



14 July 2005

Mr Tas Luttrell
Committee Secretary
House of Representatives
Standing Committee on Transport and Regional Services
Parliament House
CANBERRA ACT 2600

Dear Tas,

Re: Queensland Resources Council Submission

Please find attached the Queensland Resources Council's submission to the Standing Committee on Transport and Regional Services's Inquiry into integration of regional rail and road networks and their interface with ports.

If you have any queries regarding this submission, please contact Andrew Barger on 07 3295 9560 or andrewb@qrc.org.au

Kind regards,

A handwritten signature in black ink that reads "Michael Roche".

Michael Roche
Chief Executive



QRC
submission

**To the Standing Committee on
Transport and Regional Services**
June 2005

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INTRODUCTION

→ About the QRC

The Queensland Resources Council (QRC) is a non-government organisation representing the interests of companies that have an interest in exploration, mining, minerals processing and energy production. It is the resource industry's key policy-making body in Queensland, working with all levels of Government, interest groups and the community.

The Council's membership encompasses exploration, production and processing companies and associated service companies. The council works on behalf of members to ensure Queensland's resources are developed profitably and competitively, in a socially and environmentally sustainable way.

→ The importance of the resource sector

As noted by Treasurer Terry Mackenroth in his 2005/06 Budget Speech, the resources sector is playing a key role in underpinning the strong financial outlook for Queensland.

According to the Department of Natural Resources and Mines' budget output statement, royalty and other mineral and petroleum-related revenue was originally forecast to be \$789 million in 2004-05. The actual figure is expected to be around \$910 million, a 15 per cent windfall on the state's second largest revenue source.

The budget forecast for royalty and related revenues in 2005-2006 is \$1.36 billion – an increase in just two years of 42 per cent.

Aligned with this are forecasts of continuing strong growth in coal exports from the State. Coal exports have grown on average by more than 6 percent a year over the last ten years, and in the period to 2010 this rate growth is forecast to accelerate to 8 percent per annum or higher.

The resources sector in Queensland is now directly employing in the order of 24,000 people, with tens of thousands more linked closely to its fortunes through contractors, service providers and support industries.

The Queensland resource sector paid \$1.3 billion dollars in wages and salaries last financial year. On top of that, it spent more than \$4 billion dollars sourcing goods and services in Queensland. In addition to all of this, resource sector companies also provided millions of dollars in direct funding to community and indigenous programs.

These figures highlight that both Governments and regional communities have significant interests in ensuring that there are no infrastructure bottlenecks to impair the sector's ability to capture current demand for resources.



COMMENTS AGAINST SPECIFIC TERMS OF REFERENCE

This submission draws heavily on two public QRC documents – the first is a report on Infrastructure Requirements (August 2004) and the second is the QRC submission to the Prime Minister’s Taskforce on Export Infrastructure (May 2005).

Reference One

→ The role of Australia’s regional arterial road and rail network in the national freight transport task;

Queensland’s resources sector is heavily dependent on regional freight transport networks. Transportation costs can be as high as 30-60 per cent of the total cost of production, and the planning, development and maintenance of regional transport networks are vital issues for the resources sector.

As an example of the importance of transport networks to Australia’s export competitiveness, the Mount Isa /Cloncurry area faces a transport distance several times greater than global competitors who also benefit from excellent rail infrastructure supported by Government spending. This rail link is a multi-user line for product and supply logistics servicing the needs not only, of the resources sector, but also, of pastoral, agricultural and other community interests.

The recent, and unexpectedly strong growth in demand for Queensland’s mineral resources has challenged the state’s freight transport systems. Most of Queensland’s key resource transport corridors are now operating at the limits of their capacity, which has frustrated the efforts of many producers to realise the opportunities presented by the surge in global demand. As a result, the capacity of these transport corridors is the main constraint on expansion of the sector over the medium to longer term.

Reference Two

→ The relationship and co-ordination between Australia’s road and rail networks and their connectivity to ports;

The connectivity of rail and port networks has a major influence on the resource sector’s export capacity and competitiveness. Effective management of the State’s transport infrastructure requires coordination amongst users and rail and port service providers to ensure capacity is efficiently utilised, and effective planning to establish new capacity in response to increased demand.

