

# TRANSCRIPT

## STANDING COMMITTEE ON THE ECONOMY AND INFRASTRUCTURE

### **Inquiry into infrastructure projects**

Melbourne — 12 April 2016

#### Members

Mr Joshua Morris — Chair

Mr Khalil Eideh — Deputy Chair

Mr Nazih Elasmr

Mr Bernie Finn

Ms Colleen Hartland

Mr Craig Ondarchie

Ms Gayle Tierney

#### Staff

Secretary: Dr Christopher Gribbin

#### Witnesses

Mr Jeroen Weimar, Acting Chief Executive Officer, Public Transport Victoria;

Mr Gary Liddle, Interim Chief Executive Officer, V/Line; and

Mr Paul O'Halloran, Director of Engineering, Metro Trains Melbourne.

**The CHAIR** — I will begin by declaring open the Standing Committee on the Economy and Infrastructure public hearing and welcoming all those present today. The committee is today hearing evidence in relation to the infrastructure inquiry, and the evidence today is being recorded. This hearing is to inform the second of at least six reports into infrastructure projects, and witnesses present today may well be invited to attend future hearings, as I am sure you are no doubt aware, gentlemen. All evidence today is protected by parliamentary privilege; therefore you are protected for what you say in here today, but if you go outside and repeat the same things, those comments may not be protected by this privilege.

I might begin by asking each of you to introduce yourselves, and then I ask that whomever would like to kick off with introductory comments do so. We will follow those with questions. Mr Weimar, I will pass over to you.

**Mr WEIMAR** — Jeroen Weimar, acting CEO, Public Transport Victoria.

**Mr LIDDLE** — Gary Liddle, interim CEO, V/Line.

**Mr O'HALLORAN** — Paul O'Halloran, director of engineering, Metro.

**Mr WEIMAR** — Chair, thank you for your invitation in opening the meeting. We have prepared a brief set of opening statements just to bring the committee up to date with developments over the last few weeks since we were last before you on 23 February. I will give a brief overview and then ask my colleagues to fill in their parts of the story, if I may.

Hopefully the committee has a set of the slides that we are using today. The first focus I would really like to bring is to the restoration work that we have been focusing on with V/Line regional train services really over the last three months. You will see on slide 3 that we have set out the progressive restoration of services in a very stable pattern since 8 February when we first announced our interim timetable. Of the almost 300 daily V/Line services that we run on a weekday, we delivered from 8 February 80 per cent of those services as trains and 64 of those services a day as coach replacement services, with around 8500 — 8400 — people every day having to use regional coach replacement services rather than train services.

On 21 March we were able to step up the number of train services that we were delivering in the timetable. From 21 March to where we are today we have reinstated 93 per cent of V/Line regional train services as trains, and just under 3000 — 2900 — of our customers are still using the coach replacement services. We have just announced that from 26 April we will have reinstated 97 per cent of regional train services, so almost back to where we need to be, with around 1500 people still using the regional coach services.

In all this program over the last few months we have been focused on two things, one of which is about giving our customers confidence in the stability of the services that are running as trains and those that we are having to run as regional coach replacement services. That timetable has been clearly published in advance, and we have executed that timetable going forward. The second thing has been to obviously inconvenience as few people as possible, recognising the seriousness of the matter that we are dealing with. Of course we regret any inconvenience that we have caused our passengers or we continue to cause our passengers today, but we have worked very hard and very consistently to bring those numbers down.

Turning to slide 5, I really want to cover the issue of compensation, which we have discussed with this committee before. You may recall that from 23 January to 7 February inclusive we operated a V/Line free travel period across the network. That meant that we had to reimburse those customers that had particularly myki prepaid passes or period passes. I am pleased to confirm that we have processed all of those reimbursements. Over 18 700 or so refunds have been processed, and of those all but 2500 have been collected by the customers. The remaining 2408 reimbursements can be collected by any of those customers by tapping on with their myki card, and that balance will be reinstated to their card. That work has all been closed off, and we have refunded our customers as appropriate.

On slide 6, we continue to operate a policy of free travel on the regional coach replacement services. Where we are forced to run a coach replacement service, as is advertised in our timetable, those coach services are free. Clearly passengers who have already prepaid a myki period pass at a normal rate or a concession rate are eligible for a refund for that particular journey. We are well ahead on processing all of those. We have had 4216 applications for refunds. We have processed all of those, and we are up to date as of the end of last week, with 160 or so still to be collected by customers — again by tapping on their myki card.

From the point of view of the recovery and the restoration, our services are starting to come back very progressively, and we are certainly on top of ensuring that our customers are being compensated appropriately for the inconvenience that they continue to experience. That is really my overview point. What I would like now to do is invite Paul O'Halloran to talk about the boom gates issue on the Pakenham corridor. You will recall from our previous conversations that we have been dealing with two discrete issues, one of which is ensuring that the boom gates on the Pakenham corridor are working in detecting the VLocity trains appropriately, and then we will go on to talk about the wheel wear issue on the rest of the VLocity fleet.

**Mr O'HALLORAN** — I will talk about the trap track circuit installation modification that we have done. I will start by talking about the Craigieburn line. In late January we installed trap track circuits, which were a temporary mitigation, onto the Craigieburn corridor at four level crossings. That enabled the VLocity services to be restored on that corridor at that time, and the program to install the permanent fix at those four level crossings is still on target for 15 July.

The Sunbury corridor is a little different: we installed trap track circuits at the Main Road and Furlong Road level crossings. These were the ones that were affected by the matters. They were both done in late January as well. We are not intending to install axle counters at these locations because they are to be grade separated imminently — in October.

On the Pakenham corridor, where most of the affected level crossings are — there are 21 crossings — trap track circuits were installed in early March, enabling VLocity to return service to the Gippsland corridor. We are on target to install axle counters by 10 July. One slight caveat to that: CD9 are looking at potentially installing other levels of technology at the four crossings at Poath Road, Murrumbeena Road, Grange Road and Koornang Road. That will be adequate from a regulatory point of view, and it may still be axle counted, but that will happen before 10 July as well. That is the update on the restoration.

