All Aboard!
A Fresh Start for Transport Heritage in NSW
May 2013
Reviewers

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NOTE: This report and its findings and recommendations reflect the opinions of the reviewers. The reviewers’ opinions are not necessarily those of Transport for NSW or those of the Government of New South Wales.
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The overall total annual regional spend for those visiting Puffing Billy is:

**International** visitors spending $86 per day (assume 33% related to Puffing Billy)
Contribution to the Victorian Economy would be:
72,750 visitors x $86 per day x 0.33 = $2,064,645

**Interstate** visitors spending $148 per day (assume 80% related to Puffing Billy)
Contribution to the Victorian Economy would be:
37,975 visitors x $148 per day x 0.8 = $4,496,240

**Intrastate** visitors spending $92 per day (assume 80% related to Puffing Billy)
Contribution would be
134,750 visitors x $92 per day x 0.8 = $9,917,600

**TOTAL DIRECT CONTRIBUTION IS $16,478,485.**
With multiplier of 3,

**CONTRIBUTION OF PUFFING BILLY TO VICTORIAN ECONOMY**
IS $49.4m per year

One job in tourism created for every $82,000 of input from tourism.
PLUS JOBS FROM INDIRECT CONTRIBUTION

**Source:** Tourism Victoria Research October 2010
Executive Summary

In October 2010, Tourism Victoria released estimates of the direct and indirect contribution to that state’s economy of a single rail heritage operator, Puffing Billy. The total came to a surprising $49.4m a year. It was clear that, far from being a fringe sector peopled by marginal enthusiasts, rail heritage appealed to a wide cross-section of the public, and that, if the sector were properly managed, it could be a substantial source of revenue for the state.

However, in NSW, there is no doubt that major, fundamental changes need to be made for this goal to be achieved. Despite some successes in the past five years, and the dedicated efforts of some of its participants, particularly its remarkable and indispensable volunteers, the sector now suffers from divisions, low morale, and missed opportunities. NSW has not been benefiting from rail heritage in proportion to the size of the state, and the potential is there to be tapped.

First, however, a fresh start needs to be made and the divisions eliminated once and for all.

They have been occurring at several levels.

In 2006, following the Vertigan Report which asserted that there were too many small agencies in the NSW public service, the Office of Rail Heritage (ORH) was established as a small component of a giant entity, RailCorp, instead of as an independent body as recommended by a high-level Advisory Committee. Under RailCorp management, ORH was never independently audited, did not issue its own financial statements, did not report on its performance against budget and indeed had no separate budgets of its own.

In 2009, following a report commissioned by the Office of Rail Heritage, the Government took a major rail heritage decision, to create another museum at Thirlmere, NSW (90kms from Sydney) adjacent to an existing parallel body, the NSW Rail Transport Museum (RTM), established in 1962.

With 2,300 members and almost 400 volunteers, the RTM was, and is, easily the largest single entity in the rail heritage world in NSW. It manages many of the sector’s assets, is exclusively focused on rail heritage, and can, without much exaggeration, be called its principal, central, component, despite some managerial shortcomings.

The new museum, Trainworks, caused divisions between ORH and the RTM, both at senior and grassroots volunteer level, despite the goodwill of many staff on the ground, written protocols and a memorandum of understanding established at the outset. At $35m, its cost was easily the largest amount spent on any transport heritage museum in Australia, almost double the $20m spent on the successful counterpart in Queensland (Queensland’s Workshops Railway did receive supplementary funding after its establishment). The reviewers consider that there was inadequate justification both for the establishment of Trainworks in the first place, particularly in a location which is far away from Sydney and practically inaccessible by public transport, and also for the large sums that were spent on what, in the opinion of the reviewers, has turned out to be a less than inspiring institution.

Further divisions have occurred between ORH and many of the smaller rail operators. The review received a number of complaints about ORH’s management style, and about low morale and inefficiencies in the sector.

Other divisions were of longer standing, particularly that between the RTM and a much smaller and more recent entity, 3801 Limited, which has 27 members and 122 volunteers, according to documents provided by 3801 Limited to the review.

Since 1986, 3801 Limited has had the exclusive and virtually free occupancy of one of the iconic buildings near the centre of Sydney, the Large Erecting Shop (LES) at Eveleigh, under a lease awarded by the State Rail Authority and its successor, RailCorp. Currently there is no other central Sydney base for other heritage operators to use, and, accordingly, this arrangement has been a source of conflict in the sector, according to information received by the reviewers. The review was also told by ORH that RailCorp has also sought to use the LES for its own purposes, like training of apprentices and housing of other rail
vehicles, but without success. In the opinion of the reviewers, many potential alternative uses of the LES are likely to result in a wider and greater public benefit.

In addition, RailCorp has awarded the company sizeable non-heritage commercial contracts. RailCorp does not seem to have inquired whether there was a level playing field in the awarding of the contracts. Transport for NSW also continues to provide insurance subsidies to rail heritage companies without developing a policy on the proportion of their revenue that can obtained from commercial sources. In addition, some companies, including 3801 Limited, have had the fees they pay to RailCorp for access to the main line waived.

The review received many comments to the effect that the endemic divisions in the sector were stifling it and causing low morale among those who are left after others leave. The discord has, as a result, reduced the state’s earnings from tourism, and prevented the public from deriving the full cultural and educational benefits that the sector can bring.

Apart from the divisions in the sector, there are other factors which led the reviewers to believe there is no choice but to turn the page and make a fresh start under a new management structure.

First, there is the issue of the underutilisation of two major sites. The LES could be a superb locale for an entity that would provide greater public benefit than is the case today. The other site, Broadmeadow (which includes the heritage-listed Locomotive Depot), is a 45 acre site in the middle of a catchment area of half a million people in the Newcastle area. It is now full of weeds and graffiti-blighted carriages, its potential latent. A new body could rejuvenate and derive full public benefit from both these sites.

Indeed, a new body could encourage the adaptive re-use of a number of non-operational heritage sites across New South Wales.

Second, there is the ageing of the sector. Repelled by the divisions and the low morale, younger members are leaving the sector in considerable numbers. They need to come back, and new ones need to come in, and they will not unless there are, and are clearly perceived to be, an unambiguous break with the feuds and less than ideal arrangements and structures of the past, and new arrangements for managing the sector.

Such a new rail heritage world could take many forms. The review carefully examined ten possible options:

1. Preserving the status quo;
2. Moving the functions of ORH from RailCorp to Transport NSW;
3. Creating another government-controlled not-for-profit company limited by guarantee;
4. Legislating for a new company which would have on its Board a minority of Government members, one member each from RTM, 3801 Limited, and Rail Heritage Australia NSW, and a Chairman elected by the Board;
5. Creating a state-owned corporation;
6. Creating a Trust;
7. Having the Powerhouse Museum carry out all central management functions for the sector;
8. Having the NSW Office of Environment and Heritage carry out all central management functions for the sector;
9. Leaving out buses and trams;
10. Creating a not-for-profit company limited by guarantee independent of, but monitored and partly financed by, government.

There were factors working against all of these options, except the last. However, all of them eliminated RailCorp as the manager of the sector. There were too many questions about how RailCorp had been managing ORH and the LES, and in any case, the Minister for Transport has stated that RailCorp needs to concentrate on its core business of moving passengers. The reviewers have unanimously settled on option 10 as the best, most prudent, and most effective way to ensure a fresh start while using the advantages of the present.
The principles underlying the new model are to be:

1. A new unity of purpose to replace old divisions;
2. Empowerment of members and volunteers, meaning self-management and independence from government;
3. Encouragement of an entrepreneurial culture;
4. Adequate and guaranteed financial support, plus annual supervision, from government and development of a formal Funding Agreement;
5. Simplicity;
6. Professionalism and quality in the Board and the management;
7. Independence of smaller entities, with strong protection of their interests and assistance to their operations;
8. Inclusion of bus and tram organisations;
9. Government rail assets to be owned by Transport for NSW, protected by law, leased to new entity;
10. Coverage of all heritage rail assets in NSW, not just those owned by government, under strict criteria.

The characteristics of the preferred option are to be the following:

- Formation by the sector itself of a new not-for-profit company limited by guarantee, to be named Transport Heritage NSW (THNSW);
- Amalgamation of the NSW Rail Transport Museum, and the functions of ORH and Trainworks into this single new entity;
- The company to:
  - be an accredited rail operator;
  - manage assets, undertaking government’s heritage obligations under the Heritage Act;¹
  - manage a custody management agreement system with smaller operators;
  - manage the museums at Thirlmere and Valley Heights;
  - manage members and volunteers;
  - organise educational programs;
  - begin realising full value for Broadmeadow and Large Erecting Shed;
  - assist smaller entities;
  - act as strong voice for the sector with government;
  - act as first filter in grant assessing process;

¹ RailCorp may need to retain a residual capacity to meet its heritage obligations.
Other Features of the New Entity are:

- Vesting of assets in Transport for NSW and leased to THNSW;
- Funding to be provided to THNSW through its own operations and fundraising, with guaranteed supplementation under a firm Funding Agreement with government providing for government financial support for maintenance and restoration;
- Funds for capital development to be negotiated separately with government;
- A small unit in Transport for NSW to provide light supervision, receiving quarterly reports, preparing an annual report on THNSW, channelling funds and representing the sector to central agencies;
- Grants to be awarded by an independent panel, with a set minimum going to smaller entities, the proportion to be established with the participation of the smaller entities;
- Only individuals to be full members; incorporated entities to be Associate Members;
- Only Associate Members to be allowed to apply for grants;
- All membership to be voluntary;
- Board to have eight members, consisting of a Chair, a Deputy Chair, three directors (from among RTM members) elected by RTM members after prequalification by an independent panel, three members selected by that independent panel after its assessment of nominations;
- Board to include a range of high level expertise, especially experience in finance and successful museum operations.
- Board to include no directors with a conflict of interest, e.g. managers of companies either making requests of THNSW or being the object of decisions made by THNSW.
- Chair to be either appointed directly by Minister or selected by independent panel after its assessment of nominations.
- Deputy Chair to be a member of RTM, selected by independent panel after its assessment of nominations. This appointment to be transitional.
- CEO not to be a member of the Board, but to attend Board meetings.
- Internal Audit to report directly to Board.
The cost of the new entity to Government is likely to compare favourably with the amounts it is currently spending on rail heritage.

Currently, the Office of Rail Heritage is spending $2.2m on normal operating expenses and $4.4m on maintenance and restoration. If we assume that the day-to-day operating expenses of THNSW are likely to be $3.1m, instead of the $2.2m of ORH (because THNSW will be running trains and a museum, which ORH did not do), and that the revenue of THNSW is likely to be $1.8m, the amount that THNSW will need as a supplement from government to cover day-to-day costs will be about $1.3m. If we add to that amount a similar amount to the $4.4m that ORH spent on maintenance and restoration, we come to a total funding requirement of around $5.7m from government. This compares well with the $6.6m that government is currently spending on rail heritage.

Other recommendations include:

- Transport NSW should finance and follow a structured change management process to facilitate the transition to THNSW;
- Under the leadership of a small team inside Transport for NSW, detailed Master Plans for the Large Erecting Shop and for Broadmeadow, should be prepared, concentrating on the widest possible public benefit to be obtained from the sites;
- Transport for NSW should reconsider the criteria under which access fees are waived;
- Transport NSW should develop a policy on the threshold proportion of a company’s business that can be represented by commercial activities, below which the company would be entitled to insurance subsidies;
- In the interests of fairness and a fresh start, all positions should be subject to a new merit selection process. Existing government staff will be covered by normal public sector employment rules and conditions;
- Extra efforts should be made to recruit younger members to the sector.

It might prove impossible to implement the preferred option, for a number of reasons. If so, the review recommends Option 2 on p. 7 above, namely moving the current functions of ORH from RailCorp to Transport NSW. This should only be a course of last resort, because it has significant drawbacks.

The future for the rail heritage sector in NSW could be bright. With unity, a shared purpose, and different management structures, the sector can finally fulfil its potential, make a substantial contribution to the NSW economy, and captivate a whole new generation.

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A list of those interviewed may be found in Appendix 2.
Introduction

In October 2011, Tourism Victoria released its estimate of the contribution to that state’s economy made by a single Victorian rail heritage operation, Puffing Billy, in one year. The total amount spent annually by overseas, interstate and intrastate visitors on their one-day visits to Puffing Billy was $16.5m. They spent that money mainly on food and drink (26.3%), accommodation (20.2%), shopping (14.1%) and fuel (10.1%). Tourism Victoria then applied a multiplier of 3 to the $16.5m, and came up with a figure of almost $50m, which represents the contribution to final demand in the Victorian economy generated by Puffing Billy. Even if we adopt a more conservative multiplier, say, 2, the contribution of Puffing Billy to the Victorian economy would have been over $30m over the course of one year. And this is just one rail heritage operation.

In another estimate, Tourism Victoria calculated that one job in tourism is created for every $82,000 of input from tourism into the state’s economy.\(^2\)

Those figures should be the starting point for any consideration of heritage rail in New South Wales. This is not simply a fringe sector peopled by marginal enthusiasts. Actually, there is a keen and widespread public interest in rail heritage. It comes from those who want a hands-on experience of Australian history; from families who want education, entertainment and fun for their children; from adolescents fascinated by how things run and operate; from older people who want to relive their youth in restored carriages; from lovers of trains, especially steam trains; indeed from an enormous cross section of the population.

If this public fascination were properly stimulated and tapped, if the transport heritage sector were differently organised, it could be a major contributor to the NSW economy. It would easily exceed the $30m (conservative estimate) contributed to the Victorian economy by Puffing Billy alone. A rough guess could take the figure up to a possible $50m - $60m, or even more, and many jobs, that the heritage rail sector could contribute to the NSW economy each year.

But at this point, the heritage rail sector in NSW is not always well organised. It suffers from divisions, low morale, less than ideal management and missed opportunities.

Government bears a leading responsibility for this situation. Partly this is the result of unfortunate coincidences; partly apathy; partly misjudgements and mismanagement. Instead of contributing to a healing of the long-standing divisions in the sector, government has, in some ways, ended up exacerbating them.

The sector itself is not exempt. For many years, there have been serious divisions among a number of its leading constituents. The emotions engendered by these schisms are not their worst effects. More serious are the inefficiency and the multiple missed opportunities they have brought about. It is impossible to estimate what this discord has cost the state’s economy, but the Victorian figures give food for thought.

It is time for a fresh start. Younger members of the sector, repelled by the divisions and mismanagement, are leaving it in considerable numbers. Even the older members acknowledge that the current situation has gone on for far too long. The NSW Government, too, has recognised that a new approach is overdue, not just for the revenue the sector could be bringing in, but for the enrichment, education and entertainment of the public at large.

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\(^2\) Victoria Tourism Research, provided by Mr Chris Le Marshall.
That is the reason why this review was commissioned. Reviewers have met with scores of individuals and organisations, drawn on their extensive overseas experience, travelled to a number of rail heritage sites in NSW, Queensland and South Australia, and read numerous written submissions. Two of the reviewers are world-renowned experts in rail heritage, one a recognised authority on public sector management.

The result is this report. It offers an analysis of what has been occurring in the sector over the last ten years, explores a number of possible models for the future, and settles on a single preferred option, for which it provides a detailed blueprint.

The future for the rail heritage sector in NSW could be bright. With unity, a shared purpose, and different management structures, the sector can finally fulfil its potential, make a substantial contribution to the NSW economy, and captivate a whole new generation.
Chapter 1: Aspiration

Selected Transport Heritage Museums and Operators Overseas and in Australia

A. Overseas

a. Worldwide Models for the Management of Rail Heritage

It is not at all unusual for publicly owned transport authorities to take their heritage seriously and to seek to preserve both vehicles and smaller artefacts as the core of historic collections and displays. Broadly speaking, three organisational models for the management of public transport heritage are to be found. One of these is now obsolescent in the UK but is still to be found elsewhere in the world.

Following the wave of nationalisations after WWII around the world, the earliest model tended to materialise during the 1950s. Railway authorities in most European countries had opened museums by the mid-1960s, having set aside historic material in storage, in some cases since the nineteenth century.

At a time when nationalised railway corporations had wide-ranging responsibilities beyond running trains (in the UK, for example, these activities included manufacturing, hotel operation, shipping, bus transport and so on) it did not seem strange to be running museums.

Even today, railway authority operated museums can be found from St Petersburg to Naples to Cairo and it is only in the last two or three years that the very high quality museums operated by Deutsche Bahn and by London Transport have moved to a more arm’s length status. Japan’s railways operate directly several very popular public museums in Tokyo, Kyoto and Osaka. Despite privatisation of the train operators, Sweden’s rail infrastructure authority continues to run a well managed and popular museum service with two museums.

Until recently, the London Transport Museum was an example of this type. LT’s top leadership in the late 1970s felt very strongly that operation of a museum was totally in line with the very strong brand values of that organisation. They opened a museum (in partnership with the Greater London Council) in the old Flower Market of Covent Garden and this continued to be operated as an integral part of LT until very recently. LT had a very wide-ranging portfolio of activities and strong ancillary commercial, public affairs and marketing functions into which the museum comfortably fitted. Apart from its conventional museum functions, the Museum was responsible for management and exploitation of the organisation’s highly valuable IPR (the Underground map, LT roundel etc) and costs were significantly offset by income from the exploitation of these heritage resources.

Despite being run directly by the transport authority, the LT Museum was for many years able to act at the forefront of the Museum scene. The relative high level of funding that LT has been able to afford for the museum budget has enabled it to be a leader in a wide range of educational, programming and community engagement initiatives for the museum world in general.

It is worth noting that similar arrangements have existed for publicly owned postal, telecoms and mint authorities. Postal museums in, for instance, Switzerland and the Netherlands and the mint museum in Spain continue to be significant public-facing facilities.

Model 1, therefore, is that which still exists in New South Wales and decreasingly elsewhere. The public transport corporation operates a heritage management and public museum function as part of its business.

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3 This section was separately prepared by Andrew Scott and Lord Richard Faulkner.
Nevertheless, the trend since the 1990s has been for the separation of museums into more arm’s length arrangements. Britain led the way with the Beeching Report in the mid-1960s recommending that the nationalised transport industries should cease running museums. This recommendation was codified in s.144 of the *Transport Act 1968* (UK) which, in summary, had two effects:

1. encouragement was given to the nationalised transport industries to hand over their heritage interests to the Science Museum (or its Scottish equivalent).
2. The Museum was given the right to claim items of historic interest from the nationalised transport body.

In the UK, the British Railways collection (which was housed in three museums in England and in stores in both England and Scotland) was handed over to the Science Museum and the Glasgow City Museum of Transport. British Railways provided a building in York and funded its conversion to create a major public museum. The Science Museum at the time of the opening of the National Railway Museum was an integral part of the Department of Education and Science, moving in the 1980s to NGO status as a publicly funded statutory charitable Trust funded by the Culture Department of State.

In this Model 2, the rail heritage collection becomes an integral part of the national portfolio of cultural heritage provision, along with the other national museums covering natural history, technology, art, design and so on. The consequence of this is that national policies for the exploitation of cultural heritage for education, leisure, tourism and economic development can be applied to the rail collections and industry leading marketing, programming and learning programmes can be put in place. It is notable that in the UK, the National Railway Museum has been the most visited English museum of any kind outside London for many years, with up to 900,000 visitors per annum. In Australia, Queensland’s railway museum has been set up as a part of Museums Queensland. Railway authority-owned museums in other countries have sometimes been better-funded but have generally not been as public-facing and consequently not as popular as the NRM.

A further example of this kind is the California State Railroad Museum in Sacramento. The USA had no nationalised railway organisation so the genesis of this museum is rather different. The state authorities, as part of their strategy for heritage management, formed the view in the 1980’s that there should be a museum displaying and interpreting the State’s rail heritage. This museum opened in 1983 and continues to operate as part of the California State park service. It is one of the world’s great railway museums and until recently has been well-funded. It is currently suffering from California’s state-wide funding problems.

In model 3, the transport authority has passed its museum and its collections to a free-standing not-for-profit organisation, enabling the authority and the government to have no further direct responsibility for the museum, although typically they continue to provide an annual budget. The steady privatisation of transport authorities has required ancillary operations to be looked at anew and there has been – and continues to be – much change in recent years. In several countries, foundations have been set up to take over the museum. In France, the former SNCF Museum in Mulhouse is now held by a foundation with financial inputs from the local authority. Unusually, a day to day management contract is held by a for-profit commercial company that services a number of heritage sites across France. In the Netherlands, the Dutch Museum has been shifted to foundation status after major capital investment (30M Euro) that created an innovative public offer which is largely (but not completely) self-funding from admission charges. The German railway museums have moved to foundation status. The former West German museum in Nuremberg retains very close links to DB but that in Dresden has a broader base of foundation members. London Transport recently decided that the best future for its museum was to transfer it to a new foundation (a charitable trust in the conventional UK style for independent museums). Its rationale has been that, whilst it is still committed to supporting the Museum, it should build stronger links into the broader community and have a Board which both helps establish those links and can focus fully on the museum and its needs. The Chairman of Pearson Inc, the communications company, is the Board’s Chairman and the current Transport Commissioner for London is a keenly involved Board member.
b. Three Rail Museums Overseas

Japan

The Railway Museum in Saitama

Covering three large floors, the Japan Railway Museum in Saitama is one of the largest rail museums in the world. Each floor has a history zone and a learning zone. In the history zone are the excellently restored exhibits: 35 train cars, including the six-car Imperial train, as well as displays of important historical materials, and elaborately made miniature models of trains. The exhibits also feature scene reconstructions based on photographs and materials of the railway scenery in days past to give a better feeling of the way the railway looked in different eras.

The history zone occupies about half of the entire space. This is where the history and transitions in train technology and train systems are introduced by theme and time period, from the start of Japanese railways in the early Meiji era through to the present. The history zone covers six eras in the history of Japan Railways: the Dawn of Railways in Japan, the Nationwide Railway Network, the start of limited Express Services and Commuter Transport, Mass Transportation and Electrification, Nationwide Limited Express Network, Birth of Shinkansen, and Freight Transportation by Rail.

As well as the history and learning zones, there are a Motorman Experience Classroom, a Simulator/Experimenting Machine, a Miniature Operating Train, a Lunch Train, a Library, a Railway Model Diorama, two restaurants, and a big shop. Children are challenged and kept absorbed in this ambitious, serious and high-level institution.

The Netherlands

Het Spoorwegsmuseum in Utrecht

The watchword of this museum is FUN! It is divided into four big LANDS:

- Land 1: The Great Discovery
- Land 2: Dream Journeys
- Land 3: Steel Monsters
- Land 4: The Workshop

An extract from the Museum’s brochure dealing with Land 1: The Great Discovery will give the hands-on, fun flavour of this experience:

Welcome to land 1, the Great Discovery! A land full of soot and steam. Your journey starts in a lift that not only takes you down 150 metres, but also takes you back to the year 1800. The first engine driver in the Netherlands, John Middlemiss, is your guide on a journey that starts in a mineshaft. This is where it all began. This is where the steam engine to pump the groundwater out of the mineshafts was discovered. Can you smell the coal and the dank mine air yet?

There are a ghost train, a Library, an outdoor area, a Reminiscence Express train ride running on the weekends, and several other imaginative and engaging installations.

The general tenor of comments on the internet on this museum is encapsulated in the following (possibly from an enthusiast):

I went a couple of years back, and am going again this year. Yes, it is as good as it looks, indeed it comes into the ‘have I died and gone to heaven?’ category.
The United Kingdom

The UK National Railway Museum

The National Railway Museum in the UK is part of the National Museum of Science and Industry, a government agency receiving its core funding from the Department of Culture. It has no formal connection with Britain’s railway industry. Total visitation across the five museums in the NMSI group is 5M per annum. The NRM comprises two museums. Its headquarters in York attracts 750k visitors each year, making it the country’s busiest museum outside London and one of the most visited railway museums in the world. 100km north of York at Shildon, the NRM operates a branch museum which hosts up to 200k visitors each year. The NRM has around 170 staff in total and the economic impact of the visitors to each of the museums is worth around A$60M each year to the communities where they are located.

