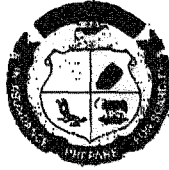


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SUBMISSION NO. 76

OFFICE OF THE MAYOR



MONTOSHIRE COUNCIL

May 31, 2005

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

Secretary: *T. Lutterll*

RECEIVED

30 MAY 2005

HOUSE OF REPRESENTATIVES  
 STANDING COMMITTEE ON  
 TRANSPORT AND  
 REGIONAL SERVICES

Dear Mr Lutterll

Further to our telephone discussion when you arranged for me to make a submission to the *Inquiry into the Integration of Regional Rail and Road Freight Transport and the Interface with Ports* Committee in Gladstone on Wednesday, June 8<sup>th</sup> at 12 noon. Background information is supplied herewith.

Monto Shire is located 157 kilometres by road and 164 kilometres by rail south-west of Gladstone, Queensland. The Shire covers an area of 4,295 square kilometres and has a population of approximately 2,500 persons. The nearest port to Monto is Gladstone.

Details of the direct road and rail links between Monto and the Port of Gladstone are at Appendix 2 to this submission. In summary:

- The Gladstone-Monto Road is the most direct link from Monto to Gladstone, being 57 kms (27%) shorter distance than the sealed route via Biloela. Much of the unsealed road section in the Boyne Valley, Dawes Range area and further south is characterised by sharp curves, steep gradients, inadequate sight distances, floodways and narrow formation width.
- Completed in 1931, the 128 km long Monto to Taragooola rail line is a lightly trafficked B class line. The rail is bolted short lengths of various types and the track is entirely timber sleepers. There are six tunnels, 101 timber bridges and eight steel bridges between Monto and Taragooola. The 36 km connection from Taragooola to Gladstone is built to contemporary, heavy rail standards. The railway climbs a steep range, rising from an elevation of 4m ASL at Gladstone to a maximum of 422m ASL at Barrimoon, before descending the 49 kms to Monto (236m ASL).

The road situation appears to be similar to the Tasmanian Central Highlands Council example cited on page 78 of the *Auslink* White Paper. As in Tasmania, forestry is a significant employer and economic generator in our area, with timber laden heavy vehicles traversing the road from Kalpowar to Gladstone constantly.

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The railway situation is similar to that cited in several of the submissions already received by the Standing Committee, included for example, the submissions from the Eyre Peninsula Local Government Association, Warwick Shire Council and Pacific National Tasmania. However, the fundamental difference is that the Monto railway has the potential to provide for the movement to port of significant coal and minerals resources, estimated between 8mtpa and 10mtpa.

It is highly likely that the catalyst for the development of the considerable agricultural, coal and mineral resources of Monto Shire and the broader north Burnett region will be the modernization of the direct road and rail links to Port of Gladstone. Clearly the development of these resources and social and economic development in our area will be advantaged by the provision of improved transport access to the coast.

The Queensland Government has already made a sizeable contribution to the Gladstone-Monto Road; however, approximately 36 kilometres of the road remains unsealed. In addition, the State continues to contribute substantially to the maintenance of the railway through its *Transport Services (Rail Infrastructure) Contract* with QR.

Monto Shire Council has approached the Commonwealth Government for funding assistance to upgrade the Gladstone-Monto Road and recently made a submission to the Senate Rural and Regional Affairs and Transport Committee Inquiry into the *Auslink (National Land Transport) Bill 2004*.

Within this context Monto Shire Council has examined your Committee's terms of reference for the current Inquiry and wishes to draw the Committee's attention to the following aspects of the terms of reference relating to "*policies and measures required to assist in achieving greater efficiency in the Australian transport network*":

- funding of roads in rural areas that provide connectivity to ports;
- regulatory barriers that inhibit the development of railway connections to ports; and
- certainty of future funding of transport links between rural areas and ports.

#### **Funding of roads connecting rural areas to ports**

The *Auslink* White Paper and *Auslink* legislation emphasize cost-benefit analysis in the assessment of potential projects. Prevailing practices in government transport agencies suggest that such assessments will be biased to proposed road projects where high traffic volumes or significant delays dominate all other considerations. As such, it is unlikely a strategic project providing connectivity from a rural area to a port will out-rank a project in major city, outer urban area or in a major regional centre.

Similarly the importance in the *Auslink* program on the "leveraging" of funding support from local governments would also suggest that the Gladstone-Monto Road is unlikely to be funded by the Commonwealth Government unless the program is modified to take into

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account broader regional development and connectivity issues, such as access and equity. Clearly, a rural local government that relies on Commonwealth Financial Assistance Grants may not have the required capacity to make a contribution to a major road upgrade project aimed at enhancing transport connectivity to a port.