**Mr WEIMAR** — Just to add to Paul's statements, over the last three months we have worked very closely with the safety regulator on all of these matters with regard to ensuring that we have a safe and reliable program to bring VLocity trains back onto the Metro network. The safety regulator has been supportive of this program all the way through, and the planned axle counter program will really close out, from their point of view, any residual issues with this program. So we are very confident. We set up that program at the beginning of February, we have delivered to those timetables that we set out at that point in time. The first phase of that work has now been completed. VLocity trains are able to operate on the metropolitan network in accordance with the V/Line timetable, and we will close that residual work on the program over the next few months.

What I will now do is turn to Gary Liddle, interim CEO of V/Line, to talk about the wheel wear problem on the VLocity trains and the progressive restoration of services over the last few weeks.

**Mr LIDDLE** — Thanks, Jeroen; thanks, Chair. I think just to note, by way of a bit of background, that the Monash report has confirmed this, but we expected wheel-wear rates to increase post-RRL introduction. In July last year we were expecting wheel-wear rates to increase, and up until December those wheel-wear rates were pretty much where we expected them to be. They were being monitored, they were being managed, and it was really only in December that we saw this progressive increase in wheel-wear rates, and I will talk about the combination of factors that lead to that.

I think the Institute of Railway Technology has largely confirmed the things that we were thinking was the cause and the actions that we are taking. Just going to those causes, Monash really confirmed that the three causes of the wheel wear, and it was a combination of these things, it was a combination of the tight curves, the lack of lubrication and the hardness of both rails and wheels that led to the wheel wear we experienced. Again noting that while any one of those might have led to an increase in wheel-wear rate, it was really the combination of those things that led to the increased wheel-wear rate we saw in December and January in particular. As I have explained before to the committee, as the wheels got rougher and the rails got rougher, those two things rubbing together — like very rough sandpaper rubbing up against each other — caused the wheels to wear out at a faster rate than we had expected.

So if you go to what the report has actually recommended, it has certainly recommended that we should continue with lubrication. At this point in time we are both continuing with manual lubrication, but also trialling permanent lubrication systems. Certainly we see lubrication of those tight curves will be an ongoing activity that we will need to do going forward. We are working with Bombardier, as both the designer and the

maintainer of the train, looking at the hardness of the wheels, as to whether we should change the hardness of the wheels going forward. I really want to emphasise here that the wheels that are on the trains, and were on the trains at the end of last year and early this year, were exactly the same wheels that were put onto the trains in 2005 when they were first designed. So the standard of the wheels is exactly as was specified, but we are going to investigate whether we should increase the hardness of those wheels going forward, and we will be doing the same with the track. So the actual rail itself, we will be doing the same with the rail.

I just want to again emphasise that one of the things we want to make sure is that the rail and the wheel works as a system, and that we do not specify harder on one and not harder on the other or actually get it out of synchronisation again. Clearly wheel–rail interface will be something that we will look at, but again this is with Metro as well, because obviously the V/Line trains run on the Metro network as well as on their own networks, so we will be looking at that wheel–rail interface metric with Metro. And we will be looking at easing the sharp curves as part of any future works going forward.

I just wanted to reassure the committee that everything we have done has had safety at the forefront. The actions that we took in January were very much about keeping a safe network, but given what we have experienced, we have increased the level of our inspections and the frequency of our inspections, and we will be doing that going forward. We put in place a new asset management plan for this part of the network to ensure that it is actually being managed to keep it safe, and as I have already said, we will be doing ongoing lubrication of the network and there will be ongoing speed restrictions on this part of the network to ensure that it is kept safe.

If you can actually go to the following slide, and I think this is a slide that is both what is actually in the Monash report and it actually adds the following two months, so this slide includes February and March information about wheel-wear rates. You can actually see what was happening with wheel wear. As I indicated, in June/July there was an increase in wheel-wear rates that was expected as part of the introduction of regional rail link. For the coming five months or so it was very much a constant level of wheel wear, and it was being monitored and managed, and it was in December and January when we saw that substantial, progressive increase in wheel-wear rates for those two months. But again the diagram shows that with the actions that have been taken we have managed to bring that wheel-wear rate down to a level that we expect will continue to reduce, and we are seeing a continual reduction. But this is where we are at at the end of March.

Just covering off and I guess reinforcing what Jeroen has already said about coach replacements: the next slide shows where we are as of today, so still with 21 coach replacement services as of today. But from 26 April on the Geelong line we will be down to four coach replacement services, on the Ballarat line only one coach replacement service, on the Bendigo line four coach replacement services, and on the Gippsland line we will still have two coach replacement services. The slide shows as of today, but as of 26 April that will further reduce.

Just in closing, Chair, I just really want to say that we have made big inroads to where we were at the end of January. We will be back to 97 per cent of our services being delivered by trains as of 26 April, so another 2500 customers will return to train services on that date, and we are still very, very confident that we will have full restoration of services in June this year.

**The CHAIR** — Thank you, Mr Liddle. We will now move to a few questions. My first question relates particularly to the wheel wear. I suppose my first question is that we saw wheel wear as soon as regional rail link became operational on 21 June 2015. Was it foreseeable, and in retrospect now was it possible that this could have been managed any better than it has been up to this point?

**Mr LIDDLE** — I think at that point in time, as I said, we were expecting an increase in wheel-wear rate, and our expectations were evidenced by the rate of wheel wear that was shown from that date. We were constantly monitoring that, so for months we were seeing the same level of wheel wear going forward, and we believed that it was at a manageable level. So our expectation was that it was at a manageable level. Clearly in December the amount of wheel wear and rail roughness had got to the stage where it started to accelerate. We are very, very confident, though, that with what we are seeing now and the lubrication of the tracks we can actually run the services as planned on the infrastructure as it is. So, yes, we were expecting wheel wear, it was as we expected for five months, but it did increase progressively from December onwards, and that is when we had to take some different actions.

**The CHAIR** — Was V/Line negligent in not appropriately lubricating the track to ensure that this wheel wear did not occur the way it has?

**Mr LIDDLE** — No. We were firmly of the view that — as I say, we believed it would be manageable, and it was at the level we originally saw. So that non-lubrication of the track and running the service, as was planned as part of the introduction of regional rail, at that level that we saw around 0.5 millimetres per month wear, it was manageable. Clearly now we are seeing that in hot, dry weather we need to lubricate the tracks, and that is what we will be doing going forward.