The museums operate a full agenda of collections care, academic research and programming for the public. Programming ranges from daily activities for visitors, including drama and mini-guided tours in the galleries, family activities and festivals through to a recent joint production of ‘The Railway Children’ with York Theatre Royal which proved so successful that it transferred to London’s West End where it was seen by more than 200,000 theatregoers. A version was also staged in Toronto in Canada in 2011. A strong education department delivers formal and informal learning activities for families and education groups.

It is Government policy that admission to its museums should be free so the museums are dependent on core funding from Department of Culture budgets aided, in the case of Shildon, by a contribution from the local council. In return for Department of Culture funding (approximately A$9M per year) strict measurable objectives are set and delivered. These focus on visitor numbers and the attraction of visitors from socio-economic groups which traditionally have not been regular museum-goers, quality of visitor experience, curriculum-related learning experiences, funds raised and a measure of improvement in the state of the collections. Collections include, of course, railway locomotives, passenger and freight vehicles (a similar number in total to those of New South Wales) and ranging from Stephenson’s Rocket to a Japanese Bullet Train). But the museum also holds extensive collections of non-vehicular material and very significant archive, library and artwork collections.

The expectation is that the museum will raise funding and support alongside its core government funding and the NRM employs a fund-raising team of four under a Head of Development who is a senior management team member. Broadly, around A$1.5M per annum is raised to enhance core budgets.

Outside the Museum – Main line operations and loans

There is a healthy programme of steam main line operations in the UK in which the NRM participates, generally in partnership with risk-bearing heritage train operators and entrepreneurs. It also loans vehicles on both a long and short term basis to heritage railways and museums. Long term loans are made in the context of collection management agreements in which care and restoration requirements of the borrower are pre-agreed. Generally, no money changes hands but the borrower can keep any income from agreed operation of the vehicle. Short term loans take place for brief operating visits or static display at special events. All of these activities take place in the context of a desire to see the ‘national’ collection displayed as widely as possible across the UK (and very occasionally abroad).

B. Australia

Queensland

The Workshops Rail Museum, Ipswich

Ipswich is 40 minutes by car from central Brisbane. There is a direct train straight to the Museum from Central and Roma Street stations in the heart of Brisbane.

In the reviewers’ opinion, this could well be the best railway museum in Australia, combining education, entertainment and relaxation in a unique and inviting way.

4 This section was separately prepared by Andrew Scott and Lord Richard Faulkner.
There are a Nippers’ Railway, a Nippers’ Nook, a Creation Station, a Mystery Object contest, Sunday steam trains, a model railway, rail-based computer games for adolescents, a shop a restaurant, all housed in a huge light-filled hall. The museum also runs a Circus Train.
South Australia

National Rail Museum, Adelaide

The NRM is a signal example of making the most of limited resources. Several examples spring to mind: It has a theatrette where a video is shown. The theatrette has surround sound. The installation of the surround sound cost the Museum a mere $3000, because it drew on the commitment and expertise of a single volunteer.
The museum also has an illuminated wall chart. Visitors can press buttons to see the different routes in place at various times since the railways were established. The complex electronics cost the museum a minimal sum of the order of $200, because they were contributed by a volunteer.

Another video was obtained gratis by the museum, since it was done as a project by local communications students.
The Museum has a forward-looking strategy drawn up by its Chairman, a bright, open space where the fixed assets are shown, and other imaginative installations such as the butcher’s carriage. The reality of this carriage has been recreated in vivid detail, and it is accompanied by a very realistic hands-on installation where the viewer can “ask” the butcher a question and the butcher “answers”.

![Photo 7: The interior of the Butcher’s Carriage](image)

**Victoria**

**Puffing Billy**

This century-old steam train continues to run on its original mountain track from Belgrave to Gembrook in the magnificent Dandenong Ranges 40kms east of Melbourne.

Puffing Billy was built to serve at the turn of the century and is a genuine relic of Victoria’s more leisurely days. The Railway is the major survivor of four experimental lines used to develop rural areas in the early 1900s.

Puffing Billy Railway is now a major tourist attraction and operates every day except Christmas Day, thanks to the efforts of more than 900 dedicated volunteers.

Puffing Billy Railway travels from Belgrave to Lakeside and Gembrook in the picturesque Dandenong Ranges. Highlights along the Railway line include the historic Monbulk Creek Trestle Bridge, the site of the 1953 Landslide and the Nobelius Packing Shed.

The Emerald Tourist Railway Act 1977 (No 9020) established the Emerald Tourist Railway Board (ETRB) with responsibility for the “preservation, development, promotion and maintenance of the narrow gauge steam railway [known as Puffing Billy] and for the operation management and control of the service thereon for public recreational purposes.”

The ETRB consists of four members nominated by the Puffing Billy Preservation Society (PBPS), one nominated by the Minister of Transport, and other members appointed by the Government. The ETR Act is administered by the Tourism Ministry.

Before 1977, the Victorian Railways ran Puffing Billy with the assistance of the Puffing Billy Preservation Society.
The Board owns and controls all Puffing Billy assets and is the policy making authority, a Management Committee has been established to run the day-to-day operation of the railway. In addition, the Puffing Billy Preservation Society has an elected Executive Committee.

Puffing Billy runs imaginative events such as:

- Jazz on Puffing Billy Railway
- Murder on the Puffing Billy Express
- Great Train Race
- Drive a Steam Train
- Santa Special
- Weddings
- Spring Gala
- Wine, food, arts and crafts excursions to the Dandenongs.

Recently, however, as a result of the drop in tourist numbers due to the GFC, Puffing Billy has had to approach the Victorian government for more support.

Different though these three Australian entities are, they have a number of features in common:

First, they show flair and imagination. Jazz excursions, Nippers Nooks, butcher’s carriages and the like are all creative, inventive ideas to capture the visitor’s imagination.

Second, they require active not passive participation by the visitor. Visitors ride trains, press buttons, activate levers, operate computers, light up displays. They are not principally passive consumers.

Third (an idea which seems simple but is very effective), they are brightly lit.

Fourth, they have stretched their dollar, particularly in the case of Adelaide. They have all used their money wisely.
Chapter 2: Reality

The Rail Heritage Scene in New South Wales

A. The Facts: Key Data

This part has four sections:

a. Legal Framework
b. Main entities: key features and activities at a glance
c. Summary of Undertakings made by Government (Strategies, Press Releases)
d. Major sites

a. Legal Framework

RailCorp is required under s170 of the *Heritage Act 1977* to develop a Heritage Conservation Register which lists all the assets under its ownership, occupation or management.6

There are 658 items on the RailCorp s170 Heritage Conservation Register. RailCorp is also required to ensure that public heritage assets are maintained with due diligence in accordance with the State Agency Heritage Guide. The State Agency Heritage Guide is issued by the Heritage Council of NSW, pursuant to s170a of the *Heritage Act 1977*.

RailCorp currently also has 222 items listed on the State Heritage Register. The State Heritage Register is a list of heritage items that are of particular significance to the people of NSW. Once an item is listed on the State Heritage Register there are minimum standards of maintenance and repair that the owner of the item must meet.

b. Main Entities

The entities in the NSW rail heritage scene fall into five main categories.

1. Government. This category comprises:
   i. Transport for NSW
   ii. RailCorp
   iii. the Office of Rail Heritage, which is a division of RailCorp
   iv. Trainworks
   v. the Heritage Branch (formerly Heritage Office), Office of Environment and Heritage, Department of Premier and Cabinet
   vi. Independent Transport Safety Regulator (ITSR)

2. The NSW Rail Transport Museum.

3. 3801 Limited

4. A range of smaller transport heritage groups, including bus and tram museums

5. The Powerhouse Museum.

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5 Chapter 2A is intended as a reference section. In addition, a brief chronology for reference is at Appendix 8.

6 The RailCorp s170 register can be accessed at: http://www.railcorp.info/__data/assets/pdf_file/0003/8688/RailCorp_Heritage_Register.pdf.
i. Government Bodies

Transport for NSW

Key features: until November 2010, called the Department of Transport, with 300 employees, $338m in revenue and $359m in expenses [2010]. Responsible for transport co-ordination, policy and planning, transport services and transport infrastructure.

Transport for NSW provides a strategic focal point for transport coordination, policy, integrated transport service and infrastructure planning and delivery, providing independent policy advice to the Minister for Transport, administering Acts of Parliament specific to this task.

Other agencies in the transport portfolio include:

- Independent Transport Safety Regulator
- Office of Transport Safety Investigations
- Country Rail Infrastructure Authority
- RailCorp
- Roads and Maritime Services
- State Transit Authority
- Sydney Ferries
- Transport Construction Authority

Under the Transport Administration Act, funding of passenger service agencies and specific infrastructure programs is administered.

Under the Passenger Transport Act, bus, ferry, taxi and hire car industries are regulated.

In addition, through Transport for NSW, the NSW Government contracts with accredited bus operators to provide bus services throughout the State.

RailCorp

Key features: An Authority of government

Income from operating activities $1 billion; government subsidies and concessions $1.8 billion, government capital contributions $0.9 billion, total expenses $3.5 billion (2011). Has over 15,000 employees (2011). Currently the owner of all rail assets.

Nature and scope of operations

RailCorp has three primary functions conferred by Part 2 of the Transport Administration Act 1988. These functions are further governed by the Rail Safety Act 2008. They are also subject to the Passenger Transport Act 1990, which provides that the terms and conditions under which they are carried out are to be set out in a rail services contract with the Director General of the Department of Transport.

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7 RailCorp 2010-11 Annual Report, p. 53.
The three primary functions are:

**Passenger rail services**

RailCorp is to operate passenger rail services, and it has the ability to establish new and alter or discontinue services as required. Metropolitan, regional and intercity services are operated through the CityRail network. CountryLink provides affordable long-distance passenger train and coach services to regional NSW communities and between the four capital cities in NSW, the ACT, Queensland and Victoria. CountryLink also manages all NSW country stations, trains, onboard staff, reservations, sales and marketing.

**Rail infrastructure functions**

RailCorp is to hold, manage, maintain and establish rail infrastructure facilities owned by or vested in RailCorp on behalf of the state. Rail infrastructure facilities include stations, railway track, associated track structures, overtrack structures, cuttings, drainage works, track support earthworks and fences, tunnels, bridges, level crossings, service roads, signalling systems, train control systems, communication systems, overhead power supply systems, power and communication cables, and associated works, buildings, plant, machinery and equipment.

**Metropolitan rail area access functions**

RailCorp is to provide and promote access to its rail network, primarily to support rail freight services by third-party operators. RailCorp currently provides 19 operators with access to the metropolitan network, including heritage and long-distance passenger operators.

RailCorp has the largest portfolio of statutory listed heritage assets in NSW. This portfolio includes both operational and non-operational assets. Cross-agency heritage asset management initiatives in RailCorp are facilitated by the Office of Rail Heritage, forming the Heritage Asset Management Strategy Steering Committee.

**Office of Rail Heritage, a Division of Railcorp**

**Functions**

RailCorp’s Office of Rail Heritage (ORH) was established in 2006 to implement a strategy for the sustainable management of a portfolio of RailCorp’s heritage assets to ensure a future for a core collection of these valuable and historically significant State-owned railway heritage assets. The Strategy seeks to build on the tradition of conservation by many volunteer based groups and individuals throughout NSW. Each of them has an interest in some part of the State’s 150 years of railway history.

The ORH makes agreements with these volunteer based groups covering the management of the government-owned assets for which the groups are responsible. These Custody Management Agreements (CMAs) are carefully designed to ensure accountability and professionalism in the management of those assets.

Through a range of projects the Office of Rail Heritage seeks to achieve the Strategy by:

1. Applying an asset management approach to RailCorp’s heritage items and collaboration with the other RailCorp business groups to update RailCorp’s Section 170 Heritage and Conservation Register

This involves:

- the identification of core collection assets, both fixed and moveable
- the application of an asset management framework to maintenance requirements
- the disposal of surplus items
- integration with RailCorp operational heritage assets through HAMS
• advancing the storage, display and allocation of moveable assets: Trainworks, LES, Broadmeadow, Valley Heights, Chullora Igloo
• prioritised funding of key projects including:
  • LES Shop repairs
  • Loco 3801 major overhaul
  • precinct and rolling stock hazmat management

2. Working with railway heritage groups and strategic partners to conserve RailCorp’s core heritage assets.

This involves:
• the implementation of Custody Management Agreements incorporating RailCorp funding contribution towards agreed asset maintenance plans
  • Eleven signed-up custodians
  • Four CMAs under negotiation
• facilitation of
  • networking, communication and information sharing, through Rail Heritage Forums and NSW Rail Heritage website
  • promotional materials and collaborative events to support industry sustainability

3. Supporting the development and transfer of heritage conservation skills between generations. These projects attract railway staff past and present to share scarce skills.

This involves:
• Establishing a Churchill Fellowship in Rail Heritage
• RailCorp’s commitment to Apprenticeship Restoration Projects
  • CHP Rail Motor, Pay Bus and Powder Van restoration completed
  • Next projects being developed
• Implementing a Skills Transfer Strategy in consultation with custodians through Conservation Volunteers Australia across three project streams:
  • Skills Audit and Register
  • Fast Track Heritage
  • Rail Reserve Teams

4. Valuing and building on railway heritage volunteering through the skills transfer and volunteering projects.

This involves:
• Linking groups with relevant support e.g. Volunteering Australia
• Establishment of Volunteer Awards
• Engagement of RailCorp staff in rail heritage journey
Assets

The ORH-managed heritage assets portfolio comprises:

Fixed assets:
- Precincts at Valley Heights, Eskbank (Lithgow), Picton-Mittagong Loop Line (including Thirlmere), Cooma, Finley, Werris Creek and Tenterfield
- Facilities at South Eveleigh [Large Erecting Shop (LES)], Broadmeadow Roundhouse, North Eveleigh
- Movable assets
- Rolling stock – approximately 250 vehicles
- Small objects – over 3000 items.
- Assets under custody or loan arrangements managed via 15 rail heritage groups with around 3000 members and 600 active volunteers.

Personnel

The Director of ORH reports to the Chief Executive of RailCorp.

The Heritage Asset Management Strategy is overseen by a Steering Committee of senior management representatives chaired by the Office of Rail Heritage.

The ORH team consists of the Director, the Senior Heritage Advisor, the Program Manager, the Collections Manager, two Relationship Managers, and an Office Co-ordinator, plus an (Apprentice) Restorations Project Manager, and contractors.

Budgets

“Budgets” of the Office of Rail Heritage (’000)

Table 1: ORH Budget 2008/09 – 2010/11

<table>
<thead>
<tr>
<th></th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSW Government Contribution</td>
<td>3200</td>
<td>3200</td>
<td></td>
</tr>
<tr>
<td>Sundry Income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Operating Revenue</td>
<td>3200</td>
<td>3200</td>
<td></td>
</tr>
<tr>
<td>Labour Costs</td>
<td>1203</td>
<td>1225</td>
<td></td>
</tr>
<tr>
<td>Contracts and Professional Services</td>
<td>8133</td>
<td>7055</td>
<td></td>
</tr>
<tr>
<td>Materials and Spares</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>1200</td>
<td>1000</td>
<td></td>
</tr>
<tr>
<td>Electricity Water and Gas</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Telecommunications and Postage</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Computer Expenses</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal and Audit Expense</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motor vehicle Expenses</td>
<td>6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Travelling expenses</td>
<td>12</td>
<td>11</td>
<td></td>
</tr>
</tbody>
</table>

8 It has proved difficult so far to obtain specific, dedicated budgets for the Office of Rail Heritage as a whole. There does not appear to have been a dedicated budgeting process for the entity. There does not appear to have been a separate budgeting process for the construction of Trainworks. Neither for the ORH nor for Trainworks does there appear to have been a separate process of reporting against budget, with details of variances and the reasons for them. The ORH budgets so far obtainable by the review have come from the Finance Division of RailCorp. They are set out in the accompanying table. Those obtained by the review are set out simply as one column in the entity’s Financial Results for each year from 2008-9. Those before 2008-9 are currently unobtainable.
## Financial Summary 2006-07 - 2010-11

<table>
<thead>
<tr>
<th></th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Office Expense</strong></td>
<td>37</td>
<td>41</td>
<td></td>
</tr>
<tr>
<td><strong>Sundry Expenses</strong></td>
<td>10</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td><strong>Internal Costs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>70</td>
<td>67</td>
<td></td>
</tr>
<tr>
<td><strong>Non Labour Costs</strong></td>
<td>9405</td>
<td>8123</td>
<td></td>
</tr>
<tr>
<td><strong>Total Operating Costs</strong></td>
<td>10607</td>
<td>9348</td>
<td></td>
</tr>
<tr>
<td><strong>Net Operating Income/(Loss)</strong></td>
<td>-7407</td>
<td>-6148</td>
<td></td>
</tr>
<tr>
<td><strong>Land sales proceeds</strong></td>
<td>5766</td>
<td>9134</td>
<td></td>
</tr>
<tr>
<td><strong>Land Sale Costs</strong></td>
<td>2020</td>
<td>953</td>
<td></td>
</tr>
<tr>
<td><strong>Net land sales proceeds</strong></td>
<td></td>
<td></td>
<td>8180</td>
</tr>
<tr>
<td><strong>Depreciation of fixed assets</strong></td>
<td>7</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td><strong>WDV of land Sales</strong></td>
<td>3746</td>
<td>13104</td>
<td></td>
</tr>
<tr>
<td><strong>Profit/(loss) before Income Tax</strong></td>
<td>-7414</td>
<td>-11078</td>
<td></td>
</tr>
<tr>
<td><strong>Headcount</strong></td>
<td>7</td>
<td>7</td>
<td>7</td>
</tr>
</tbody>
</table>

Figure 1. ORH Revenue 2006/07 - 2010/11
**Figure 2. ORH Revenue 2006/07 - 2010/11: Sources, Amounts, Trends**

![Graph showing ORH Revenue 2006/07 - 2010/11: Sources, Amounts, Trends](image)

**Figure 3. ORH Revenue and Costs**

![Graph showing ORH Revenue and Costs](image)
Figure 4. ORH Revenue 2006/07 - 2010/11: Sources and Amounts

Figure 5. ORH Operating and Capital Expenditure
The land sales proceeds came from former SRA property which was considered surplus to requirements when SRA was succeeded by RailCorp. Some of this property has required remediation; some at time of writing remained to be sold. These land sales proceeds were a significant source of revenue for the ORH.

In addition, the ORH received a special allocation of $10m in May 2010 from RailCorp.

**Trainworks**

Key features: Established in April 2011. A subsidiary company wholly owned by RailCorp. Limited by guarantee. Total revenue $483,571 in 2011, of which $369,007 was a contribution from RailCorp and $111,172 was revenue from visitors. Expenses were $453,769 and the surplus $29,802 for this short period.

Cost of establishment: $34.8 million.

The Trainworks facility was established following a report by a consulting firm, Matrix on Board. It was created to lie right beside the Rail Transport Museum at Thirlmere.

Trainworks Limited was registered on 15 December 2010 as a company limited by guarantee with RailCorp as the sole member, for the purpose of managing the rail heritage museum and visitor attraction located at Thirlmere. It was expected to become a sustainable business, with DGR (deductible gift recipient) status. Trainworks has its own Board and Governance Committees including an Audit and Risk Committee. As a registered company, Trainworks must comply with Australian corporations law and publish audited annual reports.

Its focus was on “building family, educational, tourism and business event visitation [sic] alongside the continuing loyal visitor base of rail enthusiasts”. 9

The Trainworks annual report describes the role of the RTM as follows:

*The heritage rolling stock on site is maintained by the NSW Rail Transport Museum (NSRTM), a long-standing organisation of volunteer rail enthusiasts. NSWRTM is also the accredited on-site rail operator responsible for rolling stock and rail infrastructure, including delivery of the train rides offered as part of the Trainworks visitor experience.*

*Trainworks Limited partners with the NSW Rail Transport Museum to host special events and festivals. The two organisations share the Thirlmere site, with their respective areas of responsibility and rights of occupation defined in Custody Management Agreements with the asset owner, RailCorp.* 10

Trainworks was designed to look and operate rather differently from the RTM. It is a very large structure with glass sides and a red roof, and, as stated in Trainworks’ first annual report, it “has transformed the site”.

It was not designed to have membership on the scale of the RTM’s. It would not necessarily have a new corpus of volunteers, but would use some of the RTM’s volunteers. It was intended to be managed by professional managers rather than by people who were primarily rail enthusiasts. It would provide interactive displays in a modern facility. It would aim to attract many more visitors to the site than the RTM had done. For its part, the RTM would simply maintain the heritage rolling stock on site, run train tours, and help Trainworks host special events and festivals.

The total cost of all the Thirlmere upgrades, as shown in Figure 6. above, was around $35m. This is made up of $32.9m for capital costs and around $2m for non-capital costs (e.g. consultancies and non-construction contracts). 11

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10  Ibid, p. 2.
11  Various statistics given to the review by ORH on the Thirlmere upgrade proved difficult to reconcile, particularly on the exact amount spent on non-capital costs, but broadly speaking, it would be accurate to put the total cost of the Thirlmere upgrade at $35m. At this stage, this is the best that can be done.
Figure 6. ORH Expenditures on Thirlmere Upgrade

Table 2: Capital Cost of Thirlmere Upgrade

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Thirlmere RHC – Stage 1 – Roundhouse</td>
<td>600</td>
<td>300</td>
<td>6,900</td>
<td>3,400</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Thirlmere RHC – Stage 2a – Ex Hall, Link, Landscaping – Design</td>
<td>–</td>
<td>–</td>
<td>1,200</td>
<td>100</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Thirlmere RHC – Stage 2a – Ex Hall, Link, Landscaping – Const.</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>6,500</td>
<td>8,000</td>
<td>–</td>
</tr>
<tr>
<td>Thirlmere RHC – Stage 2a – Contingency</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Thirlmere RHC – Stage 2b – Exhibition Fit out</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>3,500</td>
<td>200</td>
</tr>
<tr>
<td>Thirlmere RHC – Major Projects Fee</td>
<td>–</td>
<td>300</td>
<td>400</td>
<td>400</td>
<td>400</td>
<td>–</td>
</tr>
<tr>
<td>Thirlmere Loop Line</td>
<td>800</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Thirlmere Station Masters Cottage</td>
<td>–</td>
<td>500</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>TOTAL THIRLMERE</strong></td>
<td><strong>800</strong></td>
<td><strong>1,100</strong></td>
<td><strong>8,500</strong></td>
<td><strong>10,400</strong></td>
<td><strong>11,900</strong></td>
<td><strong>200</strong></td>
</tr>
</tbody>
</table>
Operational Costs of Thirlmere Upgrade (’000)

Table 3: Operational Costs of Thirlmere Upgrade

<table>
<thead>
<tr>
<th>Year</th>
<th>2007-8</th>
<th>2008-9</th>
<th>2009-10</th>
<th>2010-11</th>
<th>2011-12</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>100</td>
<td>100</td>
<td>300</td>
<td>700</td>
<td>700</td>
<td>1,900</td>
</tr>
</tbody>
</table>

TOTAL COST OF THIRLMERE UPGRADE: $34.8m

Sources: Statistics provided by Office of Rail Heritage

Figure 7. RH Expenditures on Thirlmere Upgrade
The Heritage Branch (formerly Heritage Office), Office of Environment and Heritage, Department of Premier and Cabinet

Key features: Responsible for keeping heritage registers and developing policy. The Heritage Branch is responsible for the administration of the Heritage Act 1977 and provides oversight of RailCorp’s heritage asset management arrangements.