#### **Regulatory barriers inhibiting railway operations and investment**

The Monto region is endowed with substantial reserves of minerals and coal, an overview of which is provided at Appendix 1 to this submission.

Late last year, a Macarthur Coal representative advised Council that the company is concerned particularly about the prevailing control and pricing framework for the rail transportation of coal in Queensland. This framework was portrayed as the major obstacle to commercialization of the company's Monto Project.

Rail transport represents 25% of Stage 1 costs and substantial investment in new track and rollingstock is required to support Stage 2 production. At present, the access or "below rail" component of the total transport cost is 17% of the FOB cost of the coal, compared to 4% at Moorvale and Coppabella, two of the company's other mines in Queensland.

Similarly, Monto Minerals has indicated that if rail costs remain high it may have to utilize trucks, traveling via Monto and Biloela to Gladstone. The resultant adverse impacts of increased heavy vehicle traffic are highly undesirable.

The pricing differential between road and rail identified by Monto Minerals would suggest that the regulatory regime introduced by Part 3A of the *Trade Practices Act* may not have achieved its intended purpose of providing for open access to railways. In relation to transport in general it would also appear that an unforeseen consequence of the third party access aspects of competition policy is increased use of heavy road vehicles in the movement of those bulk products traditionally transported by rail. This increased heavy vehicle use not only has adverse environmental and safety effects but also impacts substantially on road maintenance budgets.

#### **Certainty of future funding for rural communities**

Roads and railways are long-life assets, best maintained in accordance with the asset management principles espoused by the Australian National Audit Office (ANAO) in its *Asset Management Handbook, 1996*, including:

- asset management decisions are to be integrated with strategic planning;
- asset planning decisions are to be based on the assessment of alternatives, with consideration of life cycle benefits, costs and risks; and
- accountability is to be established for asset condition, use and performance.

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In effect, the ANAO advocates the incorporation of asset management strategies in operational plans and budgets. In regard to asset maintenance the ANAO advises:

*.. "A planned approach to maintenance will ensure the delivery of maintenance services, such as routine inspections and servicing, are undertaken in a manner which minimizes disruption to the users of the asset, and ensures maintenance resources are used in the most cost-efficient manner" ..*

In an economic sense the optimal form of maintenance planning, for a pre-determined service standard, involves the minimization of the present value cost of future maintenance. For example, the sealing of the Gladstone-Monto Road would provide substantial protection of the road formation and is likely to result in lower on-going maintenance costs. In effect, an inability to provide full and continuous funding of optimized maintenance schedules will result in increased net present value costs.

Regrettably the *Auslink* legislation provides for maintenance projects to be considered in the Strategic Regional Project category only if the project is in an unincorporated area, where there is no responsible local government authority. In addition, the sunset provisions on the Roads to Recovery category suggest that future recipients of project funding in this category may be faced with sub-optimal maintenance decisions if a post 2009 source of funding is not identified.

#### **Way Forward**

The *Auslink* legislation may represent a rational and reasoned approach to transport funding, wherein priorities are determined on largely economic grounds. Unfortunately, for road projects linking rural areas to ports, it is unlikely that high cost benefit ratios can be generated on the basis of potential future traffic. For rail projects in central Queensland, the *Auslink* network excludes coal and mineral rail links to ports, despite the high tonnages carried, the potential for expansion of mining capacity and the substantial contribution made to the national economy through exports.

Given these limitations and contrary to recent media reports, it can be anticipated that rural areas will not gain relative benefit from the Commonwealth Government under the *Auslink* arrangements. Such a situation seems the antithesis of the Commonwealth's historical role in support of rural areas.

In order to facilitate the contribution that export-oriented projects can make to the development of Monto and other rural areas in Australia, it is considered imperative that:

- the *Auslink* program is expanded to accommodate the upgrading of the road and rail links from Monto to Gladstone;

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- the level of Commonwealth Government support to the transport links between rural areas and ports provides for greater certainty of long-term maintenance funding, irrespective of asset ownership; and
- existing regulatory regimes for the control and pricing of railways are urgently reviewed, particularly in relation to:
  - the removal of disincentives to investment by track owners, including the exposure to the regulatory risk of not being able to recover fully the cost of track upgrading; and
  - the role of the Commonwealth Government in accepting some of the risks in providing transport links between export-generating rural areas and ports.

Thank you for arranging for me to address the Committee during the public hearing to be held in Gladstone on Wednesday 8 June 2005. It will provide a timely opportunity to elaborate further on the issues raised in this submission.

