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15 April 1999

Committee Secretary
Standing Committee on Primary Industries and Regional Services
House of Representatives
Parliament House
CANBERRA ACT 2600

Dear Sir

INQUIRY INTO INFRASTRUCTURE AND THE DEVELOPMENT OF AUSTRALIA'S REGIONAL AREAS

The private sector is keen to provide infrastructure which will improve development of rural areas of Australia; unfortunately existing legislation, practices and policies effectively discourage the private sector from investing in and providing much needed public sector infrastructure.

The attached paper outlines 3 rail projects which the private sector is keen to develop, require no government funding, and which provide huge social, environmental and economic benefits. These projects are all progressing towards implementation extremely slowly despite the immediate need.

Any review of infrastructure should consider ways in which the innovation and initiative of projects such as these can be encouraged and made into reality quickly.

Yours sincerely

Peter Katz

National Manager Major Projects

TRANSPORT INFRASTRUCTURE AND THE PRIVATE SECTOR

Three major rail transport initiatives with a total value of over \$220 million have been proposed by the private sector in rural NSW. These are:

Access North West

Construction of a rail tunnel through the Liverpool Ranges between Muswellbrook and Boggabri. A tunnel through the ranges would allow the resources of the Gunnedah Basin and North Western NSW to be railed cheaply and efficiently to the port at Newcastle. The existing track winds up and over the range and limits the length and tonnage of trains. With the existing track development of the coal reserves in the Gunnedah basin will not occur.

The Access North West Consortium of Kinhill/Brown & Root, Concrete Constructions and Babcock and Brown proposes to construct a tunnel through the ranges and collect an access charge from trains using the tunnel. Access will be open to all rail companies. The existing track can remain and trains can continue to use it if economic.

The project has support from the unions, local industry and the Department of Transport but is finding the legislation and current commercial arrangements for track access are difficult to work with. It is also difficult under existing legislation for a private company to own or operate a section of public rail track and the existing rail track cannot be transferred to the private sector. Government support is also required to obtain the necessary land for any project such as this.

Cootamundra to Tumut Rail Line

The existing rail line from Cootamundra to Tumut has disintegrated and needs approximately \$50 million to be reinstated. The RAC has no current plans to do so but a private sector consortium of Kinhill/Brown & Root, Concrete Constructions and Babcock and Brown has offered to carry out the work if the line can be provided to them on a long-term lease or similar.

A paper plant is to be constructed at Tumut and this, along with existing timber and other industries, make the reopening of the line viable according to the private sector. However the paper mill will be making its decision on transport by July and needs certainty that the rail line will be available if it is to be considered. The rail line would take approximately 50,000 truck movements a year off the roads and reduce road

maintenance costs to local councils and the RTA. We consider that only the private sector can develop the line in the time available.

The RAC called for expressions of interest in the track in 1998, the consortia was the only one which responded however negotiations on the use of the track have been slowed by questions of the probity of one on one negotiations and the RAC's requirements.

North Star Line

The existing rail line from Moree to North Star was abandoned many years ago. When the RAC requested proposals for use of abandoned rail lines, a consortium of Kinhill, Babcock and Brown, Concrete constructions and Austrac submitted an expression of interest in rebuilding the line and extending it to Boggabilla. This would provide a link to the Queensland Rail system. Queensland Rail was the only other organisation that expressed an interest in the line. The consortium and Queensland Rail are now having discussions about a joint venture to open up the rail line. The same problems that have been encountered on the Tumut line are anticipated.

The Way Forward

In order to encourage the private sector to provide transport infrastructure to rural areas we suggest that:

- Legislation be changed so that "essential infrastructure" can be operated and owned by the private sector where appropriate.
- The rail management bodies (such as the RAC) work with proponents of projects in order to achieve the best overall result.
- Where track is not being used, has fallen into disrepair and there are no plans for its reinstatement, it be opened up to the private sector to develop it at their risk.
- The benefits of the infrastructure to the whole community be examined and tax credits or similar be allowed in order to provide the private sector with more incentive to provide infrastructure than just direct charges to users.
- Competition be allowed "below the wheels" as well as "above the track" on rail lines.