The Independent Transport Safety Regulator (ITSR)

Key Features: ITSR’s principal objective is to facilitate the safe operation of transport services in NSW. ITSR administers the Rail Safety Act 2008 in NSW.

This is achieved through regulatory compliance activity, including investigation for safety in transport operations, and promotion of safety as a fundamental objective in the delivery of transport services.

ii. NSW Rail Transport Museum

Key features: Established in 1962. Not-for-profit company limited by guarantee. Revenue $2.8m, expenditure $2.9m, $37,000 loss, over 2000 members, about 400 volunteers.\textsuperscript{12}

The NSW Rail Transport Museum was established for the purpose of collecting, preserving and presenting the railway heritage of NSW for the benefit of the community.

The Museum has a small number of full time staff. It is administered by a voluntary Board and a Management Committee. The Museum is located at Thirlmere, 90kms south-west of Sydney.

The NSW Rail Transport Museum is a specialist provider of heritage train services and has provided rail tours for the enjoyment and education of the community since 1962.

The Museum is accredited as a rail operator under the Rail Safety Act 2008 (NSW) and has network access rights on the NSW main line rail network. It also leases and maintains the 14 kilometre section of the original main southern railway from Picton to Thirlmere and Buxton.

\textsuperscript{12} RTM’s 2010-11 Financial Statement
Heritage trains operate on this line from Thirlmere every Sunday until the end of June and on some additional days in school holidays.

The Museum plans, markets and operates a range of day and extended rail tours featuring vintage steam and diesel locomotives and classic passenger carriages. Its train operations division is called Heritage Express, which is a wholly owned, integral business unit of the NSW Rail Transport Museum.

The Museum has saved, restored and maintains in its custody, and on display, the largest and most significant collection of heritage rolling stock in Australia. A large proportion of its collection is owned by RailCorp. Over the years the RTM has received significant Government support. This includes approximately $200,000 to build retention toilets at the Thirlmere site, $800,000 toward the rehabilitation of the Picton-Moss Vale loop line and ongoing support of between $150,000 and $200,000 per year since 2006 toward heritage asset management and maintenance.

The Museum maintains close links and affiliations with kindred rail heritage organisations throughout Australia.

### iii. 3801 Limited

Key features: Established in 1986 as a not-for-profit company limited by guarantee. It has 27 members and 122 volunteers.\(^\text{13}\)

It also has ten staff, including the General Manager (who is also the Chairman), and one volunteer.

Its purposes are\(^\text{14}\):

- To promote and undertake the restoration to operating condition and the operation, maintenance, care, custody and control of Steam Locomotive 3801;
- To purchase, take on lease or in exchange, hire and otherwise acquire any railway vehicle, carriage or rolling stock and to build, rebuild, repair, alter, equip restore, dismantle, operate and maintain such vehicle, carriage or rolling stock;
- To promote and to undertake the operation of tours and excursions by road, rail or otherwise using steam driven or other motive power;
- To promote in general the acquisition, restoration, operation and maintenance of historic railway, tramway and other locomotives and vehicles, carriages and rolling stock.

The company operated steam locomotive 3801 for twenty years from 1986 to 2006. In 2006, the company sought to retain the right to operate the locomotive beyond the expiration of the lease. After considerable controversy, a definitive legal opinion was obtained that said, in a nutshell, that the locomotive was owned by the Government and that, accordingly, the Government had the right to recover it at the expiration of the lease.

3801 Limited operates the Cockatoo Run, a trip by steam through the Southern Highlands. It also undertakes commercial “hook and pull” contracts, providing haulage services to RailCorp. During the period 2007 – 12, these contracts are valued at $5.9m.\(^\text{15}\) In 2011, its total revenues were $1,976,194 (of which public sales and tours amounted to $185,322), and its expenses were $1,891,867.

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\(^{13}\) In 2011. Source: 3801 Limited.

\(^{14}\) From Memorandum of Association of 3801 Limited.

\(^{15}\) Data provided by RailCorp
iv. Smaller Rail Heritage Groups

These are numerous:

1. Australian Railway Historical Society (ACT Division)
2. Lachlan Valley Railway
3. The Rail Motor Society, Paterson
4. Cooma Monaro Railway
5. Zig Zag Railway
6. Richmond Vale Railway
7. Glenreagh Mountain Railway
8. Australian Railway Historical Society (ACT Division)
10. Berrigan Shire Council/Finley Pioneer Railway [Finley Station Yard]
11. Cooma Monaro Railway
12. Goulburn Loco Roundhouse Preservation Society
13. Lithgow City Council/Lithgow State Mine Railway [Eskbank Station Yard]
14. Liverpool Plains Shire Council/Australian Railway Monument/Rail Journeys Museum Werris Creek P [Werris Creek Railway Refreshment Room]
15. Oberon Tarana Heritage Railway
16. Regional Heritage Transport Association (Junee)
17. Richmond Vale Railway
18. Tenterfield Railway Station Preservation Group [Tenterfield Station Yard]
19. Wagga Wagga Rail Heritage Association
20. Sydney Bus Museum
21. Sydney Tram Museum
22. Heritage Electric Trains
23. Hunter Valley Training Company
24. Campbelltown Steam Preservation Society
25. Rail Heritage Australia
26. Valley Heights (a branch of NSW Rail Transport Museum)

The not-for-profit heritage rail sector utilises built assets and rollingstock which they own or access without paying commercial rents. In summary:

- Operating Tourist Railways – Statewide Mainline Network (five organisations [3801 Ltd, Australian Railway Historical Society [ACT], Lachlan Valley Railway, NSW RTM, Rail Motor Society]) are based across the state, operating statewide and interstate with thousands of passengers each year.

- Operating Tourist Railways on Dedicated Lines – Zig Zag Railway, Cooma Monaro Railway and the NSW RTM loop-line with a further 10 organisations seeking to commence operations on dedicated lines.
• Archives and Research (Australian Railway Historical Society (NSW) with over 1,400 members Railway Technical Society, providing public access and expertise including, tours, talks and collections of artefacts and assets).

• Museums – Large (e.g. Trainworks, Werris Creek Australian Railway Monument open every day and attracting thousands of visitors each year).

• Museums – Small (e.g. Valley Heights, Casino, Finley).

• Museums – Micro (e.g. local community heritage groups in railway buildings with small displays).

• Peak Bodies / Sector Associations (e.g. Associtation of Tourism and heritage Rail Australia (ATHRA) and Rail Heritage Australia NSW (RHA NSW).

• Other hobby groups (e.g. modellers and similar groups).

v. The Powerhouse Museum

Some of the Powerhouse Museum’s functions overlap with those of the RTM. When it opened in the context of Australia’s bicentennial celebrations in 1987, the Powerhouse broke new ground for technical and design museums worldwide. Since then it has played a role in an international network of such museums. From the point of view of rail heritage, it houses Australia’s first train from 1855, an icon of Australia’s opening up westwards from its eastern seaboard. The Museum also owns two steam locomotives and a number of passenger vehicles which are currently on display at Thirlmere.
c. The Role of Volunteers in the Rail Heritage Sector

The rail heritage sector is built on the passion of volunteers. They are:

- carpenters
- cabinet makers
- toolmakers
- fitters
- welders
- electricians
- carriage builders
- painters
- solicitors
- school teachers
- draughtsmen
- engineers
- computer technicians
- office machine repairmen
- doctors
- gardeners
- shop assistants
- guides
- training co-ordinators
- cooks
- attendants
- nurses

The list goes on and on.\(^{16}\)

\(^{16}\) Photos of volunteers courtesy of Jennifer Edmonds.
Without the volunteers:

- young people would not be able to relive Australia’s history in a hands-on way;
- precious relics of the past would be lost to decay and scrap;
- the community loses part of its sense of identity;
- a big part of the romance of Australia’s history would disappear;
- Government would have had to spend tens of millions of dollars more than it has done;
- regional NSW would lost tourists, events, revenues, and a sense of identity;
- rural and regional areas would be more isolated; and
- vital skills would be lost.

Volunteers get up at 2am if there is an emergency; they can, and have done, spend their Christmas sleeping in sleeping bags to deter vandals from a rail heritage site, as detailed by one, Shane Blatchford; one has given $30,000 to restore one of the Southern Aurora carriages; they spend their own money on equipment and hardware to restore heritage rail items; some of them spend every working day restoring carriages and engines – their contributions are most remarkable, and are often undervalued.

The review received numerous appeals from volunteers and members for a greater say in the future of the sector, as well as complaints that requests, initiatives and ideas from volunteers and members of rail heritage organisations have been ignored, discounted or rejected for a number of years. This is a major reason for the low morale in the sector, and it must be addressed vigorously in any new dispensation.
Most volunteers are also members of rail heritage organisations, and contribute their labour and funds through the association they belong to. Members are the backbone of each rail heritage organisation, and of the sector as whole.


i. Strategies

There have been two principal rail heritage management strategies prepared under the aegis of RailCorp. The first was called Sustainable Rail Heritage Management Strategy. It was in force from 2006 to 2011. The purpose of the document was to recommend a strategy for the viable sustainable management of rail heritage assets in NSW.

The Steering Committee charged with developing the strategy recommended the establishment of a rail heritage entity to be the legal owner and manager of all government-owned moveable rail heritage and non-operational fixed and built heritage.

The Steering Committee recommended that the rail heritage entity be established as either a subsidiary state owned corporation, or a trust.

The entity would be governed by a board and an advisory committee and would maintain and foster relationships with community and rail preservation groups.
The key requirements for the entity were:

- the ability to ensure compliance with all legislative requirements (including OH&S and safety)
- Ownership – 100% Government owned with management independent of ownership
- Funding – state government funded, in addition to revenue generated by preservation groups, sponsorships, donations and fund raising.
- relevant heritage conservation skills
- ability to optimise the contribution of volunteers
- promotion of a safety culture and facilitate safety training for volunteers and staff
- the collection must be accessible and displayed to the public in a meaningful way.

This first strategy does not appear to have included capital investment. However, it should be pointed out that what is labelled a “Strategy” is more of an options paper than a true Asset Management Strategy as such. The “strategy’s” recommendation for the establishment of a more independant entity than the one eventually created (ORH) was not followed.

The second strategy is currently in force. It is called the Heritage Asset Management Strategy and is intended to cover the period 2010-11 to 2014-15.

The Heritage Asset Management Strategy was produced to align with RailCorp’s overall Total Asset Management framework. These focus on:

- Asset Maintenance – identifies resources and long-term strategies for each existing asset type;
- Asset Capital Investment – identifies long-term capital investment requirements for each asset type and prioritised capital projects to address gaps in service delivery;
- Asset disposal – identifies assets surplus to delivery requirements and methods of disposal.

In the RailCorp Heritage Asset Management Action Plan, however, there does not – remarkably – appear to be any element dealing specifically with capital investment.

ii. Press Releases

The principal press release is dated 4 August 2006. A copy is at Appendix 4.
e. Major Sites

i. Broadmeadow

The total area of Broadmeadow is an enormous 45.25 acres, or just over 18 hectares. It is on both the state and the national registers. Located on the outskirts of Newcastle, in the centre of a population catchment area of half a million people, it is a few steps away from a very large sports stadium visited by tens of thousands of people a year.

Built in the 1920s, Broadmeadow became one of the largest steam depots in the country. As the Lachlan Valley Railway Society Co-operative Limited, combined with Hunter Valley Railway Workshops and Museum Pty Ltd, said in their 2011 proposal for the reuse of the Broadmeadow Roundhouse (one of many such proposals over the years since 1972, when the site was wound down but not disposed of):

‘[Picture] a hot summers day with fifty or so steam locomotives belching black coal smoke, safety valves erupting, engines having hundreds of tons of coal dumped in their tenders with the dust blowing all over the depot . . . Broadmeadow was without a doubt one of the most important rail heritage sites in Australia. It was here that the steam era on the main lines of Australia ended.

Some photos of what can be found now on this huge and magnificent site follow.

Photo 11: Derelict carriages exposed to the weather and vandals
The three reviewers visited the site in February 2011. With weeds blowing everywhere, abandoned garbage, termites in the various structures on the site, graffiti all over some dignified old carriages, rust on a turntable, broken windows, the site was a picture of extraordinary neglect.

The Roundhouse was dark and forbidding, although it held some treasures; the old stationmaster’s cottage [an ideal site for a future restaurant/café] was boarded up and riddled with termites; the chain link fences were topped with barbed wire, which somehow had not deterred vandals from entering and breaking the windows of the many vehicles left outside under the elements; the manual turntable could not be moved [although the electric one did work] -- despite the remarkable and extraordinary efforts of a few dedicated volunteers and staff, the whole area evoked a combination of nostalgia, pity and sadness.

To a visitor of any imagination, the potential of the site leaps out.
Figure 10: Map of Broadmeadow Depot
Source: Rod Caldwell
As shown in Figure 10, the site is so huge that it could be put to many different uses simultaneously. It could be the site of the Ipswich, or the Utrecht, or the York, of the Hunter, with miniature train rides, ghost and circus trains, Creative Corners, Nippers’ Nooks; it could display some of the regal old steam trains and their carriages; it could include a working workshop, where welders, painters and cabinet-makers could be watched by children and families; it could be the basis for heritage and wine tours of the Hunter; it could have a bustling restaurant or café where Mum and Dad could sit; it could offer hands-on pulling and pushing or pulling of levers or a steam whistle to young people; it could provide rail-based computer challenges and games for adolescents. Or else it could house and repair trains for regional heritage operators. The whole site could include some commercial development, perhaps a shopping centre in keeping with the heritage context, possibly some residential development, or some educational institution – there are innumerable ways this splendid site could be used for public benefit. The site is so big that one use does not necessarily exclude another.

There is pollution on the site. Rod Caldwell, in his Master’s Thesis on Broadmeadow\textsuperscript{17}, points out the need to clean the site and estimates the cost to be under $1m (at 2002 prices). Caldwell expresses the paradox of contamination: it is of course undesirable, but its very undesirability has prevented the site from being put to an inappropriate commercial use.

Caldwell offers several ideas for the re-use of the site: as a heritage centre or museum; as a commercial operating depot; or as an educational site. He proposes a series of possible partnerships with operators, museums, educational institutes and tour operators. His proposals (edited) can be found at Appendix 3.

Various parts of Broadmeadow are owned by different entities. Chapter 5 contains recommendations for a better use of this remarkable site.

\textsuperscript{17} Rod Caldwell, Broadmeadow Locomotive Depot: A proposal for its conservation and heritage reuse, MA Dissertation, University of Birmingham, 2003, p. 56.
ii. The Large Erecting Shop at Eveleigh

The LES is another magnificent site which has considerable broad public potential.

It is located at the south western end of the former Eveleigh Railway Workshops (now the Australian Technology Park). The car park for the ATP is located to the south of the former workshops complex. The LES is very large: 184 metres long by 35 metres wide, and is divided into two galleries by a central line of cast iron columns. It was built between 1898 and 1906. It is so tall that a large part of it is known as the Elephant House. The imposing east and west elevations feature the six pairs of locomotive doors with upper gallery windows, emphasised by a pair of finely detailed pedimented brick gables including stone copings and sills with circular oriel vent opening to the centre of each.\(^{18}\)

Since 1986 it has been leased by RailCorp, under a variety of arrangements, to 3801 Limited for a rent of $38.01 per year. The current lease is an “at will” arrangement, meaning that it can be terminated at any time.

At present it is used for maintenance, refurbishment and storage of old vehicles, many managed by 3801 Limited, and for storage of sundry items like old axles. The interior does not appear to be brightly lit.

\(^{18}\) Source: NSW Environment and Heritage.
It is perhaps unique to find a single operator occupying such a large, historically significant site in central Sydney at a peppercorn rent, and for such a very long period of time. This long-standing arrangement could certainly be open to review in the light of modern requirements. The Government may wish to examine the favourable treatment given to one monopoly tenant, who, since 2006 when the locomotive was returned to Government, has, according to information received by the reviewers from the sector and from Government, controlled the site and other operators’ access to it.

Like Broadmeadow, the LES could be put to a wider purpose. It could, for example, be divided into two, a front and a back part. The front could be available to any rail operator on a level playing field basis, for maintenance and restoration of engines and carriages of heritage significance; the back part, which backs on to the Australian Technology Park, could be developed into a little Ipswich, with miniature train rides, Creative Corners, rail displays, hands-on installations, and a cafeteria for Mum and Dad. It could be a major destination on the Sydney scene, easy to get to, easy to park at, done with charm and flair, and attracting international and local visitors. The two parts could be divided by a big glass wall, with an elevated walkway on the public side, to enable visitors to look down and see work going on in the other half.

It could be used to house other heritage vehicles. It could be used as a maintenance area for other heritage operators. There are many alternative uses for this extraordinary site.

RailCorp has wished to use the site for apprentice training and storage of vehicles. However, the reviewers were informed that it has not proved possible to come to an agreement with the lessee on this issue. Chapter 5 contains recommendations for this site.
iii. Thirlmere

Thirlmere is a village 90kms south west of Sydney. Since 1962 it has been the site of the NSW Rail Transport Museum. It is too far away from Sydney to attract enough half day visitors, and is practically inaccessible by public transport.

It is also the site of Trainworks, as pointed out earlier, a facility on which $35m has already been spent.

In 2009, the NSW Government approved a new rail heritage centre at Thirlmere (“Trainworks”). It was to be located beside the Rail Transport Museum. This new facility was to be planned and financed by government, and have government-appointed staff, in preference to being managed by RTM and its volunteers. It is unlikely that the NSW Government would have approved this development independently of the advice of RailCorp.

The juxtaposition of these two entities has given rise to problems which can be thought to have been predictable.

Below is an extract from a separate report prepared by one of the reviewers, Andrew Scott.

Several years ago ORH decided to invest in upgrading the facilities at Thirlmere. There were two facets to this – a turntable and roundhouse maintenance facility and a new introductory interpretative facility to enhance and deepen the visitor experience. The outcome, is both perplexing and disappointing, particularly bearing in mind the $35M cost.

The challenge of developing a successful visitor attraction at Thirlmere is immense. It is a long way from centres of population, inaccessible by most public transport, the local population is small and Thirlmere is not on the tourist map. So if significant visitor numbers are to be achieved, a compelling visitor offer must be created and its existence forcefully communicated.

Despite the expenditure of the remarkable sum of $35M, the reality is very different:

- The new entrance building and interpretative displays seem very poor value for the expenditure
- The new turntable and roundhouse for locomotive overhaul and maintenance is a distinctive facility and potentially the most memorable part of a visit. But it has been placed at the back of the site with little thought being given to visitor access. The levels and surrounding fencing preclude the approach of visitors, the viewing gallery is separated from the workshop by a glazed barrier which reflects sunlight and obscures the view and demonstrations are not given.
- Programming and associated marketing activity are very limited, offering few incentives to visit, apparently as a result of budget cuts.
- The double management system is almost calculated to dilute the focus on offering a powerful visitor experience, whilst at the same time increasing operational costs, reducing volunteering inputs and engendering a destructive mutual hostility.

Incredibly, the new Trainworks operation collects the admission fees and passes none on to the Rail Transport Museum, removing their former revenue stream and their incentive to attract visitors. The substitute is their payment under contracts for the provision of services – a wonderfully bureaucratic procedure which wastes management time and diverts focus from the creation of a compelling visitor experience.

There is little evidence of success in working in partnership with local tourism agencies to develop the attractiveness of Thirlmere as a place to visit. The Donald Bradman Museum seems to offer the best hope of a constructive relationship.

All in all the visitor’s impression is of a rather soul-less and uninviting destination, existing totally independently of the world around it.
Photo 15: Straight corridor display

Photo 16: The Roundhouse
Photo 17: Trainworks Theatrette

Photo 18: Unrestored carriage
Photo 19: Restored Pay Bus
B. Facts and Key Data: Analysis

This part has three sections:
   a. Numerous divisions in the Heritage Rail Sector
   b. Management by Office of Rail Heritage
   c. Other Issues

a. Numerous Divisions in the Heritage Rail Sector

From a reading of the files and interviews inside government, it is clear that the history of relations among the various entities has been characterised by initial co-operation followed by intermittent disagreement. Cultures appear to diverge, as do mutual perceptions of competence.

The disagreements appear to be occurring, at various levels of intensity, between:

1. ORH and the NSW RTM,
2. the NSW RTM and Trainworks,
3. 3801 Limited and the NSW RTM
4. ORH and the Friends of Eveleigh
5. ORH and some of the smaller rail operators.

i. ORH and the NSW RTM

In 2009, the NSW Government made a judgement that a new rail heritage centre at Thirlmere (“Trainworks”) was necessary, to be located beside the Rail Transport Museum, and that this new facility should be planned and financed by government, and have government-appointed staff, in preference to being managed by RTM and its volunteers. It would be reasonable to assume that this decision would not have been taken independently of RailCorp advice.

The files show that, despite the fact that there was RTM representation on the Trainworks Board (two individuals20), the RTM Board expressed, in writing, some disquiet about some aspects of Trainworks.

For example, a letter from the Rail Transport Museum to the ORH, dated 28 June 2010, says about the ORH’s proposed business model for the Rail Heritage Centre at Thirlmere:

The Board has strong reservations about this latest proposal [that a subsidiary of RailCorp would be the governing entity of the new rail heritage centre] . . . while of course we are always prepared to discuss this or any other matter, on the face of it our reservations on the model now apparently proposed are such that we could not support it.

With respect to RailCorp’s Heritage Asset Management Strategy, the RTM says in another letter, this time to the Minister:

I would also like to raise with you the implementation of RailCorp’s rail heritage asset management strategy . . . the strategy is a wonderful thing . . . but that is not to say that it has worked as well as it might have, or that the strategy is as well managed by Government as perhaps it could be.

However, it should also be noted that in RTM’s 2009-10 Annual Report, the Chief Executive Officer stated: “we acknowledge the good working relationship we have with ORH”.21

During the course of the review, it became clear from numerous interviews that, although there are individuals of talent and goodwill on both sides, the RTM and the ORH frequently failed to see eye to eye, with a major bone of contention being the formation of Trainworks on a site adjacent to that of the RTM.

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19 One issue has proved divisive, namely that of the restoration of the 3801 boiler. This is less a governance and organisational issue and more a technical and mechanical one. Accordingly, it is not covered by this review.
20 Messrs K. Edwards and P Berriman [Chairman of the Rail Transport Museum]
ii. The NSW RTM and Trainworks

In 2009, the ORH commissioned a report from a Sydney consultancy, Matrix on Board, to examine the business sustainability of the Rail Transport Museum, which sits on a site owned by RailCorp, of which ORH is a business unit. The consultant’s report said that there was insufficient financial and management capacity in RTM to carry out its various roles adequately. Some of the criticisms were that the roles of Board and management were not sufficiently separated to avoid conflicts of interest; that Board participation needed to be divorced from operational activity; that the price for tours was not based on a costing analysis; and that not enough seemed to have been done to engage passive members.

The picture that emerges from the Matrix on Board report is of an organisation run by enthusiasts, strong on passion and commitment but somewhat light on managerial professionalism. The report did not seem to explore whether financial constraints had played any role in this situation.

Following the Matrix on Board report, the NSW Government made a decision to establish Trainworks. As suggested above, it would be reasonable to assume that this decision would not have been taken independently of RailCorp advice.

Trainworks was registered on 15 December 2010 as a company limited by guarantee with RailCorp as the sole member, for the purpose of managing the rail heritage museum and visitor attraction located at Thirlmere. It was expected to become a sustainable business, with DGR (deductible gift recipient) status. Its focus was on “building family, educational, tourism and business event visitation [sic] alongside the continuing loyal visitor base of rail enthusiasts”.  

The total cost of all the Thirlmere upgrades, as noted earlier, was around $35m. This is made up of $32.9m for capital costs and around $2m for non-capital costs (e.g. consultancies and non-construction contracts).