Yours sincerely



W.W. McLachlan  
Mayor

**Appendices:**

1. Coal and Minerals Supporting Information
2. Road and Rail Supporting Information

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**APPENDIX 1 TO  
MONTO SHIRE COUNCIL SUBMISSION TO  
HOUSE OF REPRESENTATIVES  
STANDING COMMITTEE ON  
TRANSPORT AND REGIONAL SERVICES**

**COAL AND MINERALS SUPPORTING INFORMATION**

This Appendix to the submission from Monto Shire Council contains supporting information relating to coal and mineral resources in the Monto region.

**Coal**

The thermal coal deposit identified in the Mulgildie Basin near Selene, 16kms south of Monto, comprises 410 million tonnes of coal reserves at depths of less than 100 metres. The coal has superior combustion performance and potentially less carbon dioxide and nitrous oxide related emissions than most other similar coals exported from Australia. <sup>1</sup>

In late 2004, a representative of Macarthur Coal briefed Monto Shire Council on the current status of the company's Monto Project. Council was advised the company is seeking to produce coal for the premium export market in a staged development that could lead to an annual production rate (at Stage 2) of 8 to 10 million tonnes of saleable product. This level of output is five-times more coal than currently produced at Moorvale and more than twice as much coal as Coppabella, the company's other major coal interests. <sup>2</sup>

Although Macarthur Coal has invested \$11 million in the Monto Project to date, the company representative also indicated the project remains at evaluation stage and development will not commence until project economics are confirmed to be sustainable on a long-term basis. To this end, Council was advised that water and rail transport were major outstanding issues.

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<sup>1</sup> Company estimates of coal reserves are 110 million tonnes measured and 300 million tonnes indicated, totaling 410 million tonnes. For further details see Queensland Department of Mines and Energy (1999), *Utilisation of Walloon Coals of Southern Queensland for Power Generation, Appendix – Summary of Resources, Walloon Coals* at [http://www.nrm.qld.gov.au/mines/coal/pdf/walloon\\_coal\\_1.pdf](http://www.nrm.qld.gov.au/mines/coal/pdf/walloon_coal_1.pdf)

<sup>2</sup> The Macarthur Coal website (<http://www.macarthurcoal.com.au/investments>) indicates current levels of saleable coal production are:

- Coppabella Mine:- 4.2 mtpa.
- Moorvale Mine:- 2.0 mtpa.

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## Minerals

Monto Minerals is seeking to develop the Goondicum Crater Project, located 26 kms east of Monto in Perry Shire. It is intended ilmenite, feldspar and apatite will be extracted. The company has advised there is 79 million tonnes of measured and indicated resource at 5% ilmenite and 4.7 million tonnes of recoverable feldspar and 665,000 tonnes of recoverable apatite.

**TABLE A1: MONTO MINERALS GOONDICUM CRATER PROJECT**

Mineral	Use	Estimated Tonnes	
		Reserve	Production (pa)
Ilmenite	Paint, paper, plastics pigment	3,950,000	110,000
Feldspar	Glass	4,700,000	100,000 to 150,000
Apatite	Fertiliser	665,000	30,000
Total production (pa)			240,000 to 290,000

Source: Monto Minerals (October 2004), *Emerging Producer of Industrial Minerals*, presentation by Peter Slaughter and Geoff Moore (slides 7 and 23) at <http://www.montominerals.com/indreports.html>

The company has estimated a mine life of 17 years, with a planned mining rate of 4.5 million tonnes per year for the combined measured and indicated resource. A pilot (trial) plant has been constructed at the mine site at Goondicum.<sup>3</sup>

On 18 January 2005, Monto Minerals issued a statement to the Australian Stock Exchange advising that John Holland Development and Investment (JHDI), which built and operated the pilot plant, had been unable to reach agreement with Monto Minerals on the commercial terms required for JHDI's further involvement in the project. The statement also indicated that Monto Minerals is continuing the bankable feasibility study into the development of the Goondicum industrial minerals project.

Transport represents a critical component of the feasibility study. It is understood Monto Minerals is negotiating with QR and two other logistics providers for transportation of the mined product to Gladstone.

If the product is railed to Gladstone it is proposed that it is trucked from the mine site to a rail head at Bancroft. Monto Minerals has indicated that it has been advised the existing track infrastructure is suitable. One train per day would be required, with the product offloaded at Barney Point, Gladstone.

<sup>3</sup> For further details of the Goondicum Crater project see [www.montominerals.com.au](http://www.montominerals.com.au) and the Prospectus issued by Monto Minerals in May 2004.