**The CHAIR** — So in retrospect V/Line was wrong in the levels of lubrication that it was undertaking?

**Mr LIDDLE** — No. I would say that at the level in July it was all going as planned. So July through to November it was going as planned. Then in December — yes, clearly now we are finding that we should be lubricating tracks in those dry periods. So, yes, we have found now that we should be lubricating, but for five months it went exactly as planned.

**The CHAIR** — Had lubrication been at a higher level, would we have been able to overcome some of these issues that have presented themselves?

**Mr LIDDLE** — I do not think we will ever know the answer to that question because it is sort of putting something that we will never be able to answer, but we know now that if we lubricate we can run the services as planned.

**The CHAIR** — I recall that back on 23 February I asked you a question about the metallurgy of the wheels and whether or not this was an area of concern. At that stage you said that no, it was not and that it was an area that had been looked into but it was an area that was not of any great concern. After having read the report, obviously the make-up of the wheels and the track as well have been spoken of. Are you still of the same view, that the metallurgy of the wheels and/or the track is up to scratch?

**Mr LIDDLE** — I think they are absolutely up to scratch. They are actually at the standard that we specified. As I said to the committee, I think that the standard of wheels was exactly as had been ordered and specified. That is still the case. So the wheel standard and the rail standard are exactly what we want them to be under the specification. I think what Monash is saying is that with the level of wheel wear that we have experienced we should investigate whether it would be wise to go to a harder wheel. I stand by what I said, that the wheels were delivered to the specification that we had asked for, but Monash has certainly said that we should investigate whether harder wheels would be a good thing to do.

**The CHAIR** — I certainly accept that the specification may have been reached, but is that specification, or is that standard, okay? Is the standard the thing that is wrong, rather than the make-up of the wheel itself?

**Mr LIDDLE** — We do not know. The standard is not wrong. I think our task now is to actually look at the hardness of the wheels and the hardness of the rail, look across the network as a whole, and make the decision as to whether a harder wheel and/or a harder rail would be beneficial to reducing wheel-wear rates. What I can say is that even not having harder wheels or harder rail, we have reduced wheel wear to a level that we believe is sustainable going forward. But, yes, the recommendation is that we should look at that, and we will.

**The CHAIR** — I just wanted to ask some questions around cost. Do you have costs associated with reimbursements, with replacement coaches, with the costs for the additional wheels that have needed to be replaced, with the additional track that needs to be replaced? Do you have costings for what that has amounted to in terms of V/Line's budget?

**Mr LIDDLE** — In terms of V/Line costs, I can confirm that the coach replacement costs at the end of February were in accordance with what we previously advised the committee, so they were up to the \$2.5 million a week. I can confirm that that has been the replacement cost up to the end of February. We know that from the time we introduced the changed timetable on 21 March those costs have dropped to about \$1 million a week — of that order — and that with the planned introduction of the 26 April timetable that will reduce further to about half a million dollars a week. So I can confirm that the costs we talked about before at the committee for coach replacements are in accordance with that up until the end of February — we have seen

the numbers come in — but we are expecting lower costs going forward, based on the fewer replacement coaches.

**The CHAIR** — And the cost of reimbursements?

**Mr WEIMAR** — The cost of passenger compensation up to the end of February is \$1.7 million. That is consistent with the profile that we had shown you earlier.

**The CHAIR** — And the cost of replacement wheels?

**Mr LIDDLE** — We are still working through all that with Bombardier. I think we have indicated before we were starting negotiations with Bombardier. That has started, and we are working through all those costs with Bombardier at the moment, but I do not have a number that I can give you today, Chair.

**The CHAIR** — I have one more question that, Mr O'Halloran, I was hoping you might be able to assist me with. It relates to Progress Street in Dandenong and the level crossing there. I just wonder if you might be able to inform me whether or not there have been any faults at that particular level crossing with regard to the operating time of 25 seconds — whether or not that has been met at all times and whether or not there have been any faults on that particular level crossing?

**Mr O'HALLORAN** — I cannot talk to the specifics of any normal course of running failures at that crossing. But in relation to loss of shunts, which relates back to the 16 January failure, we have seen no further repeats of that failure mechanism. We have got the crossing monitored, so we are looking at it very closely, and we have seen no repeats.

**The CHAIR** — Are you able to take that question on notice, whether or not there have been any specific faults with regard to that level crossing?

**Mr O'HALLORAN** — Absolutely, yes.

**The CHAIR** — Fabulous, thank you very much.

**Mr EIDEH** — Gary, I have got a question for you. I am interested to know if you can explain line by line how many services have been restored, and when did you start putting each of the wheel-wear mitigation recommendations into effect? Can you please explain that.

**Mr LIDDLE** — Absolutely. I will go through each of the lines. So from the Traralgon line, all bar 2 of those services are now returned. Initially there were 26 services on Traralgon that were having to run as coaches to start with, and all bar 2 of those have now been returned as trains. If you go to the Bendigo line, I cannot remember initially how many there were. But certainly there are only 6 services currently operating as replacement coaches, and post-26 April there will only be 4 services on that line operating as coaches. Ballarat, currently 3 services are still operating as coaches, but that will go back to 1 from 26 April. And in Geelong, very much at the moment there are 10 replacement coaches, and we will put 6 of those back as trains from 26 April. So of the 298 services that we operate every day, there will only be 11 of those still operating as coach replacement services from 26 April. Currently 21 of those are as coach replacements, but back to only 11 of those from 26 April.

**Mr EIDEH** — What measures are you putting in place to prevent this type of issue occurring again in the future?

**Mr LIDDLE** — Thanks, Deputy Chair. What we are looking to do is very much about lubrication. So with all of the tight curves that we have — and there are about seven of these, both in the inner part but also at Sunshine — since we first identified the issue and the likely solution, we have been hand-lubricating those curves, so ensuring that lubrication on the inside face of the rail is being done. We are now looking at installing permanent lubrication so that does not have to be done by hand every day. We are trialling some solution to that at the moment. But we are very conscious that we have to get exactly the right amount of lubrication, because we do not want too much lubrication on the top of the track because then that creates other issues. It is very much about getting the right lubrication on the side of the track to ensure the wheel and the rail rub smoothly up against each other. That is probably the primary measure that we are taking.