Without too much perspicacity, it could have been anticipated that setting up an overlapping and in many ways competing new entity right next door to an existing, well-known one was going to create problems. Problems have unsurprisingly eventuated. In the opinion of the reviewers, few of these problems stem from the individuals on site at Thirlmere, who for the most part are well-intentioned, hard-working and trying to do their best. They have simply been placed in a very testing position.

As Andrew Scott said in his separate report:

The double management system is almost calculated to dilute the focus on offering a powerful visitor experience, whilst at the same time increasing operational costs, reducing volunteering inputs and engendering a destructive mutual hostility.

Several of the judgements that were made are open to question:

1. The decision to create a new entity at all;
2. The decision to locate it 90kms away from Sydney;
3. The decision to place it next to the RTM;
4. The decision to have overlapping functions;
5. The decision to spend $35m on building the new entity.

The two points of relevance here are numbers 3 and 4 above. These two decisions virtually guaranteed rivalries and dysfunctionalities. The review has heard a great deal from both sides and has concluded that the root cause of the discord is the difficult position both parties have been placed in.

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23 Various statistics given to the review by ORH on the Thirlmere upgrade proved difficult to reconcile, particularly on the exact amount spent on non-capital costs, but broadly speaking, it would be accurate to put the total cost of the Thirlmere upgrade at $35m. At this stage, this is the best that can be done.
iii. 3801 Limited and the RTM

Conflicts between these two parties appear to have existed for very many years. After months of investigation and interviews, the review has reluctantly concluded that these differences are probably intractable. Several attempts have been made over the decades to reconcile the two parties, all of them seemingly without success. Both parties are devoted to rail heritage, and have worked long and hard, often without financial compensation, to make it a success, and nothing in this report seeks to diminish that remarkable contribution.

However, the division seems to have persisted. It is difficult for the review to pinpoint its original cause, or to allocate blame to the respective parties, and no attempt will be made to do so. It is enough to contemplate the failure of attempts at reconciliation and harmony over the years to conclude that any future attempt is likely to founder just as its predecessors over the decades seem to have done.

Virtually all those interviewed in the sector were of the same view, including many of the smaller entities. The virtually unanimous opinion of those interviewed was that any further attempt would be futile. The review is reluctant to recommend an additional attempt, given the strong likelihood, on past form, that it would waste further time and financial resources, and would result in more missed opportunities for the sector.

A few instances of the attempts made over the years to effect collaboration, and their fate:

In 1985, 3801 Limited was created with a board consisting of the Rail Transport Museum, State Rail, the Powerhouse Museum and the Australian Rail Historical Society, as well as the chairman of 3801 Limited. Over the years, the RTM role on the board gradually lessened, to the point where the RTM is now no longer represented on the Board.

In 2002, further discussions ensued on the possibility of a merger between 3801 Limited and the RTM. The reviewers understand that these foundered on the issue of who would have primacy in the merger.

In 2005, further discussions took place on the possibility of an extension of the 20-year lease to 3801 Limited of 3801 locomotive\(^2\), which was due to be returned to the RTM in 2006. Again, these foundered on a number of issues, including the conservation of the locomotive and the marketing of the locomotive’s excursions.

In 2006, Vince O’Rourke, Chairman of the Heritage Asset Management Steering Committee, attempted to put an end to the disagreements. His Committee recommended that 3801 Limited and the RTM work together in the wider interests of preserving and furthering rail heritage in NSW.

This hope does not appear to have been fulfilled either.

By this time, the differences seem too deep to be bridged.

A point to note is that the parties are unequal in terms of number of members, and in terms of scope of activity. The RTM has 2,300 members, while 3801 Limited has 27. All of the RTM’s activities are centred on rail heritage. 3801 Limited does engage in rail heritage activities but earns most of its revenue from carrying out commercial “Hook and Pull” contracts for RailCorp.

The divisions between ORH and some of the smaller rail heritage entities are dealt with below.

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\(^2\) The locomotive was leased to 3801 Limited for 20 years from 1986.
iv. The Friends of Eveleigh and the ORH

Another source of apparent conflict with the ORH has been the Friends of Eveleigh, who state in an undated letter to the Minister, that:

- Trainworks has seen its costs blow out from the $14m stated in a 2006 Press Release to $45m. [Actually the cost of Trainworks is about $35m];
- Sections of the facility are unsuitable for their use [no details are given]
- Wages for Trainworks employees amount to $700,000 per annum for 6 employees;
- The replacement boiler was mishandled by ORH, resulting in losses for the state government;
- A large collection of "state significant irreplaceable rolling stock" has been left exposed for two years at Broadmeadow despite the expenditure of $1.5m on the roundhouse and additional amounts on consultants’ reports.

In strong terms, the letter makes certain statements that are critical of ORH. Whatever the merits of each party’s position, it is clear that there is ill-feeling in this relationship.

In a nutshell, the whole rail heritage scene in NSW is seriously fractured. There are too many entities at central level, and over the years they have all warred with one another. It is time to call a halt to the divisions, both for the sector’s own sake and for the benefit of the people and taxpayers of NSW, because they are stifling the sector, preventing it from reaching its full potential, and keeping the state of NSW from earning the revenue it should be obtaining from the sector.

b. Management by the Office of Rail Heritage

i. Governance Issues

In the lead up to the formation of the Office of Rail Heritage in 2006, two main structures were explored for the future management of rail heritage in NSW. These were a State-Owned Corporation and a Trust.

A Heritage Asset Management Steering Committee recommended a Trust structure to the Government. It appears to have been felt that a subsidiary SOC would require too much involvement and subsidy from a parent SOC, and that it could never pay its way. The view appears to have been that an independent Trust would allow for flexibility and simplicity and would have the best chance of success.

At this critical juncture [in February 2006, just before Cabinet considered the matter], the NSW Audit of Expenditure and Assets Report [the Vertigan Report] was issued. It stated that there were too many small bodies, Trusts and Authorities proliferating in NSW, and that their numbers should be cut down.

Accordingly, central agencies withdrew the recommendation that an independent Trust should be created to manage the state’s rail heritage assets. Instead, it was decided to constitute the new rail heritage management entity as a part of RailCorp [so avoiding the appearance of creating yet another little entity], and to call that entity the Office of Rail Heritage (ORH).
There were both costs and benefits to this outcome, but the costs have predominated. They involved a lower degree of transparency (ORH’s annual reports and financial statements were not shown or publicly available separately from those of RailCorp), and possibly of entrepreneurship (with less independence, the entity was somewhat hamstrung in its pursuit of revenue-generating opportunities). ORH simply became part of a bigger bureaucracy, a rather minor and peripheral part at that.

Because it had no Board of its own, being a business unit of RailCorp, ORH has never had its own Risk Committee, Finance Committee or a Audit Committee. No Risk Register or formal risk analyses appear to have been created.

There would have been nothing to stop RailCorp insisting on any of these measures. However, it appears that it did not do so.

ii. Financial Management by ORH

Thanks to ORH’s position as part of RailCorp, the budgeting processes and accounting records of ORH appear on an initial view to be opaque. There does not appear to have been a separate budgeting process for ORH or for Trainworks. There does not appear to have been a separate process of reporting against budget. Categories appear blurred and overlapping, with lack of clarity about what is included in each of them.

The material made available to the review raises some initial questions:

• Why is the ratio of ORH’s operating to capital costs so high?
• How were deficits covered?
• Why was it necessary for RailCorp to provide a $10m cash injection to ORH?
• Why was ORH never the object of regular internal or external audits?

Because of the comparative lack of clarity stemming from ORH’s non-independent status, accountability is less distinct than it would otherwise have been. However, ORH was of course accountable to RailCorp’s own board, which considered a number of heritage issues in its normal deliberations on RailCorp as a whole.

The benefits of the arrangements putting ORH in with RailCorp, however, came precisely from that dependent relationship: provision of funds, technical and accounting assistance and a degree of protection from outside pressures such as the need to make money.

In a nutshell, it appears that ORH’s status as a division of RailCorp led to a loss of transparency and, possibly, a lesser emphasis on an entrepreneurial culture. As pointed out above, no internal or external audits appear to have been carried out, nor does any Risk Register appear to have been created. Some relevant accounts have to date been unobtainable. Many of these shortcomings were simply due to the position of ORH as a part of a bigger entity, RailCorp. The reviewers considered this was not the ideal arrangement.
iii. Management of Smaller Operators by ORH

The ORH has had considerable success in putting together the S.170 Register. It has also developed Custody Management Agreements with heritage rail operators for the management of Government owned assets.

However, operators’ views of the ORH have been generally unfavourable.

The review did receive one favourable account of ORH from an operator:

*The Society works closely with ORH and our relationship would be considered as very good.*

Against this single instance in the files, however, must be set the many negative written comments received from organisations and individuals in the sector. These negative comments are often couched in strong terms.

The review also conducted numerous interviews with other rail operators and the same picture emerged in verbal exchanges.

Consistently and vigorously expressed by virtually all those interviewed in the sector was a wish that the sector should be allowed to manage itself. This is one factor that led to the reviewers’ design of the proposed management model.

iv. Trainworks and ORH

ORH might have been considered bureaucratic, but it was entrepreneurial in one major way. It was the catalyst for the establishment of Trainworks. This section covers the way this happened, what the effects have been, and whether the government and the taxpayer received value for money.

Introduction

Over the past five years, ORH has received funding from four main sources:

- its regular allocation from Treasury, aimed at covering the normal functioning of its office. This is about $3.2m a year.
- Cash vested in it from the SRA when the SRA was wound up. This was $18.9m.
- Proceeds of land sales, which declined after the initial injection (see charts).
- A special allocation of $10.5 from RailCorp, which must be paid back. This was to complete the works at Thirlmere.

Over the five years 2006-7 to 2010-11, ORH has received a total of $57.6m and spent just over $59m.

Of the $59m spent in those five years, about $35m went on the Thirlmere upgrade ($33.2 capital expenditures for Trainworks, $1m on repairs to the Thirlmere Heritage Museum, and $1.027m on Thirlmere-related non-construction contracts and consultancies).

(At this point it is important to record that RailCorp determined that there was a need to develop an alternative facility to house rolling stock, in order to meet RailCorp’s heritage obligations, since at that stage it appeared that existing housing arrangements were going to be overturned. It is also important to point out that other parties, particularly the RTM, were involved in preparatory committees in the earliest stages of the project).

It is fair to conclude that one of the key managerial decisions in rail heritage, probably the single most important one, made by Government in the five years of operation of ORH has been to set up Trainworks.

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26 Response of Rail Motor Society to questionnaire sent out by Transport for NSW on 29 February 2012.
So it is important to ask several questions.

- Did the Government receive value for money?
- Did the public receive value for money? [these are slightly different questions]
- Will the public have received value for money in 20 years?
- Were alternatives considered?
- Why was that decision taken? How soundly-based were the factors on which that decision was taken?
- How well was that decision implemented?
- What effects has that decision had on the rail heritage scene in NSW?

Background to establishment of Trainworks

In 2009, the ORH commissioned a report from a Sydney consultancy, *Matrix on Board*, to examine the business sustainability of the Rail Transport Museum, which sits on a site owned by RailCorp. The consultant’s report said that there was insufficient financial and management capacity in RTM to carry out its various roles adequately. Those roles were:

- To tell the “Rail Heritage Story” of NSW;
- To look after the stock under RTM control, whoever the owner was; and
- To operate a museum, and run tours, events, functions, exhibitions and the like.

The report made a number of criticisms of the RTM’s financial management. These included:

- The organisation made no provision for maintenance costs;
- The price for tours was not based on a costing analysis but on a combination of inside knowledge of costs + capacity to pay + historical precedent; and
- There was no responsibility on the Board or the CEO to approve or decline significant financial decisions.

Other criticisms were made of the management of the museum:

- The RTM did not collect information about why people become members, or actively explored how members’ support could be capitalised, transformed and improved;
- Not enough seemed to have been done to engage passive members;
- Volunteers were not managed professionally, meaning that they were not coordinated, encouraged, trained and matched for skills;
- Many volunteers were dissuaded from contributing and were disengaged from the RTM;

Governance and leadership also came in for some criticism:

- The roles of Board and management were not sufficiently separated to avoid conflicts of interest;
- Board participation needed to be divorced from operational activity.

The picture that emerges from the *Matrix on Board* report is of an organisation run by enthusiasts, strong on passion and commitment but light on managerial professionalism.

The *Matrix on Board* report did not give an opinion on the role, if any, played by scarcity of resources in this picture.
Following the *Matrix on Board* report, the Government decided to create a new entity, Trainworks, right beside the Rail Transport Museum at Thirlmere. As pointed out above, it is unlikely that this decision would have been made independently of RailCorp advice.

Trainworks was registered on 15 December 2010 as a company limited by guarantee with RailCorp as the sole member, for the purpose of managing the rail heritage museum and visitor attraction located at Thirlmere. It was expected to become a sustainable business, with DGR status.

Its focus was on “building family, educational, tourism and business event visitation [sic] alongside the continuing loyal visitor base of rail enthusiasts”.

**Respective roles of Trainworks and the RTM**

The Trainworks annual report describes the role of the RTM as follows:

*The heritage rolling stock on site is maintained by the NSW Rail Transport Museum (NSRTM), a long-standing organisation of volunteer rail enthusiasts. NSWRTM is also the accredited on-site rail operator responsible for rolling stock and rail infrastructure, including delivery of the train rides offered as part of the Trainworks visitor experience.*

*Trainworks Limited partners with the NSW Rail Transport Museum to host special events and festivals. The two organisations share the Thirlmere site, with their respective areas of responsibility and rights of occupation defined in Custody Management Agreements with the asset owner, RailCorp.*

Trainworks was designed to look and operate rather differently from the RTM. It is a very large structure with glass sides and a red roof, and, as stated in Trainworks’ first annual report, it “has transformed the site”.

It was not designed to have membership on the scale of the RTM’s. It would not necessarily have a new corpus of volunteers, but would use some of the RTM’s volunteers. It was intended to be managed by professional managers rather than by people who were primarily rail enthusiasts. It would provide interactive displays in a modern facility. It would aim to attract many more visitors to the site than the RTM had done. For its part, the RTM would simply maintain the heritage rolling stock on site, run train tours, and help Trainworks host special events and festivals.

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v. Trainworks: Value for Money?

Part of the Thirlmere upgrade involved the construction of a Roundhouse and a turntable. The Roundhouse, however, is too low-slung to accommodate a crane, and was also placed next to the paint shop, despite advice to the contrary given to ORH by the RTM. So it is open to question whether the Roundhouse represented value for money.

Just as significantly, however, the projections for Trainworks appear to the reviewers to be flawed. Two key official documentary resources for helping to arrive at a judgement on value for money were made available to the review. One was the series of business cases commissioned by ORH, one from Hincks and Associates and the other from Positive Solutions. The second was Trainworks’ first Annual Report, with its associated financial statements.

A key feature of the Hincks Report is the set of assumptions made about visitor numbers. In year 1, they are projected to be 5,000, rising to 25,000, 45,000, 58,500 and 85,329 in subsequent years.29

The Trainworks Annual Report for 2011 says30 that the new facility attracted 6,952 in its first three months of operation, and that its goal for its first year of operation was 30,000, with growth of 20% a year thereafter. In the light of experience around the world, the numbers look strange. First of all, experience in the UK has shown that the number of visitors to rail heritage museums actually spikes in the first year, when there is fanfare, publicity and the “shock of the new” associated with the opening of a new facility. Thereafter visitor numbers tend to drop.

Even assuming that this does not happen in NSW, and that visitor numbers grow with greater familiarity, the Trainworks’ projection of growth of 20% a year may be a little unrealistic when projected out for 10 years. They result in a figure of 154,793 visitors in Year 10, and 894,544 in Year 20! This looks unattainable when in 2008 the RTM was attracting between 6,000 and 9,000 visitors annually, according to the Trainworks 2011 Annual Report (p. 7), and when Trainworks attracted 6,952 in its first three months. The same is probably true for the Hincks estimate of over 85,000 visitors.

It might just be possible to make an assumption that the new facility will attract three times more visitors than the maximum ever achieved by the RTM, despite the difficulty of getting to the site. To get to Thirlmere, visitors either have to drive, or take a train from Sydney to Picton, often having to change at Campbelltown, and then take a taxi or a bus to get to the facility itself. (Buses are not coordinated with trains and taxis are not always available). This would mean around 27,000 visitors per year, close to the numbers the facility is achieving now when annualised (and assuming that visitor numbers are not spiking in the first months).

But to be generous, and for purposes of a rough calculation, let us now assume that the facility achieves not 27,000 but 50,000 visitors a year (perhaps publicity will generate that many visitors). Over 20 years, that comes to a total of 1,000,000 visitors. Assume an average entrance fee of $25 (currently a variety of charges applies – it is $19 per adult now). Very roughly, this is revenue of $25,000,000 over 20 years. Put that generous estimate against a total establishment cost of $35m, plus annual running costs. (This is in no way a proper discounted cost-benefit analysis, merely a very rough estimate).

Some very tentative conclusions suggest themselves. The facility may be facing losses in the future, which, all other things being equal, Government would have to make up (if they occurred). At the very least, there are possible grounds for beginning to raise questions about value for money. And if the intention is for the RTM to take over the running of Trainworks, the RTM could face some difficulties in doing so.

Even if government were willing to accept losses over the period in the interests of achieving non-quantifiable benefits, such as meeting its heritage obligations\(^{31}\), those non-quantifiable benefits would have to be brought to the fore and explained clearly.

Patronage is notoriously difficult to predict, as faulty estimates for road and rail projects in NSW and elsewhere have repeatedly shown. It may indeed be that a calculated risk needed to be taken and a new tourist facility built despite uncertain predictions of visitor numbers. It may indeed be that alternatives were not going to work. It may indeed be that explaining why those alternatives were not going to work would be difficult.

If ORH had had its own Board, Risk, Audit Committee and Finance Committees, and its own budget and internal auditing, many of these questions would have been dealt with, with greater transparency.

Four conclusions may be drawn:

First, that the construction of Trainworks is unlikely to be shown to represent value for the taxpayer’s money in terms of financial returns;

Second, that, even taking into account all the mitigating factors, it was unwise to have built it in Thirlmere, so far from Sydney;

Third, that Government is likely to have to continue propping up the site for the foreseeable future, unless, that is, the proposed new entity develops:

- a better way of accessing it
- much more attractive installations.

Fourth, that the new entity must have a qualified, critical Risk and Audit Committee.

In a nutshell, it appears, that the current situation in the sector is less than optimal. The sector needs a fresh start. Very substantial sums of money have been spent on what runs a clear risk of being a white elephant; many stakeholders are alienated and at loggerheads; ORH’s position as a business unit of RailCorp has brought with it less transparency and accountability in its finances than if it (ORH) had been an independent entity; separate auditing of ORH does not appear to have been carried out; If ORH had been created as a separate entity, many of the transparency problems could have been avoided; if RailCorp had exercised better control, much of the waste could have been prevented; if the sector had been less fractured, its job would have been much easier. It has also carried out its job of compiling the S. 170 register well, and has developed (sometimes contentious) Custody Management Agreements.

It was very clear to the reviewers that it is time for a completely fresh start in the sector, with a completely new management structure.

c. Other Issues

i. Lack of Operating Base in Central Sydney for All Rail Heritage Operators

The Large Erecting Shop would be the obvious site for a facility that would be available to all rail heritage operators, but in 1986 the State Rail Authority leased it to 3801 Limited on an exclusive basis, on the assumption that the facility would be used solely for heritage rail purposes \(\text{[see iii below]}\). The lease was continued under RailCorp and is in force today. The licence to occupy the LES can be revoked by RailCorp at any time by notice in writing to the Company.

The review reports receiving complaints from a variety of smaller rail heritage operators that there was no facility for them in central Sydney to carry out their maintenance and refurbishment operations, or from which to launch any of their tours.

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\(^{31}\) See Part II for a listing of those heritage obligations.
Some said they had to set out extremely early from their home base to come to Sydney, instead of being able to drive their vehicles to Sydney the night before. Some complained that they were not allowed to access the LES.

RailCorp appears to have allowed this situation to continue without any yearly checking. The situation has meant that RailCorp itself has not been able to meet its own needs e.g. for the training of apprentices in the LES and storage of rolling stock, because of the existence of the lease.

The Review believes that a new arrangement which would entitle all rail and rail heritage groups to have equal access to the LES should replace the current exclusive one as soon as practicable.

### ii. Lack of Policy on Subsidies, Particularly Insurance Subsidies

Currently Transport for NSW pays approximately $500,000 a year to supplement the insurance costs of rail heritage operators. The payment is made in recognition of the fact that rail heritage operators are not-for-profit entities and provide cultural, educational and entertainment benefits to the public. Public liability insurance is typically the biggest cost that heritage operators face.

However, if a rail heritage company earns a substantial portion of its revenue from non-heritage, i.e. commercial, operations, the appropriateness of the subsidy can be called into question.

Transport for NSW should, as soon as practicable, take steps to develop a policy on how large a proportion of a company’s revenue can be represented by non-heritage activities before a subsidy becomes inappropriate.

The Government has provided rail operators with other subsidies. Some receive subsidised accommodation from RailCorp, for example. RailCorp also subsidises council rates and utilities, including electricity. ITSR waives accreditation fees.

These subsidies have happened ad hoc, without any explicit policy. So Transport for NSW needs to develop a clear policy on subsidies to the rail heritage sector.

### iii. Commercial Contracts

In 2007, RailCorp awarded 3801 Limited a five-year “hook and pull” contract. The contract was for the provision of haulage services to RailCorp and is an ordinary commercial contract. The total amount to be paid to 3801 Limited under this contract is $5.9m.

The fulfilment of the contract relies on 3801’s access to the Large Erecting Shop, a facility not as readily available to the company’s competitors.

When 3801 Limited was awarded the Hook and Pull contract in 2007, there were stated to be four criteria for selection of the successful bidder:

- that it should be an accredited operator of rolling stock [which 3801 Limited was];
- that it should have an Access Agreement for access to the rail network [which 3801 Limited did];
- that rolling stock should comply with RailCorp rolling stock engineering standards; and
- that there should be substantial compliance with RailCorp’s standard Hook and Pull Agreements.

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32 Information provided by RailCorp. The review was recently told that a similar arrangement may have existed with Rail Infrastructure Corporation from as early as 2003-4.
It is not clear whether RailCorp investigated, before awarding the contract whether all the bidders were bidding on a level playing field.

According to its own Statement of Business Ethics, RailCorp undertakes to:

- show fairness in our treatment of all individuals or organisations that supply goods or services to RailCorp
- encourage fair and open competitions while seeking value for money.

C. Findings

The following findings emerge from the above analysis:

a. General

Transport heritage is not a fringe activity run by marginal enthusiasts. There is a keen and widespread public interest in transport heritage. In other states this interest has translated into tens of millions of dollars of direct and indirect revenue.

NSW has not been benefiting from the sector proportionately to its size. There are several reasons, long-standing and intractable divisions in the sector and less than ideal management by RailCorp being the main ones.

b. The Rail Heritage Sector

Despite attempts by several parties inside and outside Government to achieve agreement and cooperation, the rail heritage scene in NSW is characterised by serious, long-standing fragmentation and varying degrees of conflict among the key parties. Cultures diverge, as do mutual perceptions of competence.

The divisions have resulted in substantial losses to and missed opportunities for the NSW economy. They have occurred between:

- the RTM and ORH
- 3801 Limited and the ORH
- 3801 Limited and RTM
- Trainworks and the RTM
- Smaller operators and ORH
In the opinion of the reviewers, they are intractable.

The remarkable dedication of the members and especially the volunteers in the sector is the major factor in keeping it going. However, the sector is ageing and needs rejuvenating.

RailCorp failed to provide close supervision of the activities of the Office of Rail Heritage. It did not provide for any internal or external audits during the years since the ORH was established.

