Budd), 9 October 1997, p 61

[39] Transcript (Mr Lourandos), 9 October 1997 p 85

weekend packages); improve transport infrastructure which will help the convention sector; provide easier and cheaper travel; and increase tourism along the corridor which may stimulate new products and services.

5.29. A number of negative impacts were bought to the Committee's attention including how Canberra can market itself as a "destination" to increase the visitor's length of stay and yield; what sort of strategy should be put in place to discourage current overnight visitors becoming day trippers because of the frequency and speed of the service and encourage current day trippers to stay overnight; how can Canberra market itself as a regional experience; the location of the terminals be carefully considered and, if possible, located close to accommodation, attractions and associated facilities; and tourism growth needs to be carefully managed to eliminate negative externalities (for example crowding at attractions or increased pressure on the environment). The Committee noted one submitter's concern that tourism operators constrain prices so that Canberra did not price itself out of the destination market.

5.30. One submitter suggested that the Australian Tourist Commission market the VHST as an Australian experience and that Canberra should be promoted as an "entity" so that the tourism industry can gain maximum advantage from the service.[40]

5.31. Mrs Nolan, from the Tourism Council Australia, Canberra Region, commented on the importance of the fares structure. She said that:

> provided you market it and your ticket sales are such that there are quite good incentives to stay for several days then you can turn some of that around. I am not sure how many of you are familiar with the Eurostar. It is not necessarily a [VHST] but it is a fast train between London and Paris. They market it with incentives to stay away for a period of time. If you stay away three days, your return fare is exactly the same as the one-way fare. There are structures that could be put in place. Pricing is going to be very important in making sure that people stay here. ... Obviously the larger numbers will be coming, because of the much larger traveller base in Sydney. Sydney is really one of our very lucrative markets, being relatively close to Canberra and having over 3 million people who have yet to visit Canberra. Marketed and priced correctly, it is certainly going to be a very good added attraction.[41]

5.32. Mrs Nolan told the Committee that the timing of the project is an important issue. She stated that the lead time needs to be long so that the industry can plan to take maximum advantage of the new service (for example when bidding for international conferences).

5.33. She concluded her evidence by stating:

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[40] Tourism Council Australia, Canberra Region, *Submission*
[41] Transcript (Mrs Nolan), 8 October 1997, p 24

> we need a competitive edge. I believe that the [VHST] is going to be a major attraction for New South Wales and for the A.C.T. and the region. In that respect it is going to be very good. Canberra has a wonderful product.[42]

5.34.Mr Butcher, President of the A.C.T. Branch of the Tourism Council Australia, commented on the importance of the "sense of arrival". He said:

> the other thing that has to be taken into account is a sense of arrival. If people coming on a train disembark on a platform in the middle of nowhere it is not going to give them a sense of arrival. In Adelaide you arrive in the rail yards south of the city centre itself. It does not really give a great sense of arrival.[43]

5.35. On the subject of promoting Canberra, one submitter expressed concern that funding has been limited;[44] another called on the Government to increase its tourism promotion;[45] whilst a third submitter suggested that both the Government and private operators may need to increase tourism promotion.[46] During the public hearings a representative from the Government offered the following comments:

> MR TOMLINS: ... [The VHST] opens up a range of opportunities. Getting people to stay overnight is really a question of building up the range of attractions so that Canberra becomes a longer period visit. There is not only the Gallery; there are perhaps the wineries, the sporting events, the Floriade by night. All of those sorts of activities encourage people to stay longer.
>
> MR CORBELL: Is it building up the number of attractions or is it better promotion of our existing attractions, or is it both?
>
> MR TOMLINS: Obviously both will achieve our objective to the utmost.[47]

5.36. Two other tourism matters were brought to the Committee's attention. These were the high cost of airfares in Australia and the fact that most Australians (and most people around the world) never fly.