We have also reduced the speed limits around some of the curves, so on some of those tight curves we have reduced the speed limit to 30 kilometres an hour. And as we talked about at the last meeting, we have replaced sections of track to ensure that we have both smooth track and smooth rail, now lubricated to ensure that they do not create wear together. It is about replacing rail that had become too rough, as well as replacing wheels to ensure we have that smooth rail-wheel interface going forward.

They are the key things we are doing at the moment, but as we have also touched on already, very much we will be investigating other things. We will be investigating the hardness of the wheels. We will be investigating whether we should be going to different hardness of rail, as well as different hardness of wheels. And we will be looking at: have we got the right rail-wheel interface management in conjunction with Metro, particularly where we operate on their network? So the key things that we have done are really lubrication, replace rough track and speed limits, and there are some investigations we need to do going forward to see whether there are other actions we should take in future.

**Mr EIDEH** — Do you expect those 21 services that are still being provided by coaches to remain that way until July?

**Mr LIDDLE** — Post-26 April, those 11 services that still remain as coaches, the expectation is from the end of April until the end of June when we do full restoration of service. I should have said earlier as well that those coach replacement services will continue to be free, so for those people using the coaches it will continue to be a free service.

**Ms HARTLAND** — I have a number of questions. I would like to start with regional rail. And obviously it was a project initiated under the Brumby government then carried through, I suppose, by the Napthine and Baillieu governments. But there was a six-month period where it was suspended when the Liberal government came to power, in that they were looking at the design and the project. Are you aware if any of the original plans for regional rail were actually changed?

**Mr LIDDLE** — I would have to take that on notice to be honest, Ms Hartland, because I am not sure what transpired in that period. What I can absolutely confirm though is that the project that was approved was the project that was delivered, but I am not in a position to be able to answer that question.

**Ms HARTLAND** — So approved by which government?

**Mr WEIMAR** — I think we have to take that question on notice.

**Mr LIDDLE** — Yes.

**Ms HARTLAND** — If you could, because I would be particularly interested to know, because there appears to be this issue at North Melbourne around the track that you had to take up, which I understand was laid for regional rail. So was the design different, were there shortcuts, was money not spent the way it should have been spent for regional rail and has that been a factor in the problems that have occurred with this? As we remember, this project came in under budget and early. Does that indicate that corners were actually cut in the budget and in the project?

**Mr LIDDLE** — The project that was approved is the project that was delivered, and there were no shortcuts against the approved project. But I cannot answer the first question you raised, Ms Hartland, around were there changes. But I can absolutely assure the committee that the project that was delivered was the project that was approved, and that there were no shortcuts taken in that.

**Ms HARTLAND** — By which government? By the original proposal?

**Mr LIDDLE** — I would have to take that on notice.

**Ms HARTLAND** — Right, so I think that is a really important point — which approval, which project was it?

**Ms TIERNEY** — Which minister actually signed it off.

**Ms HARTLAND** — Yes, that is right. So, yes, which minister actually signed off the project and what was carried out are what are really important. I have a number of other questions as well. In terms of the 800 metres that was taken up at Spencer Street, is this also the same set of tracks where the XPT derailed in 2014?

**Mr LIDDLE** — It is in the same area. I cannot say with absolute certainty whether it was the same piece of track, but it is certainly in the same area.

**Ms HARTLAND** — Also, I understand the Australian Transport Safety Bureau made a number of recommendations about that track. Do you know whether those recommendations were adhered to?

**Mr LIDDLE** — I would have to take that on notice, Ms Hartland; I do not know.

**Ms HARTLAND** — Also, in terms of the quality of the steel, was that Australian steel used in the tracks?

**Mr LIDDLE** — In the tracks or in the wheels?

**Ms HARTLAND** — In the tracks.

**The CHAIR** — Sorry, Ms Hartland. We have about 3 minutes to entertain ourselves while the lower house gets itself in order.

As the bells have finished ringing, we may resume. Ms Hartland, did you wish to refresh our memory?

**Ms HARTLAND** — I am sorry, the bells have completely destroyed my memory. We were talking about regional rail and you are going to take a number of questions on notice.

**Mr WEIMAR** — Certainly with regard to the question around the XPT derailment, I think we can answer that now.

**Ms HARTLAND** — Yes, that is right. That is where we were up to.

**Mr O'HALLORAN** — The XPT derailment happened further down track from the North Melbourne Flyover at the dual-gauge crossover behind what we call E-gate. Rail replacement occurred on the Flyover and also passed the Dual Gauge Turnout where the derailment occurred, but not actually at the turnout.

**Ms HARTLAND** — The second part of my question on that is: what has been done to mitigate that problem?

**Mr O'HALLORAN** — That would have to be taken on notice. That was a matter between the operator and V/Line.

**Ms HARTLAND** — In other committees you have talked about the decision on banning all VLocity trains from operating in the metropolitan area. In February you indicated that you had lost confidence in the workaround system. Can you explain why? It has just never been quite clear to me what it was that triggered you banning the VLocitys or Metro.

**Mr O'HALLORAN** — I can talk to that. We put a number of mitigations in place in early 2013. They included a range of things. We scrubbed all of the level crossing approaches on a monthly basis. We milled all of the level crossing approaches to reprofile the rail head to get the optimal contact band. We put in place a number of remote condition monitoring sensors so we could see how individual trains passing over those crossings that were instrumented were performing. There were other mitigations that we put in place as well; there was quite a raft of things. However, we were confident that while we had the ongoing discussion around the permanent engineering fix — i.e. axle counters — that we could continue operation for a period of time.

Then in January when we had the Progress Street level crossing, those mitigations and that assurance that we had, or the confidence that we had, was undermined. The crossing had been scrubbed — I forget how many days before — and the crossing had also been milled the previous year. So whatever mitigations we had in place had proven to not be effective, and that was why we had to take the decision to suspend the fleet.

