

**NEW SOUTH WALES MINERALS COUNCIL LTD**

MINING EXCELLENCE

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The Secretary  
House of Representatives Standing Committee on Transport and Regional Services  
Parliament House  
Canberra ACT 2600

*Dear Secretary*

Thank you for the invitation to make a submission to the inquiry into the integration of regional rail and road freight transport and their interface with ports.

The provision of effective land transport is essential to the NSW coal and minerals industry. There is a pressing need for modern and efficient road and regional rail networks and good connectivity to ports. These themes are picked up in a range of recent studies and submissions by CEDA, the Productivity Commission, the Business Council of Australia, the Minerals Council of Australia and the Auslink White Paper. Some of the NSW Minerals Council's (NSWMC) key concerns include:

- The need for greater rail capacity to support surging coal exports. The NSWMC is hopeful that the award of a lease over Hunter Valley rail networks to the Australian Rail Track Corporation (ARTC) will result in prompt and necessary investment.
- The need for a single point of contact with State Government to ensure that there is effective consultation on strategy, investment and the application of regulation, along with uniformity of regulatory regimes for transport and rail access.
- Harmonisation across Australia of rail access as well as communications, safeworking and other operational aspects of rail, and consistency in requirements for road transport between States.
- A National Competition Policy that does not discourage investment in essential infrastructure, while retaining necessary regulation of monopoly services.

The NSWMC believes that Australia's land transport system is currently operating below the level of efficiency and effectiveness of which it is capable. Bringing transport networks, particularly rail networks, up to 21st century standards will encourage a virtuous cycle of investment, and improve competitive advantage for those industries that operate in remote regional areas, such as the mining industry.

I have attached a more detailed submission attached for your review.

*Yours sincerely*  
*Nicole B Williams*

**Dr Nicole B Williams**  
CHIEF EXECUTIVE OFFICER



## **NSW MINERALS COUNCIL**

### **SUBMISSION TO THE HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON TRANSPORT AND REGIONAL SERVICES**

#### **Inquiry into the Integration of Regional Rail and Road Freight Transport and their Interface With Ports**

##### **1. The role of Australia's regional arterial road and rail network in the national freight transport task**

Transport on Australia's regional road and rail networks is an indispensable element in the NSW and Australian minerals industry. Currently around 95 million tonnes per year (Mtpy) of NSW coal is exported, valued at over \$6 billion per year at current prices. Of this 85 Mtpy is exported from Newcastle and 10 Mtpy from Port Kembla. Virtually all of this coal is transported to port on regional road and rail networks. Regional road and rail networks are also used to transport other minerals and construction materials, as well as to enable transport of equipment and materials used in the mining and quarrying industry.

Virtually all of the coal exported from Newcastle is transported to the port by rail on the Hunter rail network. This network can be considered to be entirely regional in nature, although a relatively small amount of coal is railed from mines south of Newcastle on the Sydney – Newcastle inter-urban line.

Coal exported from Port Kembla originates from both the Southern and Western Coalfields. Export coal from the Western Coalfield, around Lithgow, is all railed while export coal from the Southern Coalfield, around Camden, is delivered by road and rail. There are increasing community pressures for all of this to be delivered by rail. Rail routes to Port Kembla are a mixture of regional, suburban Sydney and the Sydney – Wollongong inter-urban line. Suburban, urban and regional roads are also used to truck coal to Port Kembla.

The cost of the road and rail infrastructure can be a significant determinant in assessing the viability of new coal and minerals mining projects. In remote regions road upgrade levies and road development costs have formed part of the cost to the mining company. Whilst such costs might be appropriate to the circumstances, the added imposition of truck and train load restrictions by State Government bodies (often inconsistently between States), and the time consumed in negotiation can jeopardise investment decisions that genuinely benefit local communities and the national economy.

##### **2. The relationship and coordination between road and rail networks and their connectivity to ports**

###### **ROAD AND RAIL NETWORKS**

For coal exports from Newcastle there is little coordination required between road and rail networks. For product delivery there is some trucking of coal to rail loading terminals such as the Mt Thorley Coal Terminal, where the coal is loaded onto trains for railing to Newcastle. These interfaces have generally been provided by the coal industry itself. The quantity of coal trucked to the Mt Thorley Terminal will soon decrease with the extension of the rail network to mines that formerly trucked coal there. Good quality roads are required to serve the mines and to deliver the equipment and materials needed to operate them.