RailCorp did not verify whether there was a genuinely level playing field among competitors for its hook and pull contracts, whether all competing companies were financially viable, and whether the companies’ accreditation and insurance were appropriate.

RailCorp has not derived full advantage or public benefit from two major rail heritage sites in NSW, namely Broadmeadow in Newcastle and the Large Erecting Shop in Sydney. The result has been millions of dollars of public benefit foregone in both cases.

RailCorp did not ensure equal access for all rail heritage operators to the LES.

ORH was set up as part of RailCorp instead of an independent entity, as the O’Rourke Committee had originally recommended. As a business unit of RailCorp, ORH was never audited, never published a separate annual report or financial statement, never developed its own budget, and spent $35m on building Trainworks, which runs a clear risk of being a white elephant.

With 2,300 members and almost 400 volunteers, the RTM, established in 1962, is by far the largest single body in the sector. While it is generally well regarded, with an excellent small corps of curatorial and operating staff, and very many dedicated volunteers, it has suffered from lack of adequate funding and less than perfect management. It recognises its own shortcomings and has formulated plans for overcoming them. All of its activities are centred on rail heritage.

Built without adequate justification, in the opinion of the reviewers, and at a total cost of $35m, Trainworks is located in a relatively inaccessible part of NSW and will struggle to attract visitors, despite the dedication of its staff. The installation is uninspiring, especially in comparison with other museums in Australia and abroad. The co-location of Trainworks with the RTM in Thirlmere was a recipe for conflict and inefficiency, although many individuals on both sides have done their best to work in a testing environment.

Broadmeadow has been comparatively neglected by RailCorp. Its potential is almost completely unexploited. The Large Erecting Shop has also been allowed to remain the absolute province of one operator, to the exclusion of RailCorp’s own uses and those of other rail heritage companies.

The Department of Transport and RailCorp failed to develop policies covering:

a. insurance subsidies for heritage rail operators, and

b. the best way of ensuring full public benefit from the LES and Broadmeadow.

Summary

It is clear from the findings that a fresh start is now needed in the sector. There are too many divisions, inefficiencies and missed opportunities, and too much misallocation of resources; management has been less than ideal, and has operated freely with a lack of transparency, and inadequate accountability; there has been a signal neglect of potentially magnificent sites. The sector is ageing. New recruits are leaving because of the divisions and inefficiencies. There is low morale.

The problems have all gone on for far too long, decades in some cases. It is time for a basic change in the way the sector is managed.

The findings indicate a range of possible options for future action. These are explored in Chapter 3, which assesses each of them carefully. Once these options are carefully analysed in Chapter 3, a series of recommendations emerge, the principal one of which is set out in Chapter 4. Chapter 5 resumes all the recommendations of this Report.
Chapter 3: Assessing the Options

Ten principal options for managing rail heritage in NSW from now on were assessed during the review. They included:

1. Preserving the status quo;
2. Moving the functions of ORH from RailCorp to Transport NSW but otherwise leaving everything the same;
3. Creating another government-controlled not-for-profit company limited by guarantee;
4. Legislating for a new statutory authority which would have on its Board a minority of Government members, one member each from RTM, 3801 Limited, and Rail Heritage Australia NSW, and a Chairman elected by the Board;
5. Creating a state-owned corporation;
6. Creating a Trust;
7. Having the Powerhouse Museum carry out all central management functions for the sector;
8. Having the NSW Office of Environment and Heritage carry out all central management functions for the sector;
9. Leaving out buses and trams;
10. Creating a not-for-profit company limited by guarantee independent of, but monitored and partly financed by, government.

Option 1: Preserving the status quo

Chapter 2 detailed the problems with the status quo.

The Minister has stated that the priority of RailCorp in the future is the provision of passenger services. This would seem to imply that rail heritage is not envisaged to be a part of RailCorp’s new role.

Mostly, however, it is because the problems, divisions and dysfunctionalities have become so severe that everyone in the sector recognises there needs to be a fundamental change in how rail heritage is managed in this state.

The review does not recommend this option.

Option 2: Moving ORH from RailCorp to Transport NSW

Under this option, Transport for NSW would manage the sector’s assets, co-ordinate its funding for maintenance and restoration and liaise with the sector. This option would require a unit of at least seven people inside Transport for NSW, although the initial costs would be comparatively low. Under this option, Transport for NSW would have to take into account all the feedback received during this review; it would have to adopt a different management style from that of ORH; it would improve Custody Management Agreements, and in general, keep the interests of the whole sector in mind.

There are significant drawbacks to this option, however:

• The sector has sent clear messages that it wants to manage itself;
• There is such suspicion of government and disaffection in the sector that even a well-managed government successor would struggle to get support;
• This option does nothing to rectify the situation where overlapping, competing and squabbling entities waste time, money and energy on disputes. Instead it leaves in place an unsatisfactory status quo of several entities still carrying on their quarrels;
• It leaves government with a comparatively expensive and heavy involvement in the sector, with more interference than is either necessary or optimal;
• This option would represent a departure for Transport for NSW in that the department has little experience in the management of heritage assets, in the marketing of events, or managing a museum; or in other functions involved in managing the sector;

• This option does not solve the Trainworks/RTM issue;

• It leaves the sector without a single independent voice or representation to government.

So the review does not favour this option. However, see Recommendation 9 at the end of Chapter 5.

**Option 3: Creating another government-controlled not-for-profit company limited by guarantee**

This option has considerable drawbacks:

• It would retain a heavy government role in a sector which should be managing itself;

• It would be unlikely to secure the support of the largest single entity in the sector, the Rail Transport Museum (which could fairly be said to be the heart of the whole sector), because it is an option that would perpetuate control by government, of which the RTM is now highly suspicious. Without the support of the RTM, any proposed option would certainly founder.

The review does not recommend this option.

**Option 4: Legislating for a new not-for-profit company which would have on its Board a Government minority; one Board member each from RTM, 3801 Limited, and Rail Heritage Australia NSW; and a Chairman elected by the Board.**

This option, based on the model successfully followed by the Victorian body, Puffing Billy, for many years, has been put forward by 3801 Limited.

This proposal has several features. The main ones are:

• The NSW Government would be the sole member of the entity;

• The Board would consist of one director to be appointed by each of Transport for NSW, the NSW Office of Environment and Heritage, the RTM, 3801 Limited, and Rail Heritage NSW, plus additional members to be appointed by government as necessary;

• Unless government appoints those additional members, the sector itself has a majority on the Board;

• Not more than one member of the Board is to be an employee of the company;

• The Board elects its own chairman;

• There is a Technical Advisory Committee;

• The company would aim to be financially viable in the long term;

• It would encourage the access to and use of government-owned rail heritage assets by the public, and increase the enjoyment, educational, historic and cultural values of those assets. This is an omnibus clause which in practical terms would seem to imply running museum(s), organising tours and events, maintaining and restoring assets, and managing volunteers.

There are several merits to this proposal.

• It provides for a single entity;

• Its aim is a comprehensive and generous one, seeking to encompass within the purview of the company a wide range of functions;
• It has recognised the need for a Technical Advisory group;
• It seeks to give the sector a majority on the Board in normal circumstances;
• It seeks to protect and empower smaller entities by giving them (or at least Rail Heritage Australia) a seat on the Board.

However, it has several decisive drawbacks.

Some statistics will illustrate the first drawback. The Rail Transport Museum has 2,300 members and almost 400 volunteers. 3801 Limited has 27 members and 122 volunteers. Even while recognising the dedication and contributions to the sector of 3801 Limited, it is clearly not equitable to give the RTM and 3801 one seat on the board each. It is likely that the RTM would not wish to be a party to a disproportionate arrangement such as this, and without its support no option can realistically succeed. For exceptions to be made would taint the whole process from its inception.

Moreover there are other entities such as Zig Zag, which have more members than 3801 Limited. It does not appear equitable to give 3801 Limited a seat on the board and not give one to other entities with more members and volunteers than 3801 Limited.

This proposed option does not detail how the RTM or 3801 Limited or any other body would relate to the new entity. If under the proposal the RTM and 3801 Limited would continue operating as usual, then all the proposal would have achieved is the injection of yet another entity into an already crowded landscape, and a pointless duplication of functions.

If, instead, it is envisaged that the RTM would be folded into the entity, the members of RTM would, of course, have to agree. There is no doubt whatever that the RTM members would resist being submerged into an entity in which they were unfairly put on the same footing as a very much smaller entity, and in which their standing and influence did not properly and correctly reflect their position in the sector. The RTM would also, in common with most of the rest of the sector after the bad experience with government many of them have suffered, resist any proposal where government could dominate the board at any time it wished.

So if they did not support the proposal, it quite simply could not go forward, nor should it.

If it is intended that the new entity should simply replace the ORH, this scenario would simply leave the rest of the sector as it is, with the same problems which emerged so clearly during the review. It would not represent a fresh start in any meaningful way. It would not mean a fundamental new empowering of the sector. It would leave government with a powerful multiple role, in a context where the government has no longer any wish to remain deeply involved, and where there is a strong suspicion of government in the sector. In the opinion of the reviewers, this is not the fresh start that is needed now.

There are other features of this proposed option which raise some doubts.

One is that it does not provide a solution to the situation at Thirlmere, where the RTM and Trainworks exist uncomfortably side by side, sometimes overlapping, sometimes hampering each other.

Another is the proposed option’s stated aim of financial viability in the long term for its proposed entity. Any new entity would have to run a museum, perhaps more than one in the future. Virtually no museum anywhere in the world, certainly no large and significant museum, operates with zero government support. And it is risky to project sizeable gifts from private donors. The only realistic way a NSW rail heritage entity could be financially viable in the short or the long term is probably if it adopted the same solution as 3801 Limited, namely the execution of commercial contracts. This would, in modern parlance, be a very bad “look” for an entity whose primary object should be the public benefit.

There are other issues. Puffing Billy is not really a relevant model for NSW, because Victoria has never suffered from the divisions and suspicions that have hobbled the sector in NSW. A partnership between government and the rail heritage sector in Victoria is a much more practical proposition than one is at present in New South Wales.

So, after careful consideration and despite its undoubted merits, the review does not recommend this option.
**Option 5: Creating a state-owned corporation**

The State-Owned Corporation was an idea that the O’Rourke Committee considered carefully in 2004 when trying to work out the best structure for the management of rail heritage in NSW. It received some support in the Committee on the grounds that it would represent a unitary solution to the divisions of the sector.

However, there are still several difficulties in the way of a SOC. First, SOCs need to pay their own way. As outlined in the discussion on Option 4, the new entity, in common with virtually all other museum operators in the world, will not be able to pay its own way. Second, legislation is needed to establish a SOC. Third, this is a sector that does not want to be owned by government.

These are decisive deterrents.

So the Review does not recommend the State-Owned Corporation as inappropriate to the context of the rail heritage sector in NSW.

**Option 6: Creating Trust**

There are two types of Trust.

The first is an ordinary, traditional, non-governmental Trust.

The Crown Solicitor, on two occasions, provided a clear opinion to the review that this kind of trust structure would not be a preferred option. This was because:

- the Corporations Law allows the members of a company limited by guarantee much greater power in the company’s management than can be exercised by the beneficiaries of a Trust. A small example: members of a company can call a meeting, which beneficiaries of a Trust cannot;
- it is a long and complicated process to set up a Trust, involving either legislation or the creation of a Trust Deed, and it would not be wise or logical to do so when simpler alternatives are to hand;
- in Australian law, trusts are not membership-based organisations as they are in the UK;
- Trustees face significant constraints.

The other type of Trust is a structure like those of the Historic Houses Trust, or the Sydney Cricket Trust. In actual fact, these “Trusts” are Statutory Authorities. They are empowered by Government to undertake specific functions and operate for specific purposes. They are set up by legislation. Their directors are appointed by Government. They have no inbuilt incentive to be entrepreneurial.

The creation of a new Statutory Authority along these lines is likely to meet with significant difficulties. For some years, the Government of NSW has been seeking to rationalise the number of smaller entities on the grounds of cost of administration, and, in this climate, any proposal for a new entity, particularly a small one such as is proposed under Option 6 would have to meet very stringent criteria. The likelihood that this proposal will meet with central agency approval is not high.

In addition, this proposal leaves government with a strong role, and commensurately reduces the independence of the sector.

Lastly, it would require legislation, which can be a long and cumbersome process.

For these reasons, the review does not recommend this option.

The conclusions the review had to draw from investigating this option were first, that for simplicity the new structure should be based on an existing company limited by guarantee, and not be a newly-created Trust, and second, that it should be outside government.

So the review ruled out the Trust option as being unsuited to the legal and administrative context of NSW.
Option 7: Having the Powerhouse Museum carry out all central management functions for the sector

Two of the reviewers were world-renowned experts who had run rail museums within a broader museum structure. Initially they believed that the Powerhouse might form the new single entity for the management of rail heritage. However, after a visit to the Powerhouse Museum, they emerged with a strong opinion that the management of the Powerhouse Museum was not in a position to handle the sizeable new responsibilities that running the rail heritage sector would involve. The unanimous opinion of the reviewers was that this option was not to be recommended.

Option 8: Having the NSW Office of Environment and Heritage carry out all central management functions for the sector

The NSW Office of Environment and Heritage has a very limited staff and budget. Although its heritage premises in Parramatta are attractive, and are adjacent to a possible site for a new transport heritage management body, it is not in a position to take on the sizeable responsibility entailed in managing rail heritage. However, it is very willing to serve on any panels that a new rail heritage entity would set up.

The review does not recommend this option.

Option 9: Leaving out buses and trams

In discussions with the Sydney Bus and Truck Museum Inc. at Leichhardt, the review learned that it would welcome being included in the purview of any new transport heritage entity. It saw a number of potential benefits:

- It needs someone to call on to get the latest developments on compliance issues relating to matters such as OHS and fire, and it anticipated that the new entity could provide that;
- It needs to be helped with better interaction with the Department of Education, and it believed that a bigger entity would have a stronger voice with that and other government departments;
- It needs a better deal on its insurance, and it expected that it could obtain that under an umbrella arrangement with the new entity;
- It thinks it is an excellent idea for a calendar of events to be maintained across the portfolio, and it considered that a comprehensive new entity could achieve that;
- It wants more funds for maintenance, and it expected that with a well-ordered process these could be obtained.

There is no reason why any of these goals should be unattainable.

The review recommends including bus and tram in the purview of the new entity because:

- their inclusion would situate the new entity squarely within Transport for NSW and give the department additional reasons to fund and monitor it;
- in any case, Transport for NSW is an integrated transport authority, so it would be well within its brief for buses and trams to be included together with rail;
- they are small and self-supporting and would as such would not represent much extra work for the Relationships Officer.

So this option is not recommended by the review.

Option 10: Creating a not-for-profit company limited by guarantee independent of, but monitored and partly financed by, government

This is the preferred option. It is outlined and detailed at some length in Chapter 4.
Chapter 4: The Preferred Option

A. Vision

As outlined in Chapter 2 of this report, the NSW rail heritage sector has suffered from low morale, disarray, division and lost opportunities to such an extent over the past few years that a fresh start is now essential. Staying with the status quo is not recommended as an option.

There needs to be a new vision for the sector. The days are gone when it was mostly a group of enthusiasts playing, maintaining and restoring trains. Today, those enthusiasts are still at the core of the sector but it can do very much more. In a new world, the vision for rail heritage should be:

NEW VISION FOR THE SECTOR

It:

• is unified thriving, entrepreneurial, empowered, self-managed and responsible;
• makes the maximum possible contribution to the state’s economy;
• seeks as its first goal to maximise the public benefit from its activities;
• acts as the custodian of all the state’s moveable and fixed rail heritage assets (except those in current use by Government) and manages them in a responsible, legally compliant fashion;
• aims to earn the maximum possible revenue consistent with securing the greatest possible public benefit, by vigorously exploring and maximising opportunities for tourism, education, entertainment and training; managing its attractions in a lively, customer-friendly way; and working in harmony with other entities in the sector, both government- and transport-based;
• actively assists state and local government and the private sector in an effort to develop its major under-utilised sites, in a manner that is consistent with its goal of maximising educational and other public benefits;
• is fairly and professionally managed.

B. Principles

As has been pointed out throughout this report, it is time for a fresh start. The old configuration of several warring entities can no longer be allowed to prevail. A new unity must take its place, and the best way of enshrining this new unity is in a new model that not only encompasses most of the old entities but also charts a new, fairly administered, entrepreneurial and professionally managed course.

Chapter 3 has set out a number of options for managing the future of rail heritage in NSW, but none of them is ideal. Some are legally impossible, some are administratively unworkable, some are strategically detrimental to the future of the sector, some are too narrow, and some are too costly. The question is what shape the fresh start should take.

After several months of interviewing scores of individuals and entities, reading numerous written submissions, visiting and photographing many sites in NSW and interstate, taking advantage of the expertise of internationally renowned UK experts in the field during their visit to NSW, and examining similar sectors in Australia and overseas, this review has settled on a preferred model for the future in NSW.
What were the main principles on which this choice was based? There are ten:

**THE NEW MODEL: BASIC PRINCIPLES**

1. *A new unity of purpose to replace old divisions;*
2. *Empowerment of members and volunteers, meaning self-management and independence from government;*
3. *Encouragement of an entrepreneurial culture;*
4. *Adequate and guaranteed financial support, plus annual supervision, from government and development of a formal Funding Agreement;*
5. *Simplicity;*
6. *Professionalism and quality in the Board and the management;*
7. *Independence of smaller entities, with strong protection of their interests and assistance to their operations;*
8. *Inclusion of bus and tram organisations;*
9. *Government rail assets to be owned by Transport for NSW, protected by law, leased to new entity;*
10. *Coverage of all heritage rail assets in NSW, not just those owned by government, under strict criteria.*

Why were these principles considered important in the design of the new model? Taking them one by one:

Taking them in turn:

**1. New unity of purpose to replace old divisions**

As Chapter 2 showed, the divisions in the NSW rail heritage world have been deep and long-standing.

So the new model should be designed in such a way as to maximise a sense of unity of purpose and minimise the possibility of dissensions and divisions. The “politics” (in a broad, not parliamentary, sense) need to be taken out of the current situation and made a thing of the past. Many of the younger members of the sector are tired of the bickering and have become alienated from the sector. For the sake of the future of rail heritage in NSW, the opportunities for perpetuating the quarrels of the old guard must be drastically reduced, if not eliminated entirely.

In addition, as pointed out in Chapter 2, not only have these divisions led to seriously low morale in the sector, they have also prevented NSW from reaping all the benefits which Tourism Victoria has shown to accrue to Victoria from that state’s thriving rail heritage sector. These benefits include boosts to regional tourism, to employment, to revenues, to education and, more nebulous but still of considerable importance, a strengthening of a sense of national identity.

The divisions have hobbled the sector. It is time, at last, for decisive action from government to bring about greater unity, because that is what the sector is demanding.

**2. Empowerment of members and volunteers, meaning self-management and independence from government**

Any new model should empower the volunteers and members without whom the rail heritage sector would simply not exist.

So the new model is based on newly empowered members and volunteers of the sector. In fact, the whole point of this reorganisation is to empower the sector to manage its own affairs.
There are many reasons for this.

First, this new empowerment marks a fundamental, even dramatic, change from the unsatisfactory situation that has prevailed over the last five and a half years. The review received a very large number of verbal and written complaints that, during this period, the sector was being micro-managed, ignored, neglected, offended, and bypassed. There is no doubt that there is a high level of mistrust of government in the sector, which will take some time to overcome, and an overwhelming desire for a regime where it can manage itself.

However, as was seen in Principle 1 above, there is a parallel desire for a change from the old divisions that have plagued the heritage transport world for many years.

Second, the Minister has said that RailCorp should focus on its core business, which is passenger transport. It would be hard to include heritage rail in RailCorp’s “core business”.

Third, the detailed, hands-on management of heritage rail does not form part of the purview of Transport for NSW, the department newly configured to manage transport in NSW. Transport for NSW deals with transport coordination, transport policy and planning, transport services, transport infrastructure, freight and marine pollution response. The full-time, detailed management of a rail heritage entity is not part of this mandate, quite apart from the fact that it would not be welcomed by the sector.

There is also a view in central agencies that entities in the NSW government should be rationalised, and not increased in number without very strong justification.

So there would be little point in trying to create a new government entity to manage rail heritage in NSW if both the sector itself and central government were opposed to it before it ever started.

Accordingly, the review recommends that a new entity be a self-managed body outside government.
3. **Encouragement of an entrepreneurial culture**

One idea, and hope, with the introduction of a new management structure is that the new managers will have every incentive to be entrepreneurial in identifying, managing and taking full advantage of the enormous opportunities that are now lying dormant in the sector, as outlined in Chapter 1 of this report. The new organisation should develop a new, entrepreneurial culture, learning from other successful museums, rail and otherwise, around the world, and making best use of the superb sites now seriously underutilised in NSW.

4. **Adequate and guaranteed financial support, plus annual supervision, from government**

But at the same time, the entity cannot survive on its own. It will be running a museum, for one thing, and virtually no museum anywhere in the world is self-supporting. Ipswich in Queensland and the National Railway Museum in Adelaide receive substantial government support, and they are only museums. The new model is envisaged to do a great deal more than simply run a museum [see section C. below]. It will be making some revenue of its own, but it will still need support.

Because that support will be coming from government, government will have to satisfy itself that its funds are being properly spent. So the new model builds in a limited supervisory role for government, namely Transport for NSW.

More fundamentally, the review found that virtually everybody in the sector recognises that only government can be the catalyst to bring the future into being. Given the divisions in the sector, there is no alternative.

It should be clear that unless the Government guarantees ongoing funding for operational purposes, the whole proposal put forward in this review stands a good chance of foundering. This guarantee should be in the form of a formal Funding Agreement. Members of the sector are very mistrustful of government, and unless this is done, they are unlikely to support the proposed new arrangement.

5. **Simplicity of structure**

Because the sector has so many entities at the central level, it is currently unnecessarily complicated. At first sight, it is hard to work out who does what, why, and how. Only with some familiarity do the complexities partially fall into place.

This tangled scene should be replaced with simplicity – one organisation, one board, one management structure.

6. **Professionalism in the Board and the management**

Chapter 2 outlined some of the management shortcomings in the sector. Many interviews and written material made it clear that no part of the sector was free from managerial deficiencies. Many of these are acknowledged by the entity responsible. Some are not.

So if the sector is to manage itself, the review considers that there is only one way a new dispensation can succeed, and that is for it to be professionally managed with job descriptions carefully worked out and full-time staff recruited after the normal search and interview processes.

There would be no reassurance that the most professional and qualified managers had been selected for the new entity if there is no fully transparent recruitment system. It would be envisaged, for example, that an executive search firm would be hired to find the CEO in the new model.

A similar requirement for professionalism applies to the Board. It is important for merit to play, and be seen to play, a large part in the selection of Board members.
7. Independence of smaller entities in the new model, coupled with strong protection of their interests and assistance to their operations

The smaller entities in the heritage transport world are numerous. Mostly, they are based either on a form of transport, such as buses and trams, or on locality, as is the case with rail. The new model should never seek to affect their independence or change their identity in any way. They are mainstays of their local communities and carry on very valuable conservation and restoration work with their own dedicated volunteers and members.

So in the new model, the smaller entities totally retain their independence.

At the same time, however, the new model provides the smaller entities with benefits. It is understandable that they would fear that, when they apply to the new entity for funds for maintenance and restoration, their applications would get swamped by those from the larger ones. The review is sensitive to these fears, and so a system has been devised to protect and further the interests of the smaller entities. Section c. below sets out the seven major forms of protection and assistance that are built into the proposed system.

8. Inclusion of bus and tram organisations in the new model

Without constraining bus and tram organisations in any way at all in the new model, there is scope for including them in its benefits. Specifically, they could apply for funds, co-ordinate their marketing with rail and receive technical assistance.