**Ms HARTLAND** — So everything had been working all right from 2013 up until January this year —

**Mr O'HALLORAN** — Correct.

**Ms HARTLAND** — and then you lost faith in the process?

**Mr O'HALLORAN** — I would say we lost confidence in the mitigations that we had put in place.

**Mr WEIMAR** — And I think it was typified by the evidence at — was it Progress Street junction where the boom gates did lift early? We suddenly had prima facie evidence that the mitigations that had been in place at that particular location were clearly still not working sufficiently to prevent the boom gates lifting early. That is the catalyst that led to Metro reviewing the safety case for continuing to operate or allowing VLocity trains to operate on that part of the network.

**Ms HARTLAND** — Can you talk about what you did then to rectify the problem?

**Mr O'HALLORAN** — There was a whole series of mitigations that we pursued. However, the mitigation that we had to assure the regulator of — we had to do a safety assurance piece to the regulator. Each line was looked at individually — Sunbury Craigieburn, Pakenham — and it was actually a compromise on each corridor. We had to install trap tracks, basically, before we could reinstate VLocity services on those corridors. A trap track is a way of modifying the circuits in the level crossing control where when a train of any sort enters the crossing the booms go down and stay down until the train some time later is seen leaving the section. It is crude but effective, but not the permanent solution. An axle counter is the permanent solution, which will be all in by mid-July.

**Ms HARTLAND** — So obviously the VLocitys are now back in service. What is it that made you confident that that could happen?

**Mr O'HALLORAN** — Good question. We had to do a safety assurance case. It is not a lightly taken thing; we have to risk assess the specifics of every individual crossing and the circumstances of the operation over it. Then we have to assure the regulator that we are managing that risk so far as is reasonably practicable. They are the assurance pieces that we put to the regulator. We put mitigations in place, we amplified the amount of scrubbing that we were doing to three times a month, we put in place a monitoring regime which was above and beyond what we were previously doing, but the main thing that we did was we put the trap track circuit changes in place.

**Ms HARTLAND** — To do this work have you had to engage more maintenance staff to actually do this? Previously was your maintenance staff at a low level?

**Mr O'HALLORAN** — We did not have to employ or engage through contract any additional maintenance staff. However, in association with the installation of the axle counters we have had to bring in contract labour to support that.

**Ms HARTLAND** — In what way support that?

**Mr O'HALLORAN** — Design, commissioning, testing — —

**Ms HARTLAND** — The design and the implementation.

**Mr O'HALLORAN** — Yes. Correlation.

**Ms HARTLAND** — When you talk about the regulator you are talking about the office of national rail safety?

**Mr O'HALLORAN** — Correct.

**Ms HARTLAND** — So obviously in all of these incidents they are informed of this?

**Mr O'HALLORAN** — Absolutely.

**Ms HARTLAND** — So do they then make recommendations to you as to how this is to be dealt with, or are they just informed?

**Mr O'HALLORAN** — We inform them, and we submit to them an assurance piece, which, as part of our accreditation and safety management system, we have to do. We submit that to them, and by and large they will accept our assurance piece. If they do not accept it, then they can issue us a provisional notice to say, 'We don't approve of that', but they have not done that. They have accepted our approach.

**Ms HARTLAND** — How do they check? What is the mechanism for checking?

**Mr O'HALLORAN** — In regard to the assurance pieces that we did, we had constant dialogue. More broadly speaking, however, ONRSR conduct regular audits on us across the whole board of our activities to assure themselves that we are operating appropriately.

**Ms HARTLAND** — So is that audit a paper audit, or is it an actual inspection of the sites? Because obviously this is now a national body — there is not a state body — do they actually come and do a physical audit as well?

**Mr O'HALLORAN** — All of the above. Occasionally they will do desktop paper record audits, or they may decide to go into the field and look at or reconcile our paper records against what is happening in the field. They may go and walk through the corridors to assure themselves the condition of the infrastructure is fit for purpose. It is the whole range of audit that they undertake.

**Mr WEIMAR** — I think it is worth noting that ONRSR have been part of this whole process for the last three years or so. When we first had the instance in 2012 and the mitigations that Paul described, they were part of that ongoing review process and were comfortable with those arrangements in place. They were very aware that on 14 January that scenario changed, and they were quite critical around what other measures Metro as the ARO could take and what measures V/Line could take to assure themselves there was a safe case. The onus of responsibility continues to rest with the accredited rail operator, which in this case is Metro, for the maintenance of that track and infrastructure to assure themselves that is a safety case. That responsibility always sits with the ARO.

**Ms HARTLAND** — I have got more questions, but I will come back to those.

**The CHAIR** — Thank you, Ms Hartland.

**Mr ONDARCHIE** — Jeroen, we have been talking about this for some time. You have previously acknowledged, as have your colleagues and Mr Lezala when he was here previously, the impact on your budget or budgets of the organisations with urgent maintenance, reimbursements, coach replacements, extraneous unbudgeted costs, extra staff — we have talked about it all. Given we are in month 10 of the 15–16 financial year, what programs or projects or capital works or scheduled maintenance are not going to be done now in this financial year as a result of the impost of this other work?

**Mr WEIMAR** — We have described the costs. We have given you costs, as was said before, and we have described the costs as they are laying at the moment and as we are seeing them as at the end of February. We are currently covering this from the reserves that we have within our organisation. We can do that for the moment. There is no negative impact at this point around regular maintenance and renewal programs or other program expenditure activity.

**Mr ONDARCHIE** — So there are no programs or projects or scheduled maintenance that have been pushed back as a result of this?

**Mr WEIMAR** — Correct.

**Mr ONDARCHIE** — You stand by that statement?

**Mr WEIMAR** — I do, yes.

**Mr ONDARCHIE** — We talked about cost sharing with Bombardier, and Gary said you are still working that out. You have been talking about it for some time.

**Mr LIDDLE** — Yes.

**Mr ONDARCHIE** — Given there is a buyer to this that has some skin in this deal, what percentage of costs do you think should go to Bombardier?

**Mr LIDDLE** — I think that is very much a commercial discussion that we are still going through. I mean, we are working with them. We clearly have a long-term relationship with them, and we will be working through with them to make sure that the ongoing costs are appropriately shared. But it is still part of a discussion going forward, and I would not like to hypothesise on what might be the appropriate share.