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Whilst the company is concerned about high transport costs and has indicated a preference for rail, it has advised that at this stage of negotiations road transportation over the most direct route (the Gladstone-Monto Road) is unsuitable for heavy vehicles and the alternate route (265 kms via Monto and Biloela to Gladstone) is cheaper than a combined road/rail haul of less than two-thirds that distance.<sup>4</sup>

<sup>4</sup> **TABLE A2: DISTANCES:- GOONDICUM MINE TO GLADSTONE**

MODE	ROUTE	DISTANCE (KMS)
Road	Mine to Bancroft	30
	Bancroft to Monto	21
	Monto to Biloela	93
	Biloela to Gladstone	121
	Total Road	265
Road/Rail	Mine to Bancroft (road)	30
	Bancroft to Graham (rail)	116
	Graham to Gladstone (rail)	23
	Total Road/Rail	169



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**APPENDIX 2 TO  
MONTOSHIRE COUNCIL SUBMISSION TO  
HOUSE OF REPRESENTATIVES  
STANDING COMMITTEE ON  
TRANSPORT AND REGIONAL SERVICES**

**ROAD AND RAIL SUPPORTING INFORMATION**

This Appendix to the submission from Monto Shire Council contains supporting information relating to road and rail links between Monto and the Port of Gladstone.

**Gladstone-Monto Road**

At present the diversification of the economic base of Monto Shire and the surrounding smaller settlements is inhibited by a lack of accessibility to the Port of Gladstone. The unsealed section of the Monto - Gladstone Road is characterised by sharp curves, steep gradients, inadequate sight distances, floodways and narrow formation width.

As part of the capital works program undertaken for the raising of the Awoonga Dam, a portion of the Gladstone - Monto Road was relocated and built to modern standards. Approximately 36 kms of the road remains unsealed. Further upgrading is necessary if Monto and the North Burnett region are to compete in and contribute to the national and global marketplace.

\$5 million is sought from the Commonwealth Government to provide for minimum standards of transport efficiency and safety in providing for a direct, sealed road connection between Monto and the Port of Gladstone. Field inspections and desktop analysis indicate a possible requirement of up to \$8 million.

Given that the Queensland Department of Main Roads made a substantial financial contribution to the deviation and upgrading work associated with the raising of Awoonga Dam, Monto Shire Council considered it appropriate to identify to the Standing Committee the need for Commonwealth funding. Council acknowledges that supplementary funding by the Queensland Government of approximately \$2.5 million over five years may be necessary.

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### **Monto-Gladstone Railway**

Historically, the Monto to Gladstone railway has been used for the transportation of timber, rural produce, limestone and mineral products from the region, and until about 1999 all fuel supplies for Monto were railed from Gladstone. As road transport has improved, the use of rail has declined. Based on estimates provided by Queensland Transport in 2001, rail accounts for about 33% of total freight carried between Taragoola and Calliope, and 2% to 16% between Taragoola and Monto.<sup>5</sup>

Only 60t locomotives and 48.8t maximum gross wagons can operate on the line. The maximum permitted gross weight behind the loco is 590t north and 390t south between Many Peaks and Monto and 670t in both directions between Taragoola and Many Peaks. The operation of coal trains of such small size is not commercially viable.

During 1999/2000, QR reported 6,532 tonnes of freight carried for this track, comprising 4,500 tonnes of wooden poles from Builyan, 1,071 tonnes of grain from Three Moons, 919 tonnes of hay and chaff from Monto, and 42 tonnes of small freight to Monto. A further 128,810 tonnes of limestone was railed from Taragoola to Gladstone.<sup>6</sup>

It is understood that Macarthur Coal has funded a \$5.5 million upgrade of the railway in order to facilitate trial shipments of coal from its mine. Notwithstanding this investment, use of the railway for large scale haulage operations from the Monto area is not feasible, being inhibited by its sharp curves, steep grades and the light standard of track.

Estimates of the cost of further upgrading the track vary with the following indicative cost estimates made available to Council in 2001:

- 1mtpa: \$11-14m:- primarily to strengthen bridges and re-ballast the track.
- 4mtpa: \$40-80m:- to provide for 20t axle loads by concrete sleepers, re-railing with 60kg/m continuous welded rail, upgrading bridges to M220 standard and realigning curves and reducing steep gradients.
- >4mtpa: >\$130m.

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<sup>5</sup> Queensland Transport (2001), *Relocation of the Monto to Taragoola railway line resulting from raising of Awoonga Dam*, Information Paper circulated to stakeholders (including Monto Shire Council) during consultation on the relocation of the Monto-Gladstone Railway to accommodate the raising of Awoonga Dam.

<sup>6</sup> Queensland Transport (2001) Information Paper.