Whilst coordination amongst users and service providers on some key Queensland resource infrastructure corridors can be improved, better coordination alone cannot overcome the need for rail and port capacity expansions to service growing demand.

This is particularly apparent in regard to the State’s export coal industry, which has substantial growth potential over the next five years, infrastructure permitting. Queensland’s recent record in planning for this growing infrastructure requirement has been mixed.

Plans and permissions are in place to expand Gladstone Port in line with forecast demand from the southern region of the State’s Bowen Basin Coalfield; however, in the Northern Bowen Basin there is a significant and growing gap between the demand for and supply of rail and port services that needs



to be addressed. QRC supports the more detailed discussion of the development of Gladstone port in a separate industry submission made by the Export Coal Producers Executive.

Whilst new coal mining projects are in the pipeline, the lead times on rail and port expansions range from two to four years. Therefore, options for enhancing infrastructure capacity need to be assessed and implemented as soon as practicable.

The experience of transport constraints and capacity mismatches points to the need for a more active approach in planning the provision of infrastructure for development of the Surat Coal Basin. The infrastructure requirement for the Surat Basin will be substantial in that it will require the establishment a new coal supply chain for Queensland. A process is needed to assess the Surat Basin's infrastructure requirements and coordinate prompt and effective implementation of plans when market conditions demand,

The base metals operations around Mt Isa/ Cloncurry are approximately 900km from the coast, which is one of the longest rail hauls to loading ports for the global metals industry. Not only do Canadian, Peruvian and Chilean competitors have lower hauls they benefit from excellent rail infrastructure supported by Government spending. The Mt Isa corridor is not only a high cost rail corridor but the state of the infrastructure is such that efficient and reliable service for both minerals haulage "out" and supply haulage "in" is not available.

Reference Three

- Policies and measures required to assist in achieving greater efficiency in the Australian transport network, with particular reference to:
- land transport access to ports;
 - capacity and operation of major ports;
 - movement of bulk export commodities, such as grain and coal;
 - the role of intermodal freight hubs in regional areas;
 - opportunities to achieve greater efficiency in the use of existing infrastructure; and
 - possible advantages from the use of intelligent tracking technology;

The reform of infrastructure services over the past decade has generated very positive outcomes for Queensland's resource sector and the State generally. Competition policy generally, and third party access, in particular, have reduced the costs to industry of transportation and handling, and the resulting improvement in industry competitiveness has led to increased investment, production and exports.

However, as discussed in the recent report of the Prime Minister's Export and Infrastructure Taskforce, there is a need to strike a balance between the pursuit of short-term efficiency, through optimising prices to eliminate monopoly rents, and the longer-term challenge of ensuring that the right incentives exist for efficient investment in infrastructure expansion. The Taskforce was critical of regulators that focused too heavily on short-term price efficiency at the expense of incentives to invest.

QRC believes a workable balance can be struck without major overhaul of regulatory regimes, and that Queensland's recent experiences with access determinations are part of the learning process through which regulators will find the practical middle road. QRC is encouraged by the recent COAG agreement for the Federal and State governments to work towards simpler and nationally consistent arrangements for the regulation of ports and other export-related infrastructure.



Reference Four

- The role of the three levels of Government and the private sector in providing and maintaining the regional transport network.

Governments have a vital strategic role to play in facilitating, and in some cases overseeing, infrastructure planning of state and national significance. They may have a role also in assisting with the funding of unavoidably lumpy infrastructure investments.

Governments also need to be mindful of the potential delays resulting from regulatory processes. The implementation of competition policy is important, and the Prime Minister's Infrastructure Taskforce suggested a number of ways in which regulators can be made more responsive to the needs of infrastructure providers and users for timely decisions.

Another critical area is the environmental assessment of expansion proposals, especially in relation to offshore port works. The complexity and duration of assessment and approval procedures mean that lead times for infrastructure development are now generally longer than for the development of new mining projects. While environmental standards should not be compromised, regulators need to make assessments as quickly as practicable, a need largely appreciated by State and Federal environment agencies.