**Mr ONDARCHIE** — Do you accept that Bombardier will have to have some costs attributed to them in this?

**Mr LIDDLE** — Oh, look, I think Bombardier would have an expectation that this is a long-term relationship, we want it to be an ongoing long-term relationship, and I am sure that the conversations that we have around the commercial sharing of the risk will be appropriate and resolved.

**Mr ONDARCHIE** — Jeroen, is the sleeper replacement project up to date?

**Mr WEIMAR** — The V/Line sleeper replacement? To the best of my knowledge it is.

**Mr LIDDLE** — Our maintenance program is as per approved at the start of the year, if you are talking about the V/Line sleeper —

**Mr ONDARCHIE** — I accept that the program was approved. Is it up to date, is what I was asking. Are you on schedule?

**Mr LIDDLE** — Yes, it is on schedule. We fully expect that by the end of the year we will have achieved our full maintenance program.

**Mr ONDARCHIE** — Okay. Thank you. Just one final question for the moment, then: given you have talked about a new asset management plan and there are some inherent costs in the things you had to go through over the last little while, what is your budget expectation for the 16–17 budget that will be released in the next week or two?

**Mr WEIMAR** — That is for the government to decide on.

**Mr ONDARCHIE** — You must know how much money you are going to need to run the business, given you have got extra costs now. You have got extra things you have got to do. What sort of number are you looking for?

**Mr WEIMAR** — That is not a submission I can make here and now, I am afraid. We have made our submission to government around the overall funding costs for PTV and the wider public transport network. I have no further figures to share with the committee at this point.

**Mr ONDARCHIE** — Fair enough. Will there be a requirement for an increase in funding, as opposed to the 15–16 year?

**Mr WEIMAR** — Again I have no numbers to give you at this point in time.

**Mr ONDARCHIE** — Take a punt, Jeroen. Do you think you will need more money than this year or less money than this year?

**Mr WEIMAR** — No, within the context of PTV's overall budget and commitments I think we have a comfortable envelope within which to work.

**Mr ONDARCHIE** — Jeroen, I am the politician here, all right? You do not have to give me a political answer.

**Mr WEIMAR** — Yes.

**Mr ONDARCHIE** — Are you going to need the same money as 15–16 or more money in 16–17?

**Ms TIERNEY** — Chair, this is badgering the witness. The witness has given an answer three times now on this very question.

**Mr ONDARCHIE** — We have got a Chair.

**The CHAIR** — Thanks, Ms Tierney. Thanks, Mr Ondarchie. I will ask Mr Weimar if he wanted to respond.

**Mr WEIMAR** — I have no further information to give at this point, thank you.

**The CHAIR** — Any further lines of questioning, Mr Ondarchie?

**Mr ONDARCHIE** — Yes, just one. Are you suggesting you do not need any more money next year?

**Mr WEIMAR** — No, what I am saying is we have made a very clear set of submissions to government for funding for next year. I am not at liberty to give you any further information that I do not have in front of me at this point in time.

**Mr ONDARCHIE** — Okay; thanks. That will do for the moment, thank you.

**Mr FINN** — Mr Liddle, the discussions that you are having with Bombardier are ongoing, I gather. If Bombardier does not come to the party in this, is this going to harm the relationship between V/Line and that company?

**Mr LIDDLE** — Oh, look, I am very confident that we will find a solution that meets both our commercial needs. I would have to say that Bombardier have been fantastic working through this issue with us. When we have identified ways that we can actually get wheels delivered earlier they have worked with us to make sure that has happened. They have actually put on extra pressing machines to make sure the wheels can be put on the bogies. Everything I have seen Bombardier do in the last two months would indicate that they will work with us to solve this problem commercially going forward, so I have no doubt we will find a solution that meets both our needs and that we will have an ongoing relationship with them.

**Mr FINN** — Could it be seen that they are in fact working under some sort of threat that if they do not cooperate with V/Line, then their own commercial interests down the track, if you will pardon the pun, will be at risk?

**Mr LIDDLE** — No. Look, certainly there has been no inference or position put forward in that respect at all. I mean the conversations with them to date, as I say, have been very amicable. That is not to say that they are not hard edged and there will not be ongoing commercial issues to solve, but there have been no inferred or put threats of their ongoing position with us in terms of the contract.

**Mr FINN** — Now, on the previous occasion that you joined us — and thank you for joining us again today — we had a guarantee given to us that everything would be fixed, that there will be no more problems and everything will be back to normal by 20 July. Are you happy to reiterate that guarantee?

**Mr LIDDLE** — Absolutely, and I use that word not lightly again today. We will have full services restored — all services will be train services — by the middle of the year.

**Mr FINN** — So post 20 July there will be no more problems of this nature?

**Mr LIDDLE** — No. I mean, we are very confident. Based on the information that we have got about the factors that Monash have said are the cause of these and the slide that I put in front of the committee today, showing where the wheel-wear rate got to in January and where we are back to now, we are very confident that we can get the wheel-wear rate back to a level that is manageable and sustainable going forward.

**Mr FINN** — So a guarantee that post 20 July we will have no repeat of what we have seen so far this year?

**Mr LIDDLE** — The wheel wear issue, we believe, is under control. We have still got more work to do. We have still got more investigations to do into wheel hardness and rail hardness, but everything we are seeing would indicate that the levels of wheel wear are coming down and that it will get to be a sustainable and manageable level in the near future.

**Mr FINN** — Thank you. I will look forward to that bearing fruit in the fullness of time, as they say in the classics.

A question to Mr Weimar. The Monash Institute of Rail Technology report was released on Saturday by V/Line, some would say to avoid excess media scrutiny — not that I would have that degree of cynicism, of course — but there were other reports produced by V/Line. In particular in February 2016 the institute produced a ‘review of changes to superelevation on the North Melbourne flyover’. Given that this is one of the major recommendations of these consultants, to increase the radius of curves on the flyover to fix this somewhat embarrassing and costly safety issue for the long-term, will you instruct or indeed liaise — we are all cooperating today, I gather — with V/Line to publicly release this report or at the very least provide copies to the committee members?