While rail would always be by far the largest part of the new model, there would be good reasons for including these non-rail entities, particularly the synergies obtainable in marketing, and in the representation of the entire transport heritage sector to government.

9. Government rail assets to be owned by Transport for NSW, protected by law, leased to new entity

At present, most rail heritage assets are owned by RailCorp, but it would be a simpler arrangement for those (government-owned) assets to be owned by Transport for NSW and leased out to Transport Heritage NSW and the other smaller operators, under an arrangement similar to the CMA model developed by the ORH. Asset custody arrangements need to ensure that heritage groups get sufficient security of tenure to entice them to invest their time and money in the assets, but ownership of those assets should ultimately reside with the Government.

10. Coverage of all heritage rail assets in NSW, not just those owned by government, under strict criteria

There is little point in creating a model that purports to speak for the whole sector to government and the outside world if its remit covers only government-owned assets. The new entity should also seek to extend its assistance (but not ownership) to the non-government-owned assets that currently belong to some of the smaller rail heritage entities.

These assets form a minor part of rail and other transport assets in the state. However, as in principle 9 above, applicants for funds must adhere to the criteria developed by the ORH for its custody management agreements.

It should be noted that one of these criteria is that applicants cannot be individuals but only incorporated entities.
C. Functions

**FUNCTIONS OF THE NEW MODEL**

The new entity will:

1. earn revenue from visitors, events and train operations, as an accredited rail operator, as well as raise funds on its own;

2. manage rail heritage assets in Thirlmere and Valley Heights and in doing so, undertake some of the government’s heritage obligations under the Heritage Act;

3. administer a custody management arrangement system with smaller rail transport heritage entities aimed at proper management of government-owned heritage rail assets in their custody;

4. manage the museum and all displays at Thirlmere and Valley Heights;

5. manage members and volunteers;

6. organise educational and training programs for school and other students and apprentices;

7. begin the process of realising full value for the Broadmeadow and LES sites, consistent with preserving the interests of the community as a paramount consideration;

8. liaise closely with smaller transport heritage entities, such as regional rail bodies, and bus and tram heritage organisations and assist them prepare applications for grants;

9. act as the first filter in the grant application assessing process;

10. act as a strong single voice representing the whole sector to government, and, under a system carefully designed to ensure fairness, as the single conduit for the allocation of government funds to the sector.
These functions make for a comprehensive and exciting new role.
It has many advantages:

1. It is unified and comprehensive in that one single model will handle Trainworks, the Rail Transport Museum and the functions of ORH, among others;
2. It is a self-managed model which is not subject to micro-management or insensitive treatment by government and can define its own functions;
3. By building in entrepreneurship, it can:
   a. finally lead to a capturing of enormous public value from the very large and neglected Broadmeadow site, and from the Large Erecting Shop, which occupies a prime position in central Sydney;
   b. make possible, and even obligatory, the establishment of close links with a wide range of tourism bodies, like Destination NSW, various tour operators, and other transport heritage groups;
   c. through new management, bring in a new stress on visitor attraction, with appealing family-friendly facilities like miniature train rides, circus trains, and other attractions like those in Ipswich;
4. It reverses all the previous wastage of money, time, effort and energy engendered by having two organisations at Thirlmere, which will simply fade into the past because the whole Thirlmere site will be managed by one body;
5. It brings all functions into the same team, making it easier for them to work co-operatively;
6. It makes possible a much greater voice for volunteers, who will not have to battle for the time of a person who already has another full-time role, and who will appreciate being better taken care of (without being micro-managed), because one dedicated, full-time person managing volunteers, education and training is included in the new structure;
7. It manages the education of school children and training of volunteers and others in a more thought through, comprehensive, extensive and sensitively managed way;
8. It gives the entity a great advantage in dealing with RailCorp and the government as a whole in that it is finally one single organisation with one single voice;
9. It brings about greater simplicity, transparency, and, with careful design, fairness, in the system for allocating funds by having one independent committee as the recipient of government money;
10. It creates considerable synergies of marketing and event management both internally and with other transport and tour operators.
D. Structure and Operation

a. Legal Issues

After exploring and carefully assessing several alternative models for the future, Chapter 3 of this report concluded that the preferred legal form for the new model is a not-for-profit company limited by guarantee and owned by its members.

There have been too many separate central entities in the sector – the Rail Transport Museum, the Office of Rail Heritage, and Trainworks – and they have been at loggerheads for a long time. If we are now aiming for unity and disappearance of the divisions that have plagued the sector, the obvious way to work towards unity is for that separateness to disappear, and for as many of them as possible to come in under a single new `umbrella’ entity, to be called simply Transport Heritage NSW, which should be a not-for-profit company limited by guarantee.

The largest single body in the rail heritage sector in NSW is the Rail Transport Museum, which itself is a not-for-profit company limited by guarantee and owned by its members. The RTM has 2,300 members and just under 400 volunteers (the next largest organisation is Zig Zag, which has 450 members). The RTM also manages most of the assets in the sector, and occupies its principal site, at Thirlmere.

Since the RTM is the largest single organisation by far in the sector, with easily the most members, since it has good relations with almost all other entities in the sector, since it manages most of the assets in the sector, since it occupies the sector’s principal site, and since it already exists as a company limited by guarantee, the obvious conclusion is that the simplest, cleanest and least cumbersome legal solution is for the RTM to form the core of the new entity, Transport Heritage NSW, and for its existing constitution to simply be expanded and modified to encompass the functions of Transport Heritage NSW.

The constitution of the new entity should include clauses clearly and firmly providing for protection for the smaller entities, first in general, and then in specific, terms. The specific terms will state that in the allocation of funds for restoration and maintenance, the smaller entities should receive a set minimum of the total of all funds for these purposes, whether generated internally by the entity or given as a grant for maintenance and restoration purposes.

Under the umbrella of Transport Heritage NSW would also come two other existing bodies, namely the Office of Rail Heritage and Trainworks, which would cease to exist as independent entities but whose functions would be transferred to the new company.

This would also be reflected in the new constitution.

There would be two categories of member of Transport Heritage NSW: Full Members, with voting rights, and Associate Members, with no voting rights but with other benefits such as being able to apply for grants for maintenance and restoration of assets. Full members can only be individuals; Associate Members can only be incorporated entities. Only Full Members would be able to vote. All membership would be voluntary, although subscriptions similar to those payable no w to RTM would apply.

With respect to the legal ownership of both fixed and moveable assets, it is envisaged that ownership of those rail heritage assets which are currently owned by RailCorp should pass to Transport for NSW, which would lease them to Transport Heritage NSW on very long leases, with suitable conditions attached, similar to those in the ORH’s CMA framework.
b. Structure

The recommended structure of Transport Heritage NSW is shown at Figure 11.

It will be seen that at the centre of the new entity are the members of the existing Rail Transport Museum, and that ORH and Trainworks are dissolved within it.

The new model for the preferred option, with all of its promise for a bright future for rail heritage in NSW, can never get off the ground at all without the support of a majority of the members of the Rail Transport Museum. Transport Heritage NSW cannot be formed unless they agree to it, and it cannot be formed without them. For the largest body in NSW rail heritage to stay outside a new body would be a recipe for failure. It would mean further proliferation and separation and potential for disunity among bodies, basically more of the same, more of the same failures, frustrations, unhappiness and lost opportunities. Any new entity formed without them would be an empty, government-dominated, isolated, ineffective and needlessly expensive shell, and the whole support of the sector would be lost. Failure to include the RTM has already led to considerable problems, with the unfortunate Trainworks being placed in an almost impossible position, battling for volunteers, often at loggerheads on operations, and relatively ineffective in attracting visitors.

To date, the members of RTM have been suspicious of government and are wary that the new entity would represent a government takeover by other means. They need to be reassured that, unless there is proved by a government-appointed auditor to have been gross mismanagement or fraud, a government takeover is the last thing that is intended, and can never happen.
Figure 11. Transport Heritage NSW – New Structure and Operation

Transport for NSW

- Maintenance and restoration funds
  - Independent Committee awards grants
  - Smaller Bodies

- Operating expenses
  - Transport Heritage NSW
    - RTM members
    - ORH & T’Works

- Light monitoring and supervision
  - Board
  - Internal Audit
First, they need to understand that this is their company. They form the core of it, they have the majority of its members, and the biggest say in how it is run.

Second, they need to see that they have a majority on the Board. For this, the way the Board is composed and selected is key.

It is envisaged that the Transport Heritage NSW Board will consist of eight members: the Chair, the Deputy Chair, and six members. The new structure of the Board is shown at Figure 12.

The method of selection of Transport Heritage NSW board members has been copied from the system currently used by the Federal Government to ensure quality and transparency in the selection of members of the boards of some Federal government bodies. In the Federal system, an independent panel, appointed by Government, invites nominations, meets to assess them, and makes a final decision. Government is at arm’s length.

Initially, to select the Board of Transport Heritage NSW, a three-member panel is envisaged: one member chosen by members of the Rail Transport Museum, one from Government, and one another individual, for example, a retired former and widely-respected senior figure who could be from interstate but who should have knowledge of the NSW rail heritage sector.

The last individual should be appointed by Government.

For the Chair of Transport Heritage NSW, and three board members, the three-member panel would do exactly as the independent Federal panels do: invite confidential nominations from the public (people could nominate themselves, in the knowledge that their applications would be totally confidential), assess them, and make a final decision. The decision would be based on strict criteria, including qualifications, professionalism and knowledge of the sector. The Minister would have to approve the nominated person. Alternatively, the Minister could exercise ministerial prerogative and make the appointment directly.

For the Deputy Chair, and three other board members, the panel would invite nominations from among RTM members. For the Deputy Chair, the panel would select from the nominations a short list of qualified candidates, who would be presented to RTM members for election to the position of Deputy Chair. This is to reassure the RTM that there will be some continuity in the new world; and for the three other board members, the panel would settle on a different short list, and would present those individuals to the RTM for election to the three “RTM” board positions. Thus the pre-selection process has an extra level of transparency and reassurance because it is at arm’s length from government. It is also designed to ensure professionalism and the inclusion of appropriate skills on the Board. The panel would be careful, for example, that the names of six engineers would not go forward.

It is important that no member of the Board have a conflict of interest. That is, no Board member should be operating an independent company which either makes requests of THNSW or is the object of decisions made by THNSW.

In the opinion of the reviewers, the board must include at least one person with good finance and audit skills, and one person who is accustomed to having to attract visitors to a museum and has done so successfully.

Voting on the Board would also need to reassure RTM members that the organisation would not be controlled by government.
The constitution would provide that the chairman has no deliberative vote, only a casting vote in case of deadlock. The right to a deliberative vote is a right to vote on every issue. So if the four “RTM” members voted one way, and the three “non-RTM” members another, the rules would provide that the Chairman could not vote and the “RTM” members would prevail. Hopefully this situation would never arise, with proper selection procedures. The only time the Chairman would ever get to exercise a vote would be if one “RTM” member was absent, and there was a deadlock.

After a transition period of three years, those voting for the Deputy Chair, the three “RTM” members and the “RTM” member of the three-person panel, would no longer have to come from the members of the former RTM. Voting for these four positions would then be thrown open to the entire corpus of full members [i.e. individuals] of Transport Heritage NSW.

However, there would be no point in anyone seeking to “stack” the membership because, as will shortly be seen, there will be no benefit from doing so.

The RTM is not the only body that needs to be reassured that Transport Heritage NSW will not swamp their interests. There are also the smaller bodies, namely the bus and tram organisations and all the twenty-odd regional and smaller rail heritage organisations. All incorporated entities in the rail heritage sector would be welcome to join as Associate Members.

To achieve this reassurance, the model provides that the smaller bodies should retain their own identity, name, functions, tours, activities, and addresses. In fact for them, nothing will change at all except that there will be a better system for obtaining funds for their maintenance and restoration activities. [If, indeed, they wish to join, because that will be optional].

As far as the allocation of funds for maintenance and restoration is concerned, the model provides that Transport Heritage NSW will not make those decisions. An independent panel, meeting twice a year, is included in the model. That panel, which should include one member from the NSW Office of Environment and Heritage (which has indicated its willingness to take on that role), one person from rail heritage interstate, and one senior retired figure from the public transport world, would be given a set of applications for funds and will judge them according to a set of criteria. Those criteria will have been established in a daylong facilitated consultation process attended by representatives of the whole sector, particularly those from the smaller entities. The workshop should be facilitated by government and carried out early on in Sydney. The criteria should, however, be based on those currently used by ORH for its Custody Management Agreements, as a minimum.

One criterion, however, should be fixed at the outset – funds for restoration and maintenance should be allocated in amounts that reflect the proportion of assets the applicant holds in custody. Overall, smaller entities should receive a set minimum of the total funds given by government for maintenance and restoration. There should also be a reasonable maximum. That range should be agreed on at the workshop.

Another criterion is that only incorporated entities would be able to apply for funds for restoration and maintenance of assets. Since the RTM will no longer exist as a separate entity, the panel will judge applications for project funding from Transport Heritage NSW in exactly the same way as it judges applications from other incorporated entities.

To sum up, these are the ways the smaller entities are protected and assisted:
c. Protection of and Assistance to Smaller Entities

Smaller entities will enjoy six-fold protection and assistance:

1. The Constitution of the new model will include clauses clearly and firmly providing for protection for the smaller entities, first in general, and then in specific terms. The specific terms will state that in the allocation of funds for restoration and maintenance, the smaller entities should receive a set minimum of the total of all funds for these purposes, whether generated internally by the entity or given as a grant for government.

2. The Funding Agreement between the Government and the new entity will also include similar clauses.

3. A panel independent of the new entity will assess the applications for maintenance and restoration grants and will make the allocation decisions. That panel will be guided first by the Constitution, then by the criteria established by the sector itself in a one-day workshop early on in the proceedings. That workshop would be likely to take as a starting point the criteria already in used by the ORH in its Custody Management Agreements. Consistent with the new professionalism prevailing in Transport Heritage NSW, the new criteria for obtaining a grant should include strong managerial competence. In other words, entities applying for grants will need to show the panel that they can manage the funds appropriately.

4. THNSW will also organise loans of rolling stock to smaller entities.

5. There will be a peripatetic Relationships Officer constantly travelling to all the smaller entities, listening closely to their issues, acting as their advocate in Sydney, and helping them with their grant applications.

6. The Asset Manager will have a staff member who also travels to the smaller entities and helps them with their safety compliance issues if needed.

In interviews with smaller entities, several did not express any interest in being on the Board of the new entity. Typical comments included:

• “we just want to solve our own local problems”

• “we want to do our thing locally”

• “we don’t want to be on a board”.

The Board will have at least two sub-committees, for example, a Safety and Engineering Committee, and a Finance, Audit and Risk Committee.

Reporting directly to the Board should be an internal audit function. This could be contracted out, but that would be a decision for the new board. However, it would be advisable for the Government to have a member on THNSW’s Finance, Audit and Risk Committee.

In modern management theory, there are arguments for and against having the CEO on the Board. Drawing on experience on a number of Boards, the review believes that it is better for the CEO not to be a Board member, but to be present at Board meetings. In case of reservations about the CEO’s performance, the Board needs to be able to have frank discussions unconstrained by the presence of the CEO. The Board also needs to be able to hear internal audit reports that might refer to the CEO’s performance in an adverse way, and then privately discuss what to do about them. But certainly the Board will select the CEO in the usual way, namely by executive search, advertisement and creation of a special Board committee for the purpose, to be chaired by the Chairman of the Board. Interviews should be conducted in the usual way.
Overseeing the operation of Transport Heritage NSW is Transport for NSW. The involvement of Transport for NSW needs to reflect the fundamental independence of Transport Heritage NSW, but at the same time to ensure that the new entity’s governance and management systems are appropriate, since government will be the main funder of the new entity and the owner of its assets. Of course this does not mean that Transport for NSW will manage the new entity. Transport Heritage NSW is not a government entity and as such, it manages itself and is responsible for its own decisions.

The role of the Department will be to:

- develop a Funding Agreement with Transport Heritage NSW covering criteria under which government funds are made available. This may include a Memorandum of Understanding;
- participate in and appoint two members of the panel selecting Board members;
- receive quarterly reports from the Board;
- prepare an annual report on Transport Heritage NSW for the Minister;
- receive representations from Transport Heritage NSW for funds;
- negotiate with Treasury for recurrent operating funds for Transport Heritage NSW;
- transfer funds to Transport Heritage NSW and the independent panel;
- provide for an independent audit of Transport Heritage NSW

Transport for NSW has a responsibility that the funds it transfers to Transport Heritage NSW are appropriately managed through the Funding Agreement. The way it discharges this responsibility can be audited by the Auditor-General.

Reporting to the Board will be a new, wholly professional management structure. A suggested new structure is shown at Figure 13. The full position descriptions would be developed once approval of the RTM members and the NSW cabinet to the creation of Transport Heritage NSW has been secured.
## Figure 12. Transport Heritage NSW – Board Structure and Operation

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<th>Chair (selected either by Minister or by Panel)</th>
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<td>Deputy Chair elected by RTM</td>
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Chair has no deliberative vote, only a casting vote in case of deadlock. Could be selected by Minister, or selected by Panel after confidential nominations invited from public.

### Deputy Chair
Panel invites long list of nominations from RTM members. Panel selects short list. Short list presented to RTM members for election to Deputy Chair position.

### RTM-elected members
RTM proposes long list of RTM member to Panel. Panel selects short list and presents that to RTM members for election to Board.

### Selected by Panel
Panel invites confidential nominations from public. Makes final selection according to strict publicly-available criteria.
d. **Suggested Management Team**

It will be the responsibility of the Board and the CEO to structure and select the management team. However, a list is suggested below (at Figure 13.), and elaborated in Appendix 6.

1. Chief Executive Officer, with one assistant who is also Board secretary
2. Operations Manager (plus assistant)
3. Manager, Museum at Thirlmere
4. Manager, Volunteers, Education and Training
5. Asset Manager, with six technical staff and an engineering, safety and environment compliance officer
6. Events and Marketing Manager
7. Manager, Relationships with non-rail and smaller rail entities
8. Chief Finance Officer, with part-time IT and HR staff
9. Facilities and Development Manager, with site-based staff

Initially, the total staff strength is estimated to be about 21 FTE. At present, the RTM has 8 staff, the ORH 7 (but it employs several consultants), and Trainworks 5. The reviewers believe, however, that the same FTE could achieve very much more under this unified structure than in the fragmented arrangement prevailing at present.
Figure 13. Transport Heritage NSW Suggested Organisation Chart

CEO

Assistant and Board Secretary

Operations Manager

Manager, Thirlmere Museum

Manager, Volunteers, Education and Training

Asset Manager

Events and Marketing Manager

Chief Finance Officer

Facilities and Development Manager

Assistant

Operations Manager

Manager, Thirlmere Museum

Manager, Volunteers, Education and Training

Asset Manager

Events and Marketing Manager

Chief Finance Officer

Facilities and Development Manager

Six maintenance staff

Safety compliance officer

IT officer (p-t)

HR officer (p-t)

Fund Raising Officer
e. Funding and Finance

The total expenses of the Office of Rail Heritage for 2011-12 were projected to be $6.6m. Of this, $2.2m were for day-to-day operating expenses, leaving $4.4m for maintenance, restoration and other asset-related expenses.

If we assume that the day-to-day operating expenses of THNSW are likely to be $3.1m, as in Table 4 below, instead of the $2.2m of ORH (because THNSW will be running trains and a museum, which ORH did not do), and that the revenue of THNSW is likely to be $1.8m, as in Table 5 over the page, the amount that THNSW will need as a supplement from government to cover day-to-day costs will be about $1.3m. If we add to that amount a similar amount to the $4.4m that ORH spent on maintenance and restoration, we come to a total funding requirement of around $5.7m from government. This compares well with the $6.6m that government is currently spending on rail heritage.

Day to Day Operating Costs of Transport Heritage NSW (Estimated)

Table 4: Projected annual operating expenses of THNSW

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff costs for 18 FTE</td>
<td>1,400,000</td>
</tr>
<tr>
<td>Travel</td>
<td>100,000</td>
</tr>
<tr>
<td>Plant and equipment including cars</td>
<td>200,000</td>
</tr>
<tr>
<td>Insurance</td>
<td>80,000</td>
</tr>
<tr>
<td>Rent of office premises</td>
<td>70,000</td>
</tr>
<tr>
<td>Utilities</td>
<td>100,000</td>
</tr>
<tr>
<td>Crews’ salaries for tours and charters</td>
<td>200,000</td>
</tr>
<tr>
<td>Access charges for tours and charters</td>
<td>40,000</td>
</tr>
<tr>
<td>Advertising for tours and charters</td>
<td>130,000</td>
</tr>
<tr>
<td>Other advertising</td>
<td>400,000</td>
</tr>
<tr>
<td>Depreciation</td>
<td>50,000</td>
</tr>
<tr>
<td>Fuel (coal and diesel)</td>
<td>200,000</td>
</tr>
<tr>
<td>Security (night patrol)</td>
<td>25,000</td>
</tr>
<tr>
<td>Grounds maintenance incl. cleaning</td>
<td>80,000</td>
</tr>
<tr>
<td>subtotal</td>
<td>3,075,000</td>
</tr>
<tr>
<td>Consultants</td>
<td>300,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>3,145,000</strong></td>
</tr>
</tbody>
</table>
Projected Revenues

Table 5: Projected annual revenue of THNSW

<table>
<thead>
<tr>
<th>Service</th>
<th>Revenue (AUD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visitor admissions (Thirlmere)</td>
<td>400,000</td>
</tr>
<tr>
<td>Events (including Thomas)</td>
<td>250,000</td>
</tr>
<tr>
<td>Tours and charters</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Train rides (excluding Thomas)</td>
<td>60,000</td>
</tr>
<tr>
<td>Retail (net of cost of goods sold)</td>
<td>50,000</td>
</tr>
<tr>
<td>Café (potentially)</td>
<td>25,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,785,000</strong></td>
</tr>
</tbody>
</table>

**Deficit: $1,360,000**

Thus Transport Heritage NSW would be likely to have an operating deficit of around $1.3m.

The funds which Transport for NSW would channel to the entity would be enshrined in a formal Funding Agreement. Without a guarantee like this, the members of RTM are not likely to agree to the new arrangement.

**Is it worth it?**

Tourism Victoria has estimated that the rail heritage sector brings in over $49.5m to the Victorian economy every year. If the NSW rail heritage sector were properly managed, NSW could do better than that.

**Conclusion**

The most important concept for the whole sector, and the government, to grasp is that the future is now. While the past has certainly informed the shape of the preferred option, it is high time that the dissensions, recriminations, self interest, and negativities of the past were left exactly there – in the past. It is time for all the members of the sector to make a conscious effort to put the past behind them, make a fresh start and face the future together. There needs to be a regeneration. A new generation must be attracted to the sector to replace ageing leaders, and the present state of affairs is deterring them. The new structure is designed to bring virtually all the parties together in a new way, to empower and facilitate them, to embark on a fresh start, and to realise, at last, the tremendous potential the sector possesses.
Chapter 5: Recommendations

Although the divisions are most likely intractable, it is at the same time unacceptable to allow the current fragmentation to continue. A fresh start, under a single entity, is well overdue. Accordingly, the principal recommendation of the review is the creation of a new entity to manage the sector.

Recommendation 1

A new entity should be formed to manage the sector. Specifically, the following are recommended:

• The new entity should be formed by the sector itself, and should be a not-for-profit company limited by guarantee, to be named Transport Heritage NSW (THNSW).

• Amalgamated into the new company should be the NSW Rail Transport Museum, the functions of ORH and Trainworks;

• The company should:
  • be an accredited rail operator
  • manage assets, undertaking government’s heritage obligations under the Heritage Act
  • manage a custody management agreement system with smaller operators
  • manage the museums at Thirlmere and Valley Heights
  • manage members and volunteers
  • organise educational programs
  • begin realising full value for Broadmeadow and Large Erecting Shed
  • assist smaller entities
  • act as strong voice for the sector with government
  • act as first filter in grant assessing process.