For Port Kembla, because of the relatively high tonnages of coal trucked to the port on public roads, there are considerable demands on the road network in and around Port Kembla. There is little need for coordination between road and rail however.

We have already discussed the challenges facing some minerals companies in respect of truck and train load restrictions. The lack of consistent policy application across different State jurisdictions is a further impediment to the development of new mining operations, and can lead to skewed decisions that are based more on inconsistent jurisdictional rulings rather than good economics.

## CONNECTIVITY OF RAIL TO PORTS

### **Newcastle**

Newcastle is currently the largest coal export port in the world. Because virtually all that coal is delivered to the port by rail, the connectivity between rail and ports is of fundamental importance. The Hunter rail network that connects the mines to the port is also used by passenger, grain and general freight traffic and is currently operating at its full capacity. It is unusual in the world for a railway carrying such a large amount of bulk goods to also handle such a large amount of passenger and general freight traffic.

These different types of traffic have different operating characteristics. The pattern of operation, comprising such things as operating speeds and frequency of stopping are significantly different for different types of traffic. Non-coal traffic receives higher priority than coal traffic. For these reasons operation of the network is highly complex. To accommodate this complexity operations of mines, rail and port have to be integrated and harmonised to a large degree.

Connectivity can be considered to have two aspects – physical and organisational. Physically, the coal facilities at the port comprise two separate shiploading terminals, each of which is connected to the greater Hunter rail network by two tracks. In recent years, as demand on the network has approached or exceeded capacity, bottlenecks have arisen in the network. Some of these are associated with the links between the main coal lines and Kooragang Island Coal Loader, the larger of the two terminals.

Since the Australian Rail Track Corporation (ARTC) has taken responsibility for the Hunter rail network, some progress has been made and the NSWMC is hopeful that construction will soon start on removing the worst of these bottlenecks. Planning is proceeding with work to progressively ease other bottlenecks as demand increases. Indications are that ARTC will do better than Rail Infrastructure Corporation, the NSW Government-owned former manager of the Hunter rail network, in building required capital works.

Organisationally, all participants in the Hunter coal logistics chain have made a major effort to improve the organisation, planning, management and operation of the chain. Coal export capacity of the Hunter rail network has been increased from around 65Mtpy a few years ago to around 85Mtpy now through improvements in planning, scheduling and train control and through other organisational means, with little capital expenditure. But nearly all of the gains that can be derived from these types of measures have now been realised. Further improvement in capacity to meet forecast imminent large increases in demand now depends on several of the capital projects which are now under consideration being constructed as a matter of urgency.

Coal is the dominant traffic on much the Hunter rail network and it is charged the full cost of access to that part of the network where it is capable of paying that cost. These charges are regulated to some extent by the Independent Pricing and Regulatory Tribunal of NSW.

### **Port Kembla**

The connectivity of the regional rail network to Port Kembla for coal exports is also complex, but in different ways to Newcastle. All export coal railed from the Southern and Western Coalfields has to pass through the Sydney metropolitan passenger network. Because of the higher-priority demands of passenger traffic, coal trains are severely restricted in the times at which they can traverse the metropolitan network.

RailCorp is currently in the process of implementing a strategy under which various metropolitan lines are being segregated, to reduce the interdependence of these lines. A separate freight line is also being built from Macarthur to metropolitan intermodal freight terminals. This will reduce the disruption to freight traffic by passenger traffic on the metropolitan rail network. The NSWMC is not aware of the detail of these developments, so is not in a position to know what effect, if any, they will have on the connectivity of the Western and Southern Coalfield mines to Port Kembla. It is possible however that it will be quite small.

Because it represents only a minor proportion of traffic on track it uses, coal railed to Port Kembla pays access charges on a different basis from export coal traffic on the Hunter rail network. Costs of haulage are somewhat greater than for a comparable distance in the Hunter however because of the need to use shorter trains and lighter wagons. Restrictions and disruption of freight movements on the metropolitan network, to avoid interference with passenger traffic, also increase freight haulage costs.