**Mr LIDDLE** — Can I just say what we have done in relation to that report first. In terms of easing the impact of the tight curves, we were looking to see whether Monash would recommend some things to be done or in fact support some things we were putting forward, and those things were in particular to reduce the speed limit and reduce the superelevation or the cant of the track on those curves. In fact that report specifically goes to those issues that support that proposed action on our part — that it would be more beneficial in terms of reducing the wheel-wear rate to have a lower speed around those curves and to remove the superelevation and the impacts of that on the wheel-wear rate. So the report was really in response to us putting that forward as a potential mitigant and the report supported those actions. That is specifically what the report does.

**Mr FINN** — Would we be able to get a copy of that report?

**Mr LIDDLE** — I personally do not have a problem with providing a copy of that report to the committee. I think there is nothing in there — it supports actions that were taken.

**Mr FINN** — And its release publicly? Would you have any problem with that?

**Mr LIDDLE** — My undertaking is to provide it to the committee.

**Mr FINN** — Fair enough. Just one more question. Can the current 25-kilometre-an-hour temporary speed limit imposed for trains using the flyover ever be lifted unless a new flyover with gentler curves is built?

**Mr LIDDLE** — The intent, as I have indicated, is to have a lower speed limit than there was there previously, but it will be 30 kilometres an hour. So the intention is to have a 30-kilometre-an-hour speed limit on that flyover. That will still allow us to run the services that we are running today. There will be a permanent, ongoing speed restriction on the flyover, but it will not be 25; it will be 30.

**Mr FINN** — So we are looking at 30 kilometres an hour on the flyover?

**Mr LIDDLE** — Yes.

**Mr FINN** — And it will remain that unless we actually get a new flyover?

**Mr LIDDLE** — The intent, as I said, was — the actions that we have taken on that flyover were to remove the superelevation and reduce the cant, and the reasons for doing that were as a mitigant to the wheel wear. That will continue. As I have also said to the committee, we are very confident we can run the services that we are currently planning on running around that flyover with that action having been taken.

**The CHAIR** — I am sure committee members have a couple more questions to finish off with. I will just pop a couple of questions in there. I was just wondering: when did V/Line receive the report with regard to the wheel wear?

**Mr LIDDLE** — So on 1 April, as talked about here, we were talking to them about the report, but the actual final report was received on 1 April.

**The CHAIR** — So there were drafts of the report and the like that were provided to V/Line prior — —

**Mr LIDDLE** — There were discussions, yes. Obviously as any consultant is doing work there are conversations between the client and the consultant, and, yes, there were conversations about earlier drafts

which were not complete. So the final report received on 1 April — we reviewed the findings of that report during the week following 1 April to ensure we were comfortable with what we would do in response to that and we publicly released the report, as was indicated before, on the Saturday morning.

**The CHAIR** — When did V/Line provide the report to the minister or the minister's office?

**Mr LIDDLE** — The final report was provided at the same time as provided to everyone else. I think we provided it to the committee on Friday afternoon, I think is my recollection. It was provided to the minister on the Friday afternoon as well.

**The CHAIR** — On the Friday afternoon. Was the minister provided with copies of the draft reports prior to it being finalised?

**Mr LIDDLE** — There were ongoing conversations with the minister's office over the whole period of what we were planning on doing.

**The CHAIR** — But were copies of the draft report provided to the minister's office?

**Mr LIDDLE** — I honestly cannot recall, Chair, I just cannot recall, but there were certainly conversations with the minister's office.

**The CHAIR** — Could you find that out and take that on notice to inform the committee?

**Mr LIDDLE** — If the committee would like that, I guess that is a — —

**The CHAIR** — I would appreciate that. There we go. Thank you. Just a couple of questions with regard to Metro trains. Has there been any increase in Metro train wheel wear like was seen with V/Line?

**Mr O'HALLORAN** — No.

**The CHAIR** — That is positive to hear. I was hoping to also ask, perhaps you, Mr Weimar, about the Gippsland line. This is something that I know has been a topic of discussion. A dedicated Gippsland line is something that has been spoken about similar to the regional rail link, similar to the Geelong and Ballarat lines. Are there any plans for a dedicated Gippsland line like Ballarat and Geelong have with the regional rail link?

**Mr WEIMAR** — Certainly nothing that is currently on the program. Perhaps it is subject to future announcements, but there is nothing on the program at the moment.

**The CHAIR** — With the level crossing removal that is currently planned for the Dandenong line, will that provide for additional capacity for Gippsland trains?

**Mr WEIMAR** — It will certainly provide additional capacity on that corridor. There are a whole range of measures we are doing on that corridor at the moment at this point in time with the CD9 removal package and with the series of other significant upgrades that we are exploring. That will increase the overall capacity on that line and that provide some options for both Metro train customers and for regional rail customers further down the track.

**The CHAIR** — Perhaps back to you, Mr Liddle. Can you inform the committee how much the report cost — the wheel wear?

**Mr LIDDLE** — I think I actually — in response to an earlier question — \$65 000.

**The CHAIR** — \$65 000.

**Mr LIDDLE** — Yes.

**The CHAIR** — Very good. I am just wondering about the 800 metres of line that was recently replaced. How is the wear looking on that particular line at this point?

**Mr LIDDLE** — Everything that we are seeing at the moment is working as planned. So the smoother rail, smoother wheel, wheel-wear rate has come down and the wear rate on the rail has also come down, so it is progressing as we would expect.

**The CHAIR** — So you do not foresee the need to replace that line in the foreseeable future?

**Mr LIDDLE** — Everything will need to be replaced. Wheels will continue to need to be replaced, rail will continue to need to be replaced, but certainly it is progressing as we would expect given the lubrication that is happening.

**Mr EIDEH** — I have one question and then I will hand to Ms Hartland. Can you remind us, which government or minister signed off the regional rail link?

**Mr LIDDLE** — I think that is a question that we have already agreed to take on notice; I think Ms Hartland asked that question, so we have agreed to take that on notice.

**Mr EIDEH** — Can you remind us how much money was taken out of V/Line?

**Mr LIDDLE** — I think again that was at a previous meeting that was already discussed, so I do not have a number in front of me at the moment.

**Mr WEIMAR** — We are going to take that one on notice.

**Ms HARTLAND** — I have two questions, and they are probably both on notice. Following up on the regional rail issue, not just which minister signed it off, are you able to provide us with a copy of the original project and then actual copies of the two projects so that we can compare them?