• Assets should be vested in Transport for NSW and leased to THNSW

• Funding should be provided to THNSW through its own operations and fundraising, with guaranteed supplementation under a firm Funding Agreement with government providing for government financial support for maintenance and restoration

• Funds for capital development should be negotiated separately with government

• A small unit in Transport for NSW should provide light supervision, receiving quarterly reports, preparing an annual report on THNSW, channelling funds and representing the sector to central agencies.

• Grants should be awarded by an independent panel, with a set minimum going to smaller entities, the proportion to be established with the participation of the smaller entities at a workshop organised early in the proceedings.

• Only individuals should be full members; incorporated entities should be Associate Members.

• Only Associate Members should be able to apply for grants

• All membership should be voluntary
• Board should have eight members, consisting of a Chair, a Deputy Chair, three directors (from among RTM members) elected by RTM members after prequalification by an independent panel, three members selected by independent panel after its assessment of nominations;

• Board should include a range of high level expertise, especially experience in finance and successful museum operations

• Board should include no directors with a conflict of interest, e.g. managers of companies either making requests of THNSW or being the object of decisions made by THNSW

• Chair should be either appointed directly by Minister or selected by independent panel after its assessment of nominations

• Deputy Chair should be a member of RTM, selected by independent panel after its assessment of nominations. This appointment to be transitional.

• CEO should not be a member of the Board, but to attend Board meetings.

• Internal Audit to report directly to Board.

Recommendation 2

It is recommended that a structured change management process be introduced to facilitate the transition to THNSW, even if this involves some expenditure. A budget should be prepared and allocated by Transport for NSW to the change management process. The process should be co-ordinated and led by a small and dedicated team in Transport for NSW.

Recommendation 3

Following an indepth review to be commissioned by Government, and under the leadership of the small, dedicated team, a detailed Master Plan for the Large Erecting Shop, concentrating on the widest possible public benefit to be obtained from the site, should be prepared. Such benefits could eventually include its use, in whole or in part, as a rail museum like those described in Chapter 1 of this report, as well as its continued use for heritage rail operations. Until the Master Plan is prepared and actioned, the LES should be made available to all rail heritage operators on an equal footing and should house electric trains and be used for apprentice training as desired by RailCorp. This should be arranged by RailCorp until THNSW is fully operational and is ready to take on the role.

Recommendation 4

Following an indepth review to be commissioned by Government, a detailed Master Plan for Broadmeadow, also concentrating on the widest possible benefits, should be prepared. It is now time for the state government to step up and take the lead on developing this outstanding site. Transport for NSW should bring together all the owners and commission a Master Plan which fully respected the history and atmosphere of the place but which would maximise the total public benefit. A tiny fraction of the funds used by RailCorp should go towards this Master Plan. In short, the Government should initiate action to rescue the beautiful Broadmeadow site by:

a. bringing together all its several owners

b. commissioning a Master Plan which respects the site’s history and fully realises its potential for the benefit of the public

c. using for the purpose a small fraction of RailCorp funds.

Recommendation 5

Extra effort should be made to recruit younger members to the sector.
Recommendation 6
A new arrangement which would entitle all rail heritage groups to have equal access to the LES should replace the current exclusive one.

Recommendation 7
In the interests of fairness and a fresh start, all positions should be subject to a new merit selection process. Existing government staff will be covered by normal public sector employment rules and conditions.

Recommendation 8
Transport for NSW should develop a clear policy on subsidies to the rail heritage sector. The policy should state clearly what the proportion of a company’s revenue may be earned from commercial sources before the company loses its right to receiving subsidies.

Recommendation 9
RailCorp should verify whether there is a genuinely level playing field among competitors for its hook and pull contracts, whether all competing companies are financially viable, and whether the companies’ accreditation and insurance are appropriate.

Recommendation 10
If for one reason or another, the preferred option cannot be adopted, Option 2 as described on p. 67, should be put into effect. This is the next best choice, but as pointed out, it suffers from some serious disadvantages.
Appendices

1. Terms of Reference for the Review
2. Organisations and Individuals Interviewed
3. Rod Caldwell on Possible Future Options for Broadmeadow
5. Brief Chronology of Events
6. Possible Job Descriptions for Key Personnel in THNSW
Appendix 1. Terms of Reference for the Review

RAIL HERITAGE REVIEW – REVIEW OUTLINE

PURPOSE OF THE REVIEW

The Department of Transport has initiated the Rail Heritage Review to examine the current management, governance and financial-support arrangements for rail heritage in NSW, and to formulate a suitable approach for the ongoing management of NSW rail heritage assets.

BACKGROUND

RailCorp’s heritage assets represent the largest holding of any Government agency. Many fixed heritage assets (e.g. heritage railway stations) are still used in delivering rail services. Its moveable heritage assets (e.g. rolling stock, machinery, antique clocks) do not contribute to its principal functions of delivering rail services and track access. The Country Rail Infrastructure Authority also has large holdings of mainly fixed assets. Museums and heritage railway operators (e.g. Powerhouse Museum, Rail Transport Museum) have custody of many state rail heritage assets, and there are many privately-owned rail heritage items. Other transport agencies also hold heritage assets (e.g. RTA heritage bridges).

RailCorp established the Office of Rail Heritage in 2006 to implement a Sustainable Rail Heritage Management Strategy (a $20 million 5-year plan to manage rail heritage assets). The Heritage Strategy and funding have expired and are superseded by a new Heritage Asset Management Strategy (HAMS) as part of RailCorp’s Total Asset Management Plan. It needs to be determined whether this is the most suitable approach for the ongoing management of the State’s rail heritage assets.

The continued management of heritage asset functions by service delivery agencies needs to be examined in the context of the statutory functions to be allocated to ‘Transport for NSW’, and the Government’s view that transport operators should focus on their principal functions of providing services.

While a broader review of transport heritage management may be worthwhile, the recent establishment of a new RailCorp HAMS makes rail a priority, and the Review is limited to heritage rail.

SCOPE OF REVIEW

The Review is to address the matters set out in this ‘Scope of Review’, and is to be undertaken in two stages.

Stage 1 is to involve:

- an examination of RailCorp’s original Heritage Strategy, and its new HAMS,
- an examination of governance, management and financial arrangements for rail heritage in other Australian jurisdictions, in Britain and in other relevant jurisdictions,
- a desk-top examination of relevant material from other jurisdictions, from other sources or as necessary to inform the Stage 1 report,
- consultation with key officers of the Department of Transport, RailCorp, the Department of Premier and Cabinet’s Office of Environment and Heritage and independent experts, including international experts,
- a Stage 1 report to the Director-General within 1 month of the commencement of the Review setting out the findings and recommendations of Stage 1.
The **Stage 1** report is to cover, in particular:

1. The outcomes of the original Heritage Strategy including whether:
   - the outcomes met the objectives of the Strategy,
   - the objectives themselves were appropriate,
   - the strategy delivered value for money, and
   - the current arrangements are consistent with the Government’s transport priorities, principally that RailCorp focus on passenger rail and track access.

2. Options for the future management of NSW rail heritage assets, having regard to the new RailCorp HAMS, and addressing:
   - the purpose and objectives for the future management of rail heritage,
   - the governance arrangements that would best support the achievement of the purpose and objectives, including any legislative changes,
   - the likely costs and options for sustainable funding.

3. Consideration of heritage management more broadly, having regard to:
   - the objectives of the *Heritage Act 1977*,
   - the rail heritage community as essential participants in heritage management.

**Stage 2** is to involve:

1. consultation with stakeholders on the Department’s preferred option/s, including with heritage railway operators, the Australian Railway Historical Society, communities involved with the operation of vintage trains, particularly where heritage rail maintenance facilities and depots are located,

2. A *stage 2* report to the Director-General within 3 months of the commencement of Stage 2 that recommends a suitable approach for managing the State’s rail heritage assets, including appropriate funding and governance arrangements, and proposals for legislative change as necessary.

**Context and Management**

The Review is to be conducted by the Department of Transport. Transport Policy and Reform is to establish a small Review Team of senior policy officials to undertake policy analysis and research and provide administrative support. The Review Team is to also include a strategic adviser recognised as a professional authority on governance, audit and risk who is capable of devising an approach that is consistent with public sector requirements and, as far as possible:

- is acceptable to stakeholders,
- represents international best-practice in heritage management, and
- is credible in an international context.

The strategic adviser is to elicit, assess and apply specialist advice from internationally recognised experts on rail heritage management.

The Review is to be structured, planned and delivered to ensure that its findings and recommendations are credible and cost-effective, and sensitive to the principles that need to be adhered to in managing, conserving and providing for the adaptive re-use of the State’s railway heritage.

The strategic adviser is to have:

- an outstanding record of success in leading significant organisational reform and cultural change in a complex and sensitive political environment,
highly professional expertise and international experience in assessing and advising on organisational capability, particularly audit and risk,
high level facilitation and negotiation skills and demonstrated success in building sound working relationships in an international context,
a thorough understanding of corporate governance, particularly in the public sector,
excellent ability to develop a credible plan, methodology and approach that are credible in an international context,
the ability to deliver a proposed approach that fully addresses this Review Outline, and provides value for money.

**Deliverables and Timeframes**

The key tasks are to:
- review RailCorp’s original Heritage Strategy, and assess and report on its outcomes, including whether the outcomes met the objectives, whether the objectives were themselves appropriate, and whether the Strategy delivered value for money,
- review, assess and advise on the governance, management and financial arrangements for management of rail heritage in other Australian jurisdictions, in Britain and in other relevant jurisdictions,
- conduct a desktop review of the new RailCorp HAMS, and other relevant documents (including reports, legislation, plans, strategies and correspondence),
- consult with key stakeholders and interested parties (including key Government agencies, rail heritage centres and heritage railway operators), and visit relevant rail heritage premises,
- consult with independent experts on rail heritage matters (including from overseas),
- facilitate or participate in “round-table discussions” involving relevant parties.

In developing appropriate recommendations, consideration is to be given to:
- the cost to Government of the current arrangements for managing rail heritage,
- the extent to which the current arrangements provide value for money,
- the extent to which any of the current arrangements might involve or potentially involve a conflict of interest, or risks in respect of proper financial management or corporate governance in the public sector,
- the extent to which the current arrangements are consistent with the Government’s priorities for the planning, development and delivery of public transport services and the provision of rail access services.

The Review will produce two reports as follows:
- **Stage 1 Report** – A report of Stage 1 of the Review is to be submitted within 1 month of the commencement of the Review.
- **Stage 2 Report** – A report of Stage 2 of the Review is to be submitted within 3 months of the commencement of Stage 2.

**Stakeholders**

A schedule of stakeholders and interested parties is set out at Attachment A.
Appendix 2. Organisations and Individuals Interviewed

Office of Rail Heritage
Marianne Hammerton
Mike Herringe
Sarah-Jane Brazil

RailCorp
Irene Ruzak
Joanne Moore
Peter Crimp
Raymond Lau
Peter Barnes

State Transit Authority
Michael Reardon
Robert Tarabay

Rail Transport Museum
Peter Berriman
Des Egan
Jennifer Edmonds
Daniel Page

Heritage Branch (Office of
Environment and Heritage)
Cameron White
Tim Smith

Powerhouse Museum
Andrew Grant
Peter Connolly

Department of Premiers and Cabinet
Solicitor-General
Michael Sexton
Joanna Davidson

Lachlan Valley Railway
Gavin Knowles

Valley Heights Heritage Museum
Ted Mullett
Ted Dickson

Heritage Electric Trains (HET)
Geoff Moss
Ed Sutton

Independent Transport Safety Regulator (ITSR)
Colin Holmes

3801 Limited
Dr John Glastonbury
Robert Pritchard
Rhea Liebmann
Keith Audet

Trainworks
Rob Austin
Tony Higgins
Rod Weir
<table>
<thead>
<tr>
<th>Organisation</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broadmeadow</td>
<td>Shane Blatchford, John Brougham, Rod Caldwell</td>
</tr>
<tr>
<td>Sydney Bus Museum</td>
<td>Phil Stanton, David Bennett, others</td>
</tr>
<tr>
<td>Australian Railway Historical Society [NSW]</td>
<td>Ross Verdich</td>
</tr>
<tr>
<td>Australian Railway Monument / Rail Journeys Museum</td>
<td>Chris Holley</td>
</tr>
<tr>
<td>Finley Pioneer Railway Committee</td>
<td>Peter Mitchell</td>
</tr>
<tr>
<td>Rail Motor Society</td>
<td>Bruce Agland</td>
</tr>
<tr>
<td>Rail Heritage Association</td>
<td>Dr John Glastonbury (President), Bill Pascoe, Sam Burgess</td>
</tr>
<tr>
<td>Goulburn Locomotive Roundhouse Preservation Society</td>
<td>Colin Grose</td>
</tr>
<tr>
<td>Hunter Valley Railway Workshops and Museum</td>
<td>Mark Stapleton, Michael Muter</td>
</tr>
<tr>
<td>Lithgow State Mine Railway /</td>
<td>Tim Elderton</td>
</tr>
<tr>
<td>Wolgan Valley Wilderness Railway /</td>
<td>Ron McNair</td>
</tr>
<tr>
<td>Eskbank Rail Heritage Centre</td>
<td>Michael Wilson, Geoffrey Ivers</td>
</tr>
<tr>
<td>Glenreagh Mountain Railway Inc.</td>
<td>Bill Harrison</td>
</tr>
<tr>
<td>Illawarra Light Railway Museum Society Limited</td>
<td>Tony Madden</td>
</tr>
<tr>
<td>Friends of Eveleigh</td>
<td>Ruby Matthews</td>
</tr>
<tr>
<td>Zig Zag Railway</td>
<td>Michael Forbes</td>
</tr>
</tbody>
</table>
### Individuals

- Richard Mulvaney
- Dale Budd
- Chris Le Marshall
- Andrew Killingsworth
- Rod Caldwell
- Arthur Tubby
- Vince O’Rourke

### South Australia

- SA Tourism Commission: John Evans
- History SA: Margaret Anderson
- National Railway Museum: Barry Marshall, Moana Colmer, Robert Sampson
- SA Department for Transport Energy and Infrastructure: Nic Doncaster

### Queensland

- The Workshops Railway Museum Ipswich: Andrew Moritz
- Queensland Rail: Kristine Clarke
Appendix 3. Rod Caldwell on Possible Future Options for Broadmeadow

The extracts below are taken from Rod Caldwell, Broadmeadow Locomotive Depot: A proposal for its conservation and heritage reuse, MA Dissertation, University of Birmingham, 2003.

The heritage potential of the Depot is threatened by both the division of ownership at Broadmeadow and the lack of heritage accountability demonstrated by its current owners.

- A conservation plan should be prepared as soon as possible to protect the Depot’s undoubtedly valuable heritage, in accordance with accepted Australian practices.
- The conservation plan should most carefully assess the costs of conservation and also ensure that funding is available for the sustainability of the place.
- Effective maintenance action, under the requirements of the Heritage Amendment Regulation 1999 to the NSW Heritage Act 1977, should be undertaken by the owners of the site to address the immediate problems of site inundation, pest extermination and roofing repair.
- Community action may be required to ensure that these measures are undertaken.

Its strong railway heritage is undeniable and has been seminal in Newcastle’s and the State’s industrial history. It is located at the centre of a large population resource; many residents have ‘railways’ experience or associations. The rail industry is, and will remain critical to the Region’s future for some time to come and the Depot has potential for commercial reuse.

Broadmeadow is the only depot with twin turntables, one being the largest in NSW, and it has other heritage structures of high significance. It is a large site that now has a unique ability to demonstrate the appropriate context and scale of railway operations from the steam age. The extensive, original track complex is capable of demonstrating, or representing many aspects of railway depot operations, while the larger site expresses the amenity and context of the railway industry at its peak. Many workers’ facilities survive at the site; offering opportunities for cultural interpretation that have not been realised elsewhere in the State.

The area provides excellent potential for social research to understand and preserve the cultural heritage of the Depot. Tapping this potential has been shown to reinforce community expectations for heritage conservation. The NSW government has targeted the Hunter Valley as a focus of railway heritage development and marketing the Depot as part of this plan would be highly advised. A community group now exists to pursue, at Broadmeadow, the conservation and showcasing of railway depot working culture, as distinct from locomotive tour operations. On the other hand, the study has discussed factors that disadvantage prospects for immediate reuse of the Depot in a heritage sense. These include; a mixed ownership situation with limited budget for heritage conservation; uncertainty about commercial reuse; deterioration of fabric; low level of enthusiasm from public representatives; and low public visibility.
Re-use as a heritage centre or museum

From a heritage viewpoint, the Broadmeadow Depot Roundhouse Study Area is an excellent site for a railway workshop/museum. Having been a steam loco depot for 50 years, Broadmeadow would provide an historically appropriate setting to store and display old locomotives etc. At the same time, locating a rail workshop/museum at Broadmeadow would attract visitors and provide a means and purpose for physically conserving the roundhouse and turntables and would conserve their association with the maintenance of railway rolling stock. Such an arrangement would help retain and enhance the significance and integrity both of the Broadmeadow Depot Roundhouse Study Area, and of any collection of historic rolling stock housed there.’

The Goulburn Rail Heritage Centre provides a heritage-focussed example of reuse. At this depot, on the main line between Sydney and Melbourne, a 1916 roundhouse was built with 42 bays, of which 25 still give undercover shelter [Godden 1989, 99-108]. This Centre is leased from RIC and operated in the manner of providing guided public tours by a volunteer group; the Goulburn Roundhouse Preservation Society Inc. The author has inspected the Centre and discussed its operations with the site guide.

According to Drysdale (2002, l), ‘The steam crane is the main attraction.’ It can be fired up for major tourist group visits. Also popular are tours of the 1880 workshop, which contains the Society’s extensive collection of machinery. This shed was relocated from Wellington to Goulburn, in 1930. Members of the Society sometimes operate tools or cast souvenir nameplates in the jumble of the shed. The Society has also re-leased most of the undercover bays to owner/maintainers of heritage rolling stock to assist in meeting costs and provide a ‘working atmosphere’ for visitors.

Re-use as a commercial operating depot

RIC is calling [2002] for expressions of interest for commercial reuse of parts of the Broadmeadow Depot. It is hoped that this initiative can succeed, as this may be one way to achieve continuity, with the least degree of adaptation.

The preferred future use for the Broadmeadow Loco Depot, from the heritage viewpoint would be to continue its 7-year role as a working locomotive depot, under either government (i.e. the Railways) or private (contractors) management. This would provide the best basis for conservation of the historic buildings and works and would also conserve the association with railway operations, which was the reason for the depot’s existence. Three of the State’s roundhouses are currently in full use by commercial operators. The small, rural depot at Werris Creek is used by Pacific National (originally the freightarm of the State Railways, but now privatised).

- A subsidiary of the old Silverton Tramway Company, Silverton Rail are based at the 8-bay roundhouse in Parkes and provide locos and haulage around NSW, using some 48 and 442 class locos.
- In May 2002, QR National Pty Ltd (trading as Interal Australia) purchased the freight and business assets of Northern Rivers Railroad based at the Casino Depot, NSW.
- The Casino roundhouse, whilst providing accommodation of only 8 stalls, has a unique heritage asset worthy of mention; the last remaining timber coal stage in NSW from the steam era.

The scale of the Broadmeadow Depot is much larger than these rural examples (possibly introducing security concerns), and the condition of the existing roundhouse seems to be better with more maintenance facilities. So, the Broadmeadow Depot does appear to be comparably suitable for commercial reuse. However, if RIC does succeed in its EOI process to find a tenant for operational re-lease of Broadmeadow, the challenge will be to protect the heritage significance of the Depot. Also, growing community interest will demand that interpretation and public access/appreciation of the Depot be arranged at the site. This will ensure that conservation action and essential values are protected.
**Encouraging partnerships for sustainable funding**

Many of the eight operating roundhouses in NSW have forged some form of partnership to sustain conservation of the place and provide opportunities for community appreciation of the railway heritage. Some of these opportunities are discussed in following sections:

**Partnership with an operator**

The ‘Railway Roundhouse’ at Junee is probably the closest example to what the Broadmeadow Depot could become, if it was reused as a community-operated heritage centre. Junee was a once-large railway centre servicing traffic on the main line between Sydney and Melbourne and the depot there serviced locos for rural railway services in southwest, rural NSW. A community group, the Regional Heritage Transport Association – Junee operate the site as a heritage centre; providing public access limited to the roundhouse and a small museum. The Depot is displayed as a working museum. ‘...the roundhouse is now the biggest tourist drawcard in town’ The museum runs tours for almost 3,000 visitors p.a. Financially, the museum remains solvent with an income of approx. $26,000 p.a. generated by guided tours, souvenir sales, memberships etc.

The lease is provided at a nominal rental, in exchange for in-kind maintenance and care from the tenants. The Association’s outgoings for repairs and maintenance are limited to only approx $3,200 p.a., as the major burdens of site and maintenance costs are borne by the joint operator who holds the lease with RIC. Broadmeadow was assessed by the Junee Secretary as having one distinct advantage over Junee; it is at the centre of a large population. ‘Knowing Newcastle’s recent history, loss of the steelworks, etc, there will be a tribe of people interested in retention of some industrial conservation up there. ’ The Lachlan Valley Railway Cooperative Society is an interesting example of a rail heritage operation that has matured into a freight operator in the western districts of NSW. The Society offers heritage railway tours, and operates a Depot Museum in a 1921 vintage roundhouse of 8 bays.

**Partnership with an established museum**

The ‘Railway Workshops’ at Ipswich, Qld is a not-so-modest example of a railway workshop which has succeeded as a heritage centre in partnership with a museum.

Described during its opening in September 2002 as ‘A world-class attraction which celebrates the role railways played in Queensland’s development...The new Workshops Rail Museum is also the latest addition to Queensland Museum’s growing network of campuses and will help in demystifying the idea that museums are places for objects in glass cases,’ This museum is a partnership between Queensland Rail, owners of the vast heritage workshops, and The Queensland Museum, who have developed a modern ‘railways heritage’ display in part of the redundant workshops.

There is no doubt that the museum has set a very high standard for the preservation of railway heritage in Australia. The quality and scope of the development will interest persons of all levels and interests. In two weeks since opening the Museum welcomed in excess of 10,000 visitors.

The Ipswich example confirmed the importance of a commitment to heritage from the owners of the heritage assets and the government of the day; ‘Queensland Rail’s commitment to their heritage is astonishing.’, said the Director. He explained that the Government had contributed $15m from ‘Heritage Trails Network’ funding, and QR had put in $5m. A purpose of the museum was to provide a new direction and provide employment opportunities in Ipswich, a ‘railways’ town that has been disadvantaged by loss of jobs as the railways declined. On analysing the partnership between the Queensland Museum and QR, Appleby reported ‘There are still a lot of issues to work through in the working arrangements between the museum and ourselves, but we are both happy with the progress and are arranging such things as joint social clubs etc.’.

The partnership is a brave and encouraging development for industrial heritage in Australia. Its success, however, underlines the imperative of obtaining the financial commitment of the government of the day, with an interest in reuse of industrial heritage facilities.
Partnership with an education or trades skills business

An option that has been considered for the Broadmeadow Depot is the formation of a partnership between a heritage group and a youth training company. The need for training in the railways trades is affecting heritage rail operators; ‘And we need training in the skills to keep them running, we will have them [steam locos] for another generation’.

The heritage host could manage tours of the place and undertake maintenance using volunteer labour, while training in heritage trade skills could be offered by an established training outfit.

Broadmeadow has the advantage of a substantial administrative building on the site that could be converted as classrooms. The prospects for this form of partnership were discussed with the senior representative of a local youth educator, the Hunter Valley Training Company. Expressing interest in the opportunities presented by the proposal, but cautious of the commercial and site constraints involved, he asked for a written ‘prospectus’ to canvass other opinions and asked to be kept informed of RIC’s progress with the Expression of Interest process.