5.37. In regard to the high cost of airfares Read Admiral Crawford, Rtd, from the Canberra Business Council Inc., told the Committee that:

> there is no doubt that the cost of passenger travel does contribute to the pricing of our goods and services for which we compete with overseas suppliers for our domestic and overseas markets. This has been brought into focus recently by ... of the Tourism Council Australia, [which] acknowledged that the high cost of air fares in Australia is a deterrent to the tourist industry and, with the prospect of the high speed rail offering

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42 ibid, p 28
43 Transcript (Mr Butcher), 8 October 1997, p 25
44 Australian Hotels Association, A.C.T. Region, *Submission*
45 A.C.T. and Region Chamber of Commerce and Industry Limited, *Submission*
46 Canberra Property Owners Association Limited, *Submission*
47 Transcript, 8 October 1997, p 8

fares considerably less than air fares, it would help in trying to overcome that deterrent factor.[48]

5.38. Mr Freeland, from the Australian Capital Region Development Council, commented that most Australians (and most people around the world) never fly. He stated:

perhaps some of us do not realise that most Australians never fly. It is expensive and it is something that most Australians and most people around the world never do, whereas they are all happy to jump in their cars, and that will continue. I think most of them - in fact, probably all of them - are happy to get on a train. The fare as we understand it from what tenderers have said already, will be at least half the air fare. All of that will be a significant encouragement for ordinary Australians to visit the capital.[49]

5.39. These comments seemed to be reinforced during a meeting between the Chair of the Committee and officers from the Australia Tourist Commission. The officers explained that overseas visitors, particularly from Europe, were familiar with train travel and felt comfortable travelling by rail. They commented that the Brisbane to Cairns rail service was very popular with overseas visitors and expected the VHST to be an enormous drawcard for overseas visitors.[50]

Impact on Other Transport Modes and Freight Movements In and Out of Canberra

5.40. The Committee heard evidence that the VHST has the potential to have a very dramatic effect on transport, particularly air transport. The Committee understands from evidence presented by Ansett Australia that air services between Canberra and Sydney could be downsized and/or reduced in frequency and that the number and size of aircraft from other centres to Canberra could be reduced. The factors which will effect this are the journey time, quality, frequency, capacity and fare structure of the VHST.

5.41. Inter Capital Express Limited and the Speedrail Group expect to divert patronage from the existing modes of transport (such as airlines, coaches and cars) to the VHST with the Speedrail Group hoping to replace the existing rail service; Talgo Consortium are targeting air travel; and Thyssen Transrapid Australia Pty Limited hope to replace air travel between Canberra and Sydney. All four consortia submitters expected the service, or the track, to carry freight.

5.42. The Committee is concerned about the potential impact on air transport. Mr Eager from Ansett Australia told the Committee that:

it is worth pointing out that Ansett now employs ... almost 300 people in the A.C.T. and would therefore be easily the largest tourism and travel operator within the region and

48 Transcript (Read Admiral Crawford, AM, RAN, Rtd), 8 October 1997, p 29

49 Transcript (Mr Freeland), 29 October 1997, p 5

50 Discussions between the Chair of the Committee and representatives from the Australian Tourist Commission held in Sydney on 19 November 1997

> indeed one of the largest businesses within the A.C.T. region in the private enterprise arena.
>
> High-frequency scheduled airline services that operate on the Canberra-Sydney corridor are at about the 120 flights per week mark, which is one of the busiest corridors, if not the busiest, in the country ...
>
> ... Certainly, the competitive response [to the VHST] from air operators is difficult to determine. Whilst the price, frequency and transit time are unknown, quite clearly the options that have been put forward from the consortia to date are so wide-ranging that each of them has a number of merits in their own regard. I think it is very difficult to assess the merits of the proposal based on that available information, as you would well know. But it may be worth noting that we have conducted preliminary discussions with most of the bid consortia and have some involvement and have had discussions with a view to participating in the project. Ansett's involvement has been sought on the basis of our ability to provide a wide range of services, including ground handling, sales and marketing support and on-carriage opportunities as well as freight, cargo and so forth. So, I think the airlines generally are well placed to be involved in transport infrastructure of such nature as the [VHST].[51]

5.43. The Committee agrees with the many submitters and witnesses who commented that the VHST is an important linkage which will assist Canberra Airport to be upgraded to international status. The VHST and an international airport would significantly improve Canberra's transport infrastructure which, in turn, would greatly assist the Territory in becoming a regional transport and freight hub. This should help attract some of the $300 million in investments that the South East Australian Transport Strategy Report had identified is currently being held up by transport impediments.[52]

5.44. The Committee noted the other beneficial impacts on transport and freight movements brought to its attention. These benefits included reduced traffic on the Hume Highway which could result in less road accidents and decreased maintenance costs; reduced congestion at Sydney's Kingsford Smith Airport; less pollution; and decreased energy consumption.