### **3. Policies and measures required to assist in achieving greater efficiency in the Australian transport network**

#### LAND TRANSPORT ACCESS TO PORTS

The NSWMC considers that recent developments in rail management in Australia have been of significant benefit to the efficiency of land transport in Australia. The consolidation of management of the interstate standard gauge and Hunter rail networks has been a good start in overcoming the break of gauge problems that have disrupted Australia's rail network since the 19th century. Much more work is needed however before all the potential benefits of this step can be captured. Further steps that are needed include

- harmonisation across Australia of rail standards, communications, safeworking and other operational aspects of rail, in a similar manner to that achieved for road
- harmonisation across Australia of regulatory regimes for rail access
- upgrading of major rail networks to the same level of modernity as Australia's major road network

Harmonisation across Australia of rail standards, communications, safeworking and other operational aspects of rail is needed to reduce the costs to rail operators of crossing from one jurisdiction to another. Despite the gains made by ARTC gaining control of the interstate and Hunter networks, these different standards still apply. Lack of harmonisation of standards and practices constitutes a break of gauge little less disruptive to rail traffic than a break in rail line gauge. Some progress towards resolving this problem has been made in recent years, but much more needs to be done.

Currently in NSW there is a single regulatory regime for rail access. This will change however when ARTC has an access undertaking approved by the ACCC for its leased rail network in NSW. When that happens, some coal haulage to Newcastle and to Port Kembla will be subject to two different rail access regimes. In addition, different access regimes apply in different states and, in some cases, within states.

While these issues do not currently impact directly on operation of the Hunter rail network, they impose unnecessary costs on infrastructure owners, rail operators, governments and regulators. Some of this cost will be met indirectly by rail traffic of coal and minerals.

Upgrading of major rail networks to the same level of modernity as Australia's major road network is no less important. Regional and interstate rail has received very little Commonwealth funding for many years, while major interstate and intrastate roads have received considerable funding. As a result the quality of Australia's rail infrastructure has not kept pace with the quality of its roads. Rail and road compete on a playing field that is far from level. Road transport on major routes enjoys late 20th or 21st century-standard roads, while most major regional and interstate rail networks still has to contend with 19th century alignments and, in some cases, track standards.

Auslink is a welcome start in redressing this imbalance. But much more needs to be done before the full potential benefits of rail can be utilised and the infrastructure already in place utilised to the extent it can and should be.

One area where track improvements are needed for the future provision of export coal, which are not covered by Auslink and may not be able to be funded fully by the export coal industry, is on the line from Muswellbrook to the Gunnedah Basin. Development of the Basin is predicated on investment in a number of important projects on the Muswellbrook – Gunnedah rail line. These projects include duplication of tracks on steeper grades, loop extensions to facilitate longer trains, and over the longer

term, the re-alignment of rail track on the Liverpool Range to a route which can better accommodate heavy coal carrying trains.

When these steps are completed rail will be much better placed to compete with road for the national land transport task. This will result in more efficient use of both road and rail and an overall benefit to Australia's economic efficiency. This is important to the minerals industry because, apart from the export coal industry, other minerals and construction materials are also moved by land transport to and from ports or within the state by road transport. It is essential to these industries that transport is as efficient and economical as possible.

#### CAPACITY AND OPERATION OF MAJOR PORTS

The ports of Newcastle and Port Kembla now handle all of NSW's coal exports, as well as grain, steel, container traffic and other goods. The capacity of the existing shiploaders at Newcastle will soon be exceeded by demand. A further major shiploading facility will soon be required. NSWMC considers that it is essential that potential coal loading at Newcastle is not capped by land constraints and it is important that the necessary land and access corridors be reserved for a potential 'third loading terminal' whoever constructs it, and that its operation is fully integrated into the Hunter logistics network.

The Newcastle Ports Corporation has been effective in providing port capacity. Nevertheless, cape-size ships commonly leave the harbour with less than full loads because of draught constraints and there are restrictions on ship movements at times other than high tide. NSWMC supports NPC's port dredging proposals in general and notes that a number of issues will need to be dealt with to ameliorate any concerns in respect of blasting and disturbance of sediments resulting from historical industrial use.

Around 10Mtpy of coal is currently exported through Port Kembla. The capacity of the coal facilities currently exceeds demand by a comfortable margin and plans have been developed to expand the capacity of the coal loading facilities should demand warrant it. Port Kembla also handles a large quantity and variety of other exports.