Another opportunity suggested by former railway employee S. Blatchford (Blatchford2002) is the establishment of a training program and practical facility for the teaching of Engineman’s skills. In most heritage groups, ‘footplate’ training has been in-house, however, there are now tighter regulatory requirements and rising costs of doing this. An Engineman’s Mutual Improvement Class’ has been pioneered at the North Yorkshire Moors Railway, UK. In an inventive manner, this has enabled the railway societies to tap into another funding market; ‘It’s also a nice little way of making money, for the [engineman’s] classes have now been thrown open to the public, enabling enthusiasts to enter the real inner sanctum of locomotive lore…’

Providing a service or base for heritage rail operators

Broadmeadow Depot has been suggested as an ideal location to serve as a base for an operator of heritage trains. It could also relive as a heritage depot in the traditional sense of servicing steam or other locomotives that wish to operate to or through Newcastle. And the depot could be a place for storage and repair by other groups of their fleet. Interviews with operators and owners of heritage train services have been held to determine if their societies would have an interest in reuse of a re-opened Broadmeadow Depot. A representative from the NSW Rail Transport Museum confirmed that mainline steam operators are seeking to use established depots, such as offered by Broadmeadow, for turning, environmental reasons, security, and minor servicing; ‘I would certainly use that as a milestone; the fact that it could be used as a servicing depot for rail operations based in Newcastle. And conserving what’s there – that’s essential.’ A successful heritage tour operator is the Canberra Railway Museum, run by the Australian Railway Historical Society ACT. Discussions with the Museum’s Past-President on ideas for heritage tour operators, also confirmed that a heritage train servicing operating from a depot such as Broadmeadow could be made a success.

The Sydney Electric Train Society is a group that has collected early electric train carriages and intends to operate mainline ‘heritage’ tours. An interview was held with the President of SETS at Goulburn Depot, where they have some of their carriages in storage. The Society will need additional storage space, and expressed interest in a location such as Broadmeadow as it is adjacent to an electric railway line. The President noted a relevant association with their ‘pick of the fleet’ – the silver carriages from intercity service; ‘Newcastle was the last location where these carriages operated before being withdrawn.’
Marketing proposals for re-use of the Depot

From analysis of the data collected, recommendations and references for successful techniques to market heritage reuse of the Broadmeadow Depot can be made. The customer-service orientation of the successful Canberra Railway Museum ensures that a balance needs to be struck between commercial imperatives for sustainability and the sometimes-narrow view of the railway enthusiasts.

The modest, but sustainable operations at the Junee Roundhouse are inspiring, as they continue to look for partnership support and new tourism promotional opportunities. The colourful and appealing promotion of The Workshops Rail Heritage Centre as ‘Big, Loud, Fun’ proved to be a successful start to the conservation and showcasing of an otherwise redundant, heritage asset. The lead given in the development of this Centre will give ideas and inspiration for other railway heritage centres, such as Broadmeadow.

The NSW government has targeted the Hunter Valley as a focus for steam heritage operations by signalling support for the ‘Hunter Valley Steamfest’. This is a once-a-year celebration of the steam heritage of the City of Maitland, approx. 33 km from Newcastle. The festival has been operating for many years and recently has received promises for government funding of up to one million dollars for future development of the concept.

In developing Steamfest, use of the Broadmeadow Depot has already been foreseen as an item for consideration in a draft Concept Plan. The prospects for marketing the heritage reuse of Broadmeadow under the ‘steamfest’ banner was hopefully discussed with the Chairman of the Steamfest Committee during this study. However, the outcome of discussions was not positive, as political determinants have seen all attention and funding focussed on the Maitland electorate at the present time.
Appendix 4. Minister’s Press Release of 4 August 2006

NEWSPRESS RELEASE
$20 MILLION PLAN TO CONSERVE NSW RAIL HERITAGE AS COLLABORATION URGED OVER 3801

Friday 4 August 2006

The Johnson Government will increase protection of the State’s rich rail heritage with a $20 million plan announced today by Deputy Premier and Minister for Transport John Watkins.

Mr Watkins released details of the plan – including a new Office of Rail Heritage and funding for the much loved 3801 locomotive – at Central Station’s centenary ceremony today.

“The Johnson Government is committed to conserving the State’s rich rail heritage for our children, grandchildren and all future generations to enjoy,” Mr Watkins said.

“That’s we’re investing $20 million over five years in a Sustainable Rail Heritage Strategy that sets a new standard for industrial conservation in NSW.

“The plan will be delivered by a new Office of Rail Heritage that will oversee the conservation and display of our rail heritage assets and ensure that our broad and passionate groups of volunteers are recognised, valued and supported.

“It will work closely with the many and varied custodians of rail history across the state, including renowned precincts such as Tenterfield, Glen Innes and Coffs Harbour.

“Together we will ensure that rail heritage items across NSW are cared for properly, managed well and are displayed and run to their best advantage.”

Mr Watkins said the first $500,000 would be spent to upgrade the 3801 locomotive at the Hunter Valley Railway Museum at Maitland.

“We want to ensure this beloved icon of the steam age continues to operate for another generation,” Mr Watkins said.

“The Government and RailCorp will provide this overhaul to keep the 3801 locomotive in first-class operating condition.

“At the same time, I can today announce the formation of a panel of independent experts to determine how the 3801 should be best managed in future – and by whom.”

The panel will comprise former Queensland Rail CEO Vince O’Rourke and representatives of Chairman of Tourism Australia Tim Fischer and CEO of the Australian Railway Association, Mr Bryan Nye.
"I'm urging the two groups involved in the debate over the 3801 locomotive to work with us, and to work together so that everyone can share the benefits of our heritage assets."

Other features of the heritage plan include the restoration of Locomotive 3265 in partnership with the Powerhouse Museum and a new Rail Heritage Fellowship to pay for a worker or volunteer to learn new skills overseas.

The Sustainable Rail Heritage Management Strategy was developed with the advice of a committee comprising Mr O'Rourke, the Powerhouse Museum, the Rail Transport Museum, 3801 Pty Ltd, Rail Heritage Australia, NSW Heritage Office and RailCorp.
### Appendix 5. Brief Chronology of Events till 2006

**Legend:**
- Rail Transport Museum
- 3801 Limited
- Government

<table>
<thead>
<tr>
<th>Item no.</th>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1962</td>
<td>1962</td>
<td>The NSW Rail Transport Museum [RTM] is established as an independent, not for profit company, set up for the purpose of collecting, preserving and presenting the railway heritage of NSW for the benefit of the community.</td>
</tr>
<tr>
<td>10 June 1976</td>
<td>By Deed of Agreement, SRA donates to the RTM absolute title to certain rolling stock, including Locomotive 3801.</td>
<td></td>
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<tr>
<td>6 July 1978</td>
<td>Deed of Agreement confirms that the RTM may hold Locomotive 3801 in custody in perpetuity (subject to RTM continuing to provide for its proper care).</td>
<td></td>
</tr>
<tr>
<td>5 June 1985</td>
<td>Certificate of Incorporation issued by National Companies and Securities Commission certifying that 3801 Limited is incorporated as a public company limited by guarantee. The Memorandum of Association states that the objects for which the Company is established are:</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>to promote and undertake the restoration to operating condition and the operation maintenance care custody and control of Steam Locomotive 3801;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>To purchase, take lease or in exchange, hire and otherwise acquire any railway vehicle carriage or rolling stock and to build, rebuild, repair, alter, equip, restore, dismantle, operate and maintain such vehicle carriage or rolling stock;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>To promote and to undertake the operation of tours and excursions by road, rail or otherwise using steam driven or other motive power;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>To promote in general the acquisition restoration operation and maintenance of historic railway tramway and other locomotives and vehicles, carriages and rolling stock.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The Directors of the Company were representatives of the following organisations: RTM, Australian Railway Historical Society (NSW Division), Powerhouse Museum, State Rail, and NSW Unions. Although they were intended to represent their organisations, they were not actually listed as representatives. Only their private addresses were given on the Memorandum of Association.</td>
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<tr>
<td>Item no.</td>
<td>Date</td>
<td>Event</td>
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<td></td>
<td>21 November 1986</td>
<td>SRA issues a “licence of premises” under which 3801 Limited occupies that part of the Large Erecting Shop not required for State Rail Authority purposes. SRA can revoke this licence at any time. The Licence states: “the Licensee [3801 Limited] shall . . . be permitted to use [the designated] premises for the storage, servicing and maintenance of steam locomotive No. 3801 and associated rolling stock under the control and/or management of the Licensee”. 3801 Limited pays the SRA, on demand, a fee of $38.01 per annum for the use of these premises. (The LICENCE).</td>
</tr>
<tr>
<td></td>
<td>26 November 1986</td>
<td>Agreement between SRA, 3801 Limited and the Rail Transport Museum provides that ownership of locomotive 3801 vests in the SRA, and repeats the 1976 and 1978 Agreements that grant custody of the locomotive to the RTM. The 1986 Agreement is for 20 years. This Agreement also grants 3801 Limited a lease of Locomotive 3801 and establishes an access regime for the company to operate certain heritage rolling stock on the SRA’s lines, for a 20-year term. (The LEASE).</td>
</tr>
<tr>
<td></td>
<td>26 April 1991</td>
<td>SRA and the 3801 Limited enter into an agreement [OPERATING DEED] discharging the access regime provisions of the LEASE.</td>
</tr>
<tr>
<td></td>
<td>22 May 1991</td>
<td>An Agreement under which RTM vests custody of 3801 in the SRA and SRA grants custody of 3801 to 3801 Limited. 3801 Limited agrees to pay the SRA an annual fee for the use of 3801. This Agreement expires on 26 November 2006.</td>
</tr>
<tr>
<td></td>
<td>25 April 1994</td>
<td>The OPERATING DEED expires</td>
</tr>
<tr>
<td></td>
<td>13 July 1994</td>
<td>The OPERATING DEED is extended for 18 months.</td>
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<tr>
<td></td>
<td>12 January 1996</td>
<td>The OPERATING DEED (extended term) expires</td>
</tr>
<tr>
<td></td>
<td>1 January 2004</td>
<td>The metropolitan functions of Rail Infrastructure Corporation (RIC) and the State Rail Authority (SRA) are transferred to the Rail Corporation, NSW (RailCorp). RailCorp is formed as a SOC. (However, under the Transport Administration Amendment [Rail and Ferry Transport Authorities] Act 2008 no. 98, which commenced on 1 January 2009, RailCorp no longer a SOC but an authority).</td>
</tr>
<tr>
<td></td>
<td>July 2004</td>
<td>Heritage Asset Management Strategy Project Steering Committee set up with Cabinet approval. Membership comprises the RTM, Rail Heritage Australia (NSW), the Powerhouse Museum, the Heritage Office of NSW, Rail Corporation NSW (RailCorp), Rail Infrastructure Corporation [RIC], State Rail Authority of NSW [State Rail] and 3801 Limited. Chaired by Vince O’Rourke, former CEO, Queensland Rail.</td>
</tr>
<tr>
<td>Item no.</td>
<td>Date</td>
<td>Event</td>
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<td></td>
<td>September 2004</td>
<td>The Australian Rail Track Corporation Limited (ARTC) enters into 60-year lease of the NSW interstate and Hunter Valley rail corridors and track, and are deemed to be the owners of rail heritage in the leased areas for the purposes of the Heritage Act 1977.</td>
</tr>
<tr>
<td></td>
<td>March 2005</td>
<td>Heritage Asset Management Strategy issued by Steering Committee (see # above). Recommends establishment of either a State-Owned Corporation or a Trust to manage rail heritage assets in NSW. External members of the Steering Committee (including 3801 Limited) prefer a SOC to a Trust on the grounds that a (subsidiary) SOC would rely on its parent SOC [presumably RailCorp]. (However, RailCorp is no longer a SOC -- see # below).</td>
</tr>
<tr>
<td></td>
<td>2005</td>
<td>Legal advice obtained by Government regarding various aspects of the agreements listed above with 3801 Limited.</td>
</tr>
<tr>
<td></td>
<td>May 2005</td>
<td>RailCorp Board rejects concept of a subsidiary SOC on the grounds that it would rely on an existing rail entity. Favours a Trust.</td>
</tr>
<tr>
<td></td>
<td>1 September 2005</td>
<td>Minister receives recommendation to establish a Trust to manage rail heritage assets. Total expenditure over four years 2005-6 to 2008-9 estimated at $29m. Capital expenditure estimated at $14m for Eveleigh relocation.</td>
</tr>
<tr>
<td></td>
<td>29 November 2005</td>
<td>Legal advice received that: The State Rail Authority (SRA) owns Locomotive 3801; 3801 Limited is entitled to custody of Locomotive 3801 until 26 November 2006; and thereafter . . . the NSW Rail Transport Museum is entitled to custody of Locomotive 3801. The advice says: “the 1976 Agreement, as varied by the 1978 Agreement, has not ... been altered by the subsequent agreements in so far as it provides for RTM to have permanent custody of Locomotive 3801 subject to providing for its proper care and preservation and to expiry of the temporary right to custody granted to 3801 Limited to 26 November 2006 under the May 1991 Agreement”.</td>
</tr>
<tr>
<td></td>
<td>February 2006</td>
<td>The New South Wales Audit of Expenditure and Assets Report (the Vertigan Report) issued. It recommends reducing the number of budget-dependent agencies. Premier’s Office accordingly withdraws earlier recommendation for a separate Trust to manage rail heritage assets. Option of establishing an Office of Rail Heritage within RailCorp now preferred. Costs estimated at $34.7m over five years 2005-6 to 2009-10, with $18.3m now estimated for Eveleigh relocation.</td>
</tr>
<tr>
<td>Item no.</td>
<td>Date</td>
<td>Event</td>
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</tr>
<tr>
<td>3 May 2006</td>
<td>3 May 2006</td>
<td>SMH article appears referring to “an underfunded back paddock at Thirrmere, known as the Rail Transport Museum”, and saying that the 3801 was derelict in 1983 when David Hill became “rail chief”, that by 1986 it was fully restored, that it “has more than paid for itself”, and that in 2005 it generated $2.1 million in income.</td>
</tr>
<tr>
<td>June 2006</td>
<td>June 2006</td>
<td>Legal advice given that confirms that the Government owns 3801 Limited but that says it believes that “the claim of the company is superior to the claim of RTM”.</td>
</tr>
<tr>
<td>July 2006</td>
<td>July 2006</td>
<td>Vince Graham, CEO RailCorp, commits to an 18-month extension [after November 06] of 3801’s current “licence” for the LES, subject to their being prepared to meet all maintenance, outgoing and OHS obligations for that period.</td>
</tr>
<tr>
<td>4 August 2006</td>
<td>4 August 2006</td>
<td>Minister Watkins issues press release, stating that government will introduce a $20m plan to “protect the state’s rich rail heritage”. Press Release confirms the establishment of the Office of Rail Heritage that will “oversee the conservation and display of our rail heritage assets and ensure that our broad and passionate groups of volunteers are recognised, valued and supported”. Press Release also announces that “the first $500,000 would be spent to upgrade the 3801 locomotive at the Hunter Valley Training Company at Maitland” Press Release also announces the “formation of a panel of independent experts to determine how the 3801 should best be managed in future – and by whom”. Panel is announced to be Vince O’Rourke, Tim Fischer and Bryan Nye.</td>
</tr>
<tr>
<td>27 November 2006</td>
<td>27 November 2006</td>
<td>Minister issues Press Release saying that “heritage experts” [the panel of independent experts referred to in # above] “have recommended the merger of the two rival volunteer rail groups vying to operate the historic locomotive [3801]. Neither the RTM nor 3801 Limited were seen as viable if operating alone and separately.</td>
</tr>
<tr>
<td>November 2006</td>
<td>November 2006</td>
<td>Expiry of 20 year lease between 3801 Ltd and RailCorp.</td>
</tr>
<tr>
<td>2008</td>
<td>2008</td>
<td>RailCorp approves ORH recommendation to retain the LES rather than transfer it to the Redfern Waterloo Authority. However, this would mean that room in the LES would have to be found for the heritage electric fleet, which meant in turn that 3801 Limited would have to occupy less space in the LES.</td>
</tr>
<tr>
<td>1 January 2009</td>
<td>1 January 2009</td>
<td>RailCorp ceases to be a SOC and becomes an authority, under the Transport Administration Amendment (Rail and Ferry Transport Authorities) Act 2008 no. 98.</td>
</tr>
</tbody>
</table>
Appendix 6. Possible Job Descriptions for Key Personnel in THNSW

The Chief Executive Officer

The CEO should be selected through a search process. He/she has an assistant, who is also secretary to the Board and takes Board minutes. However, the CEO is NOT a member of the Board, although he/she can attend Board meetings by invitation.

The CEO must have a range of qualifications and attributes. He/she will need to have:

- Imagination and vision for the sector
- A background of successfully attracting visitors to public facilities
- Experience of managing a team of several direct reports
- Proven ability to connect positively and diplomatically with rail enthusiasts and volunteers
- Ability to make convincing representations to government
- A willingness to travel
- Ability to liaise successfully with councils and private sector

The CEO has eight direct reports.

The Operations Manager

With an assistant, the Operations Manager:

- organises tours, sets destinations, train type and consist – destinations, train type and consist, off-train activities for passengers, onboard inclusions [such as morning/afternoon tea]
- arranges paths
- timetables Thirlmere Heritage Railway (THR) operations for regular running and events
- liaises with RailCorp, ARTC and ITSR
- manages safety management system [including operator specific procedures and interface agreements] Consults with Collections Manager about rolling stock availability
- assists with yearly asset management plans

The Operations Manager should have:

- a logistics and marketing background
- rail safety and operating skills
- an ability to bring fresh thinking to the nature and route of tours
- an ability to work closely with the events and marketing manager
- experience in running train tours [desirable but not essential].
The Manager of the Museum at Thirlmere and Valley Heights

This is a very challenging role. Thirlmere is too far from Sydney to be viable on its own. The person who fills this role must be very entrepreneurial. He/she must know what other successful rail heritage museums around the world have been doing to attract visitors, and must not shy away from introducing attractions like miniature train rides, many hands-on attractions, Circus trains, a different café and shop structure aimed at maximising revenue, and many other family-friendly attractions.

The main job of this person will be to increase visitation. There will also be the many responsibilities of actually managing the site: making sure the grass is cut, there is enough parking, that electricity is never cut, that there are adequate backups, and so on.

So the attributes he/she has to have form an unusual combination. They should include:

- An entrepreneurial approach to museum operations
- A critical eye for detail
- A diplomatic ability to manage suppliers, staff and volunteers
- A good team spirit

Manager, Members, Volunteers, Education and Training

This person needs to be enthusiastic, patient and diplomatic. No academic or technical qualifications are needed for this role, but because volunteers are so vital to the success of Transport for NSW, it is especially important to pick the right person.

The Manager, V.E.T. needs to organise educational programs for children and young people. These programs should be very hands-on and lively. Simply dragging kids around a museum is a recipe for boredom and disaffection.

Ipswich can show the way.

The Manager, V.E.T. also needs to organise training programs for volunteers and other staff.

The Asset Manager

The responsibilities of the Asset Manager (AM) include

1. implementing an effective asset management system, collaborating with and providing direction to the Curatorial Committee and overall supervision of the site assets, fixed, moveable, static and operational;
2. managing the workshop (roundhouse) in collaboration with the Steam and Diesel Workshop Supervisors;
3. overseeing the public interpretation of the site, including display panels, publications, signage and general information;
4. collaborating with Volunteer Coordinator in the supervision of volunteers within the Facilities and Collections section;
5. specific responsibilities delegated by the CEO, as set out in this Position Specification or by a specific Board resolution;

33 The review is indebted to Jennifer Edmonds for this section.
Specific responsibilities:

Specifically, the Asset Manager has been delegated to –

- lead and develop the asset management systems for fixed and moveable assets and railway ephemera;
- develop effective management of rolling stock maintenance and overhauls in accordance with the THNSW’s Asset Management Plan, including preparation of work schedules;
- supervise ongoing restoration/maintenance of rolling stock in consultation with Safety & Engineering Manager, Operations Manager, Customer Services Manager, Steam and Diesel Workshop Supervisors and Curatorial Committee;
- prepare yearly budget with Finance Manager for asset management projects;
- co-ordinate and manage the workshop personnel in collaboration with the Steam and Diesel Workshop Supervisors (SDWS);
- collaborate with the SDWS on the resource management for the rolling stock and related plant and safety equipment, including managing recruitment, training and workplace safety;
- negotiate and manage any contract services related to the assets and workshop;
- liaise and assist Volunteer Coordinator with the development of work programs and supervision of volunteers working on the assets;
- develop and implement site exhibition, interpretation and public programs, including rolling stock presentation, related published material, temporary exhibitions and volunteer role playing;
- develop and implement programs to address risk management including safety and security of staff, the public and museum assets, emergency and contingency planning;
- liaise with internal groups, including Curatorial Committee, guides and site OHS committee;
- develop and maintain liaison with a wide range of rail/arts industry, education and business organisations to ensure knowledge and sharing of programming initiatives, trends, technology;
- As a member of THNSW management team contribute to the overall management of the museum including the development of policy and to provide direction, advice and assistance to museum staff/volunteers on asset management issues and requirements.
- Supervise a safety and compliance officer, who may undertake considerable travel.

Interfaces:

All managers – whether volunteer or employee positions – report to the CEO, who also interfaces with external stakeholders and the RTM Board.

Steam and Diesel Workshop Supervisors, in weekly workshop management, budgeting, planning, scheduling and review of work;

Operations Manager and Customer Services Manager in relation to scheduling of trains under Heritage Express program and Thirlmere Heritage Railway;

Safety & Engineering Manager in relation to rolling stock standards & maintenance; OH&S and rail safety;
Events and Marketing Manager

Ideally, these roles should be separate. An events manager could come up with some unrealistic ideas that the marketing manager would know would be hard to sell. If we do have separate people in these two functions, however, the number of direct reports to the CEO increases to nine, which is probably too many.

The review was told by the General Manager of the Ipswich rail museum, an extremely successful body, that any new entity in NSW only had to remember one word – ‘Events’. Events are what brings in the big dollars. So the Events and Marketing Manager, too, has to be exceptionally entrepreneurial in devising new events that bring in large numbers of visitors.

The potential of Sydney should not be ignored, especially if something new is done about the Large Erecting Shop.

Manager, Relationships with Smaller Entities

This person travels constantly. His/her role is to liaise with smaller entities, become familiar with their problems and triumphs, channel their requests and applications for maintenance and restoration funds, and help them prepare those applications. This person will be the voice of the smaller entities in Sydney. He/she will help them get any help they might need, e.g. with safety compliance.

Chief Finance Officer

A very concerted effort should be made to recruit an exceptionally high calibre individual for this role. Mediocrity will not do at all. This is a full-time role for a highly qualified individual. Finance qualifications should be mandatory. Experience in running the financial operations should be a must. Interviews should be stringent and searching. The salary level should be commensurate with the high level of person sought.

The IT and HR roles can however, be filled on a part-time basis.

But care should be taken that social media are stressed in the new marketing strategy, and this may need a full-time IT person on the strength of the company.

Fundraising could come under the CFO, or contracted out.

Facilities and Development Manager

The Broadmeadow and LES sites are seriously neglected. Their potential is very sizeable and almost totally unrealised. The Broadmeadow site should be the subject of a wide-ranging Master Plan, carried out in conjunction with local councils and the private sector. The aim of the Master Plan should be first, to maximise public benefit, and second, to build facilities that will attract the public.

Similarly with the LES, which occupies a prime position in Central Sydney, whose public benefit has been completely lost.

The Facilities and Development Manager should start the process of commissioning Master Plans for these two sites, and as far as possible steer the projects through to completion.