5.45. Several submissions suggested that the link be extended to at least Melbourne[53]. Mr Budd from the Speedrail Group said:

> I should mention that Sydney-Canberra should be seen as only the first link in a larger high speed rail network. Sydney-Canberra must be the first step, but the network could ultimately extend from Brisbane and the Gold Coast to Sydney, Canberra, Melbourne and across to Adelaide. Such a vision will take several decades to eventuate. What we must do is take the first step.[54]

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51 Transcript (Mr Eager), 9 October 1997, pp 43 and 44

52 Australian Capital Region Development Council, *Submission*, Attachment

53 For example submissions 1, 2, 3, 4, 5, 6, 10 and 12

54 Transcript (Mr Budd), 9 October 1997, p 58

5.46. Mr Lourandos, from Canberra Property Owners Association Limited, stated that:

> a quality outcome for the [VHST] is required to encourage regional development. This can only be achieved with numerous stops and not merely bypassing other potential destinations. In this context, the project should not be seen merely as a Sydney-Canberra link but as a prelude to the eventual re-vitalisation of regional Australia by including other capital cities such as Melbourne, Brisbane and Adelaide in the link.[55]

5.47. The Committee considers that these extensions, if financially and commercially viable, could provide enormous economic and social opportunities for Canberra. They would also include Canberra in the national rail system.

5.48. Queanbeyan City Council raised concerns that Queanbeyan businesses not be disadvantaged, that the existing rail link be maintained and the existing passenger service continued. Mr Budd responded to two of these concerns at the public hearing. He said that:

> Speedrail has proposed an agreement with government under which seats would be available for pensioners. They would enjoy a much higher standard of service at a lower cost to government than the operation of the current rail service.
>
> ... [C]oncern was also expressed that carriage of freight by a [VHST] would make the existing rail freight service less viable. Speedrail is interested in carrying freight, but it would be high-value freight currently moved by road or air. Speedrail is not a competitor for the heavy freight or petroleum products which are currently moved by rail, and thus the carriage of freight by Speedrail would not affect the viability of the current railway.[56]

5.49. The Committee notes the concern of the Queanbeyan City Council about aircraft noise from Canberra Airport and its possible upgrade to an international airport:

> one of the few disadvantages we do see is that, if it was to be the catalyst for increased air traffic in and out of the Canberra Airport, that would invariably have a detrimental effect on the amenity of a fairly large section of the residential areas in Queanbeyan.[57]

5.50. The Council added that:

> our problem is the flight paths in and out of the Canberra Airport as they stand at the moment and if they cannot be adjusted or modified to reduce the impact on our existing residential areas and the areas that we need to use for future residential. We are very constrained in areas that we can move to, in terms of rezoning additional residential land, in that we have the escarpment around the back of us and we really can only go south into viable serviceable residential land. If we cannot develop any of the land to the south of us, that will mean that we will, probably in future, a little after the year 2006, run out of viable residential land. Then that will have a series of fairly

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[55] Transcript (Mr Lourandos), 9 October 1997, p 86
[56] Transcript (Mr Budd), 9 October 1997, p 60
[57] Transcript (Mrs Bedford), 8 October 1997, p 15

> undesirable social impacts. Admittedly, we are part of Canberra as a region and, yes, people could be accommodated in Canberra; but we would not like to see a situation where we could not provide any further residential opportunities for people who chose to live in Queanbeyan.[58]

5.51. The Council stressed that if the VHST facilitated the upgrade of the Canberra Airport to take international flights the Council may need to reassess its support for the VHST.[59]

