MEDIA STATEMENT

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3 January 2013

AUDITOR GENERAL FINDS ISSUES WITH MANAGEMENT OF THE RAIL FREIGHT NETWORK LEASE

In his latest report, tabled in Parliament today, Auditor General Colin Murphy has found the 49 year lease of the State's rail freight network has so far delivered on many of its original objectives, but not enough is being done to protect the State's interests into the future.

Mr Murphy said many of the original objectives from the lease of the rail freight network have been achieved, including removing government from operating the network, and its associated costs, and paying down debt.

"The volume of freight carried on the network has increased and the condition of the lines primarily used for mineral and general freight has improved", Mr Murphy said.

"However, significant sections of the network used for carrying grain have degraded and two lines have been withdrawn from service.

"Without further government funding, the remaining eight Tier 3 grain lines are likely to be taken out of service after 2013.

"While ongoing government funding was anticipated at the time of the lease it was not quantified, so it is not possible to conclude whether actual levels of support are more or less than originally estimated."

Between 2000 and 2011, State funds spent or committed to the network totalled around $102 million, with an additional $258 million from the Commonwealth.

The 5 600km Western Australian rail freight network is a strategic infrastructure asset of national importance, carrying around 80 million tonnes of freight in 2012. It remains in State ownership, but has been leased until December 2049 to a private rail network operator.

Mr Murphy said that to date, the Public Transport Authority (PTA) had managed the lease without a formal risk-based contract management plan, making it difficult for PTA to demonstrate that it had fully considered the impact of decisions about the lease and network on the State's interests over the life of the lease.

"The State faces significant risks over the remaining 37 years of the lease," he said.

"Specifically the risks relate to keeping track performance standards up to date, monitoring maintenance on certain lines, the need to adapt or step outside of the lease to meet policy objectives on the grain lines, the application of costs to uneconomic lines, and end of lease issues.

"A risk-based contract management plan, which PTA is currently developing, should strengthen the Authority's capacity to manage these issues in a considered and proactive way.

"Effective contract management requires transparent and regular access to information regarding the condition and maintenance of public assets.

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“Despite the ongoing significant scale of this public investment, limited information has been made available to Parliament and the public regarding the lease and the condition of the rail freight assets.

“This report should go some way to addressing this lack of information, but greater transparency will be required for the future management of public infrastructure leases.”

The Auditor General’s report ‘Management of the Rail Freight Network Lease: Twelve Years Down the Track’ (Report 1 – January 2013) can be downloaded from the Office of the Auditor General website at www.audit.wa.gov.au

ENDS

Note to media:

The Rail Freight Network lease establishes a monitoring and reporting regime and empowers the Public Transport Authority to supervise compliance, while the Department of Transport manages long-term transport planning, determining future needs and investment priorities for rail freight infrastructure.