**Mr WEIMAR** — We would have to go back and look up what information is in our files and whether that sits with PTV or whether that sits with the department. We will take that question on notice — —

**Mr LIDDLE** — What are the two? I am not clear in my mind what the two — —

**Ms HARTLAND** — So the original project that was instigated by the Brumby government and the project that was actually signed off by Minister Mulder.

**Mr LIDDLE** — I think you have answered my question.

**Ms HARTLAND** — I want to see whether there is any difference in the two reports. And my other question, which is also one that you may have to take on notice, is on the issue about reduction in the V/Line budget in the 2013–14 period under the previous government. If you could — and I doubt that you can do this today — just talk to us about how that has affected maintenance and whether you think that those cuts to the V/Line budget actually have had some effect on the problems we are seeing now.

**Mr WEIMAR** — We will take that on notice.

**Mr ONDARCHIE** — Jeroen, in answer to my earlier question about the costs and all this you indicated you are able to service these through your existing reserves. How much has it cost so far?

**Mr WEIMAR** — As I said earlier, the replacement coaches so far have cost us \$15.79 million up to the end of February; that is a \$2.5 million a week run rate. That has obviously come down now. The customer compensation has costed us \$1.7 million as of the end of February so far. So those are the crystallised costs that we have at this point in time.

**Mr ONDARCHIE** — What about the other costs for other parts of the repair and maintenance?

**Mr WEIMAR** — Those are the highest costs we have been focusing on at the moment. Those are the numbers we have at the moment, and those are the ones we are working with.

**Mr ONDARCHIE** — But you must have your January monthly financials in and you must have your February. What are we — 11 March. You must have your March in just about by now. So you could tell us what the costs are.

**Mr WEIMAR** — Those are the costs that have come in so far and that we have got verified numbers for. As Mr Liddle said earlier, there are still ongoing conversations with Bombardier and other parties around the actual accretion of other costs in this part of the network. We have not got those at this point in time. So the costs that I can see at this point in time are those costs that I have outlined.

**Mr ONDARCHIE** — But you would have had to buy equipment and materials, pay contractors and everything certainly for the first three months of this activity, wouldn't you?

**Mr WEIMAR** — No. Again, there is an ongoing discussion going on between V/Line and Bombardier around the costs that they are incurring at this point in time. As Mr Liddle said, those discussions are ongoing. We have not funded those at this point. So the ones that we are clear on are the replacement coaches, because we are paying for those directly through V/Line, and the passenger compensation, because we are paying for that directly as PTV.

**Mr ONDARCHIE** — Right. So those are external costs you have already paid and are looking for recompense for from Bombardier, are they?

**Mr WEIMAR** — There is a separate conversation going on with Bombardier around the overall cost — —

**Mr ONDARCHIE** — I understand that, but you have already paid some contractors for their work, I suspect.

**Mr WEIMAR** — No. To be very clear, we have paid for replacement coach services; we have paid for the passenger compensation. Those are the costs, from a PTV point of view, that we can see going out of the door at the moment, up to the end of February.

**Mr ONDARCHIE** — Okay. Then V/Line, have they been paying some costs to contractors or whoever is doing that — —

**Mr LIDDLE** — No. We are paying Bombardier and the like their normal maintenance costs. So it is not like we have stopped payments to Bombardier; we are paying them as we would normally pay them for their normal maintenance. And we are still working through with Bombardier what the increased costs are as a result of this issue.

**Mr ONDARCHIE** — So who is carrying the costs at the moment — V/Line or Bombardier?

**Mr LIDDLE** — It is a combination of both, really, because we paid for the coach replacements with PTV — —

**Mr ONDARCHIE** — Yes, I understand that. I am talking about stuff outside the coach replacement and the reimbursement. So I am talking about the physical works that have been done.

**Mr LIDDLE** — It is a combination of both. Bombardier is certainly wearing some of those costs.

**Mr ONDARCHIE** — Do we know how much that is?

**Mr LIDDLE** — No. I have no idea how much that is at the moment.

**Mr ONDARCHIE** — So you do not know what your exposure is?

**Mr LIDDLE** — The answer is, as I keep saying to the committee, that we are working through with Bombardier what the cost to government will be on this — the cost to V/Line — and we are continuing to have those conversations.

**Mr ONDARCHIE** — But you do not know what that cost — —

**Mr LIDDLE** — I do not know what that final number will be, no.

**Mr ONDARCHIE** — And you have no sense of what the exposure is to the taxpayer on this thing?

**Mr LIDDLE** — I do not know what the final number will be to the taxpayer, no. We are continuing to work through with Bombardier what that number will be.

**Mr ONDARCHIE** — Do you have an estimate?

**Mr LIDDLE** — I do not. Until we have actually had the conversations, I cannot answer that question — until we have finalised the conversations.

**Mr ONDARCHIE** — So you are telling me three months on you do not know what the taxpayers exposure is on this?

**Mr LIDDLE** — We are continuing to work through with Bombardier what the cost will be.

**Mr ONDARCHIE** — Yes, I know that. But you do not have a sense of what the exposure to the taxpayer — —

**Mr LIDDLE** — I do not have a final number, but it will be a cost.

**Mr ONDARCHIE** — So you are not making any provision, then, for this?

**Mr LIDDLE** — V/Line?

**Mr ONDARCHIE** — Yes.

**Mr LIDDLE** — No. V/Line is working on the basis that this cost will be funded, but I do not have a final cost.

**Mr ONDARCHIE** — Be funded by who?

**Mr LIDDLE** — By government. We will work with PTV and others to resolve what the final cost will be and how it will be funded.

**Mr ONDARCHIE** — And three months in, given the January financials are in, the February financials are in and I expect the March financials are in, you do not know how much it is likely to be?

**Mr LIDDLE** — We do not have a final cost.

**Mr ONDARCHIE** — I know that. I am not asking about a final cost, Gary. I am looking for a year-to-date cost.

**Mr LIDDLE** — I do not have an estimate of what the final costs will be, no.

**The CHAIR** — Thank you very much, gentlemen, for your time today. I will just remind you that you will be provided with a copy of the transcript in due course for proofreading, and those transcripts will ultimately be made public and posted on the committee's website. I thank each of you, gentlemen, for your time today and close our hearing.

**Committee adjourned.**