5.52. Several witnesses discussed the need to upgrade transport infrastructure to and from Canberra Airport on the presumption that the VHST's terminal would be at the Airport. Mr Budd stated that:

> a specific obligation on the A.C.T. Government will be the provision of adequate distribution infrastructure and services from the high speed railway station planned to be at the airport. Since the service will carry many of those who currently travel by air and, more importantly, will carry many of those who currently drive their cars to Canberra, the rail terminal will be a substantially busier place than the current airport. It will become the dominant transport hub for Canberra, served by private cars, taxis, hire cars, scheduled buses and charter buses. Will the road system by able to cope? Will there be enough taxis? The city will not be popular with travellers if, having arrived on a high-quality train, they are frustrated in reaching their ultimate destination from the station.[60]

5.53. The Committee considers that the Government should give careful consideration to these other transport infrastructure needs.

Any Other Related Matter

5.54. A number of other matters were brought to the attention of the Committee including the amount of Australian content for the project; social and public benefits; beneficial and adverse environmental impacts; town planning issues; the link between journey time and economic development; consideration of all the beneficiaries of the service, not just the user but also the economic benefits; and the experience of overseas regions who have a VHST in operation.

5.55. The Committee would like to see the highest Australian content possible for the project; the many social and public benefits (including Community Service Obligations) be examined and maximised; that the environmental impact be closely monitored and managed; and that the town planning issues be fully explored and resolved.

5.56. With regard to town planning issues, Mr Purdon, from the Master Builders Association of the A.C.T., noted that:

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[58] ibid, p 18
[59] ibid, p 16
[60] Transcript (Mr Budd), 9 October 1997, p 59

> there are a number of town planning issues and major feasibility studies that would need to be looked at in terms of the linkages between the rail and the airport itself, the linkages between that combined transport node and the way the city functions, as well as freight and passenger movement. There are some advantages, of course, in having a rail link into the city centre in terms of getting tourists that extra step into the heart of town, but there are some problems associated with that also. In this context, all I would be saying is that that is an issue that would need to be looked at a bit more closely.[61]

5.57. Mr Lourandos, from the Canberra Property Owners Association Limited, told the Committee that:

> I also feel strongly that over the next 10 or 20 years our cities are going to change dramatically. Whether we like it or not, there is going to be an increased density around the CBDs in terms of economic activity and people living there. I really think it is going to be short-term thinking to think that we can just dump a train out at the airport and not consider the implications of how our CBDs will actually work in the future.[62]

5.58. The Committee agrees with both Mr Purdon and Mr Lourandos and expects the Government to closely examine these issues during its consideration of the VHST project.

5.59. Another matter brought to the Committee's attention concerned the relationship between the VHST's journey time and the potential for economic development. Mr Freeland stated that:

> in terms of economic development, I could sum it up by saying, "The faster the connection, the better". I realise, though, that you have to balance that out against cost - both the cost to construct and operate the [VHST] and through that the price that the [VHST] will operate at. But certainly studies that have been done so far show that, in terms of diverted traffic, both from air and from road, you have to have a fairly fast train before people really change.[63]

5.60. Mr Lournados, from Canberra Property Owners Association Limited, echoed Mr Freeland's comments when he told the Committee that:

> an issue that we cannot and should not avoid is that the magnitude of the economic impact of the [VHST] will depend on the quality of the train chosen. The quality of the train can be judged by two factors - travel time and the impact on the environment. These two factors must be taken into account. We should not settle for second best. We should set our standards high, and we deserve the best. We should look to the future and not be content with past solutions to track-bound transportation. A low-quality outcome in terms of train selection will lead to a low-quality outcome for the vitality of the Canberra region. This connection needs to be understood. The economic impact of the [VHST] must also be seen in the context of regional development. Major cities such

61 Transcript (Mr Purdon), 8 October 1997, p 41
62 Transcript (Mr Lourandos), 9 October 1997, p 90
63 Transcript (Mr Freeland), 29 October 1977, p 3

as Sydney and Melbourne are reaching their capacity, whereas regional Australia is underutilised and, in some areas, stagnating.[64]

5.61. The Committee appreciates the point suggested by the two quotations above to the effect that the **economic** impact of the VHST is likely to be greater if the journey time is (say) one hour than it is if the journey time is three or four hours. The Committee considers that, if all else is equal, the A.C.T. would be better served by the faster, rather than the slower, technology.