Coal exports from Port Kembla are smaller than for Newcastle, nevertheless this port is essential for supply of high value coking coal into export markets. Port capacity is adequate.

In looking at the challenges faced by the NSW Mining industry, some NSW-based operations have also had to consider port facilities across state borders. In the case of mineral sands, the Victorian ports of Port Melbourne, Geelong and Portland lack current infrastructure suitable for handling bulk mineral sands products which must be kept dry and quarantined for quality control. Equally the limitations at Port Pirie were the smaller tonnage vessels acceptable into the Port and the potential time delays unloading rail wagons. Port Pirie is also limited in that it can handle only smaller tonnage vessels and experiences lengthy unloading times for rail wagons.

#### MOVEMENT OF BULK EXPORT COMMODITIES, SUCH AS COAL

Many of the issues related to movement of bulk export commodities have been discussed earlier in this submission and they will not be repeated here. Other relevant issues are discussed below.

Policy and other measures that could improve the movement of bulk export commodities include

- recognition of the potential of a modern rail network to greatly improve the efficiency of Australia's land transport infrastructure. Realising this requires acknowledgement that
  - for rail to compete on a level playing field with road, the quality of the rail network has to be improved to a standard comparable with that of road
  - standardisation of access regimes, operating standards, safeworking practices and communication will increase the efficiency of rail
  - road and rail need to be priced so that neither is disadvantaged in relation to the other through differences in the pricing principles applied

- in NSW there is a blanket priority given to passenger traffic on rail. Where there is conflict between freight and passenger traffic on rail networks, consideration needs to be given to economic efficiency in determining whether one type of traffic has priority over others. Measures other than blanket priority should also be considered
- one of the greatest problems confronting the transport of coal and minerals in NSW and elsewhere in recent times has been the lack of investment to enable transport and logistics capacity to keep ahead of demand. It has been claimed that the application of National Competition Policy has been a major factor in the lack of investment.

The main regulated transport asset in NSW affecting the minerals industry is the Hunter rail network. There is no evidence that any delays in provision of rail infrastructure capacity for NSW coal exports are attributable to regulation per se, although the decision making process has not been rapid.

While logistics providers have expressed concerns about the impact of regulatory outcomes, particularly potential for low rates of return, all sides acknowledge an appropriate commercial return will be acceptable to all. The NSWMC believes that regulation is important in ensuring that there is no reversion to a monopoly rent regime, and that the absence of regulation does not necessarily lead to timely and economically efficient investment.

The NSWMC recognises that investment is essential to Australia's continued growth and prosperity. If National Competition Policy has discouraged economically efficient investment in those areas to which it applies, the NSWMC would support changes to eliminate any genuine disincentive. The Productivity Commission has recently proposed ways of addressing this issue<sup>1</sup>.

#### OPPORTUNITIES TO ACHIEVE GREATER EFFICIENCY IN THE USE OF EXISTING INFRASTRUCTURE

In the existing regional and interstate rail network Australia has a valuable asset that has been allowed to decay for several decades. This network could form the basis of a far more efficient land transport network than currently exists in Australia. To realise its potential, it is necessary to enhance the standard of the interstate and other key regional rail networks to 21st century standards. Auslink forms a basis upon which this can proceed, but it needs far greater urgency in upgrading rail to the same standard as the major road network.

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

The NSW mining industry has to deal with multiple regimes and bodies in respect of transport infrastructure. There is a compelling need for a single point of contact with State Government and with the managers to ensure that there is effective consultation on strategy and investment. There is also a need for a high degree of coordination between the three levels of government to ensure that necessary developments are not unnecessarily delayed by the complexities of the planning and approvals processes of the various levels of government

Ownership and management structure of the Newcastle coal loading terminal has worked well. This involves coal industry ownership and management. It is envisaged that any future coal loading terminals would be owned by bodies with an interest in the coal industry, so that the interests of the coal exporters and coal terminal are aligned.

The separation of rail infrastructure owner and rail operators has been of benefit to the NSW export coal industry. Bringing infrastructure under the jurisdiction of National Competition Policy and introducing above-rail competition has brought considerable benefits to not just the coal industry but to the rail freight industry as well.

<sup>1</sup> Review of the National Access Regime, Report No. 17; Review of the National Competition Policy Reforms, Report No. 33