5.62. Turning to another matter, Mr Walters, from the Institution of Engineers, Australia, Canberra Division, pointed out that the users of the VHST service will not be the only beneficiaries of the service. He commented that there will be many other people who do not use the service but who will benefit from its availability. The Committee agrees with Mr Walters comments and considers that the Government should take this into account when making decisions concerning the project.

5.63. The final matter the Committee wishes to raise is the experience gained by overseas regions that have VHSTs in operation. Several submitters and witnesses commented on the lessons learned by these regions during the construction and since the service became operational. As Mr Purdon and Mr Lourandos commented, the VHST will change the dynamics of how Canberra will function in the future, and by extension, the way businesses and the community will operate.

5.64. The Committee considers that the Assembly, Government, the business community and the tourism industry could learn a great deal from studying these regions where VHSTs operate. It may be very useful for representatives from the Assembly, Government and industry to visit such a region. The Committee cites the great benefits and insights gained by its members during a visit to Christchurch in New Zealand earlier this year.

Recommendations

5.65. After taking into consideration all the information contained in this report, the Committee makes the following recommendations.

Recommendation 1.

The Committee recommends that the Government undertake an analysis of the likely employment displacement effects of the VHST based on the information available to the Government from the commercial-in-confidence material provided by the proponents. The Committee considers that this analysis should commence at the beginning of stage three in the Call for Proposals process.

Recommendation 2.

[64] Transcript (Mr Lourandos), 9 October 1997, p 85

5.66. The Committee recommends that the Government establish a unit within the Chief Minister's Department to monitor and oversight the potential social and economic impacts of the project.

Recommendation 3.

5.67. The Committee recommends that the Government commence negotiations with all the proponents to facilitate opportunities for the location of major support facilities including headquarters, control operations, freight and passenger terminals, maintenance facilities and other associated support elements such as catering in Canberra. These negotiations should commence at the beginning of stage three in the Call for Proposals process. This action should ensure that the A.C.T. is well positioned to gain maximum economic benefits from the project once the successful proponent has been announced.

Recommendation 4.

5.68. The Committee recommends that the Government ensure that the tender packages for the development, design, construction and operation of the service are prepared in such a way that there is opportunity for small and medium sized firms in Canberra to fairly compete.

Recommendation 5.

5.69. The Committee recommends that the Government establish a mechanism to ensure that the business community is kept up to date with progress on the project; provide networking opportunities for local businesses to individually, or to form consortiums and strategic partnerships, to tender for contracts during the development, design, construction and operation of the project; and ensure the views of the business community are put to Government.

Recommendation 6.

5.70. The Committee recommends that the Government ensure that its business incentives programs facilitate the involvement of local firms in the VHST project.

Recommendation 7.

5.71. The Committee recommends that the Government establish a mechanism to ensure that the tourism industry is kept up to date with progress on the project; advised of any likely impacts on the industry as a result of the project; and the views of the tourism industry are put to Government.

Recommendation 8.

5.72. The Committee recommends that the Government consider substantially increasing its marketing budget to effectively promote Canberra as a varied and

interesting destination to lengthen visitor stays and yield. This may be especially important once the VHST is in operation.

Recommendation 9.

5.73. The Committee recommends that the Government facilitate the development of Canberra as a regional transport hub.

Recommendation 10.

5.74. The Committee recommends that the Government develop suitable road transport infrastructure to allow easy access to and from the transport hub.

Recommendation 11.

5.75. The Committee recommends that the Government undertake a preliminary assessment of fast and efficient public transport links between the VHST terminal and Civic, Woden, Belconnen, Tuggeranong and Gungahlin.

Recommendation 12.

5.76. The Committee recommends that the Government facilitate the upgrading of Canberra Airport to international status in order to service the South-East region.

Recommendation 13.

5.77. The Committee recommends that the Government - when examining the relative merits of each of the consortia's bids to develop, design, construct and operate the VHST - take into consideration the relationship between the VHST's journey time and the economic impact not only for Canberra but for the region.

Recommendation 14.

5.78. The Committee recommends that the Government undertake social impact statements on the possible demographic and social effects on Canberra of the VHST. These statements should be based on the information available to the Government from the commercial-in-confidence material provided by the proponents. This analysis is to commence at the beginning of stage three in the Call for Proposals process.

Recommendation 15.

5.79. The Committee recommends that once the successful tender is announced the Government consider the benefits of forming a delegation similar to a Trade Delegation (comprising representatives from the business community, the tourism industry, Government officials and the Assembly) to visit overseas regions where the relevant VHST operates. The Committee considers that the A.C.T. could learn much from these regions. The delegation could then advise the Government, business community and tourism industry.

Fourth Assembly

5.80. Further, the Committee considers it would be very useful if its successor Committee in the Fourth Assembly (elected in February 1998) was given the task of monitoring the progress of this project and its implications for Canberra.

Mr Harold Hird, MLA
Chairman

25 November 1997

Appendix A: List of Submissions[65]

1. A.C.T. and Region Chamber of Commerce and Industry Limited.
2. Australian Capital Region Development Council.
3. Urban Research Program, Research School of Social Sciences, The Australian National University.
4. Canberra Property Owners Association Limited.
5. Mr D.V. Huntley.
6. Canberra Business Council Inc.
7. Speedrail Group.
8. Queanbeyan City Council.
9. Tourism Council Australia, Canberra Region.
10. Master Builders Association of the A.C.T.
11. Casino Canberra.
12. The Institution of Engineers, Australia, Canberra Division.
13. Royal Australian Planning Institute, A.C.T. Division.
14. Inter Capital Express Limited.
15. Property Council of Australia, A.C.T. Division.
16. Australian Hotels Association, A.C.T. Region.
17. Ansett Australia.
18. Talgo Consortium.
19. Thyssen Transrapid Australia Pty Limited.
20. A.C.T. Government.

[65] Listed by the number of submission as received in the Committee Office

21. Mr W.J. Fraser.

Appendix B: Public Hearings

Wednesday, 8 October 1997

A.C.T. Government

Mr George Tomlins, Senior Director, Strategic Development Management, Office of Strategy and Government Business, Chief Minister's Department

Dr Robyn Sheen, Senior Adviser, Competition Policy Unit, Economic Management Branch, Office of Financial Management, Chief Minister's Department

Queanbeyan City Council

Mrs Judith Bedford, Manager, Development

A.C.T. and Region Chamber of Commerce and Industry Limited

Mr John Notaras, President

Tourism Council Australia, Canberra Region

Mr Scott Butcher, President

Ms Robyn Nolan, Manager

Canberra Business Council Inc.

Rear Admiral Ian Crawford, AM, RAN, Rtd

Master Builders Association of the A.C.T.

Mr Rob Purdon, Chairman of the Professional Consultants Group

Mr Bernie Bryant, Executive Director

Thursday, 9 October 1997

Ansett Australia

Mr Jeff Eager, Director

Mr Maurice Geary, Operations Manager

Mr Douglas Huntley

Casino Canberra

Mr Peter Cursley, Marketing Manager

Speedrail Group

Mr Dale Budd, Director, Public Affairs

Property Council of Australia, A.C.T. Division

Mr Paul McDonald, Vice President

Inter Capital Express Limited

Mr Anthony Harwood, Director

Talgo Consortium

Mr Greg Bullen, Marketing Manager, Medina Engineering Pty Ltd

Mr Greg Mackie, Major Project Manager, Metropolitan Construction Engineering, Railway Services Authority of NSW

Canberra Property Owners Association Limited

Mr Nick Lourandos, President

Wednesday, 29 October 1997

Australian Capital Region Development Council

Mr Collin Freeland, Chairman