COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON TRANSPORT AND REGIONAL SERVICES

Reference: Transport networks inquiry

TUESDAY, 26 JULY 2005

PORTLAND

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HOUSE OF REPRESENTATIVES

STANDING COMMITTEE ON TRANSPORT AND REGIONAL SERVICES

Tuesday, 26 July 2005

Members: Mr Neville *(Chair)*, Mr Gibbons *(Deputy Chair)*, Ms Bird, Mr Haase, Ms Hall, Dr Jensen, Mr McArthur, Mr Richardson, Mr Ripoll and Mr Schultz

Members in attendance: Mr Haase, Dr Jensen, Mr McArthur and Mr Neville

Terms of reference for the inquiry:

To inquire into and report on:

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

the relationship and co-ordination between Australia's road and rail networks and their connectivity to ports;

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

WITNESSES

Committee met at 8.30 am

HALLIDAY, Councillor Robert, Glenelg Shire Council

CHAIR (Mr Neville)—Welcome. Although the committee does not require you to give evidence under oath, I should caution you that these hearings are proceedings of the federal parliament. Consequently, they warrant the same respect as proceedings of the House itself. It is customary to remind witnesses that the giving of false or misleading evidence is a serious matter and can be regarded as a contempt of the parliament. Having said that, we would like you to know that you are most welcome. I invite you to give us a five- to seven-minute overview of your submission.

Councillor Halliday—The Glenelg Shire Council is pleased to have the opportunity to provide information for consideration for the inquiry on the integration of the regional road and rail networks and their connectivity to the ports. The submission from the Glenelg Shire was presented on behalf of the south-west of Victoria and south-east of South Australia. Local governments on both sides of the border believe that the freight transport infrastructure is not adequate to deal with the expected future freight increases. A sustainable transport system needs to be developed for the region's exports from the Green Triangle, particularly focusing on the significant growth in timber products, with over $1 billion in proposed future development investment in this industry alone.

Two documents that I am sure the standing committee is familiar with are the AusLink green paper *Towards a national land transport plan* and the *Victorian ports strategic framework*, published by the Victorian government Department of Infrastructure. The existing approach to planning and funding current demands for the future challenges of the Green Triangle transport corridor and the Port of Portland is inadequate. The economic, environmental and social importance of integrating the planning and funding in this area reinforces the need for Australia to undertake major reforms.

With respect to economic importance, the cost of major project development can be significant, including scoping, planning and environmental assessment and approvals. The Glenelg Shire Council is preparing for investment levels that are unprecedented in this region. Investment projects within the Glenelg Shire that have already commenced or are currently being proposed total $1.47 billion, with another $1.55 billion in investment opportunities being considered by developers. Some of the major issues identified as facing the shire in response to the proposed development and investment are: managing movements into Portland, development of the port facilities and identifying the need for containerisation.

I now turn to the growth in the timber industry through the Heywood, Dartmoor and Casterton districts and to the Henty Highway traffic management. Investment in the hardwood timber plantation continues to grow. Significantly, growth in harvesting activities is expected in late 2007 and 2008. Timber transport for the central and western districts of the Glenelg Shire is also expected to flow towards Heywood and Portland, while that for the eastern part of the region is likely to flow towards Geelong. Road traffic will increase significantly. You can understand why the freight infrastructure needs for the Green Triangle transport corridor require urgent attention and should be identified as a priority.

The barriers and constraints to standardising the north-south railway network is an issue that has been identified by several economic investors. Currently the Port of Portland is undertaking port development planning. The next step will involve the Victorian state government and the Glenelg Shire Council. This step will involve working together to prepare a strategic land use plan for the Port of Portland and will commence next week. The planning and funding of these projects and the issues are only a few of the reasons that the announcement of the integration of the region's road and rail networks and their connectivity to ports needs to be timely for the Glenelg Shire.

The Glenelg Shire Council has tendered an additional document relevant to this inquiry: *Investment and Development Snapshot*. This document has been prepared by the economic development units of councils located in the south-west of Victoria. In relation to the Glenelg Shire, the document indicates investment projects which have already commenced or are proposed or possibilities for future opportunities to the value of approximately $3 billion. The Glenelg Shire Council sincerely thanks the standing committee for the opportunity to present this brief to-the-point submission. Thank you.

CHAIR—Thank you for the supplementary material. Is it the wish of the committee to receive the document *Investment and Development Snapshot* into the record as an exhibit? There being no objection, it is so ordered.

We are here to look at the arterial road and rail systems and how they connect to the ports, as you have said in your overview. What are your priorities here? If the federal government or the state government, or a combination of the two, were to say tomorrow that they were going to do one major project in each area, what would be your first and second project priorities for this area in terms of road, rail and port connections?

Councillor Halliday—Speaking on behalf of myself and the council, I believe the first major thing would be a rail network to alleviate some of the congestion that we are going to undoubtedly have on the roads. As you are probably aware, the situation in Portland is one of a bottleneck. All the south-east of South Australia and the north of Victoria comes down through one particular spot, which is Heywood, and continues down that 20-mile corridor. The congestion caused by the emphasised road traffic movements and movements to the port will just be astronomical. Something has to be done.

Mr McARTHUR—What gauge would you have?

Councillor Halliday—There is an alliance group which is working out the gauge. I am not completely sure what gauge it is. I can take that question on notice.

CHAIR—What sort of rail service do you have at present?

Councillor Halliday—It is very limited. We get grain from the north, because of what the rail will carry.

CHAIR—That is broad gauge, is it?

Councillor Halliday—Yes. We have very little rail transport, insufficient for what the needs are.

CHAIR—Do you have a rail corridor to the east?

Councillor Halliday—No, there is no rail corridor to the east.

CHAIR—So you want to be linked into the main system, so to speak.

Councillor Halliday—That would be very handy, yes.

CHAIR—What does that involve? Does that involve linking up with a train line to the north?

Councillor Halliday—Yes.

CHAIR—Where at?

Councillor Halliday—Ararat.

CHAIR—What about to the west?

Councillor Halliday—It is anticipated it would be through Mount Gambier to Heywood.

CHAIR—Is there a railway there at present?

Councillor Halliday—It is a disused railway line. It is closed down at the moment.

CHAIR—Is that broad gauge?

Councillor Halliday—Yes.

CHAIR—Is it the lack of rail or the condition of the road that is your greatest immediate impediment?

Councillor Halliday—Immediate impediment? The road at present is inadequate. There is work being done on it at all times. They are putting in passing lanes. We are talking now or the future. Now it is coping—under much difficulty—but in the future we anticipate hardwood timber coming on board, plus the softwoods we have now, plus the mineral sands and tying up, because we connect with the Great Ocean Road. We get the Great Ocean Road holiday traffic. You are going to have a mixture of holiday people and big trucks, which is a cocktail for disaster.

Mr McARTHUR—Do you think the Great Ocean Road comes as far as Portland?

Councillor Halliday—It comes right around, and it goes across to—

Mr McARTHUR—Where do you think it starts and finishes?

Councillor Halliday—Where do I think it starts? If you are talking about the Great Ocean Road itself, the Great Ocean Road starts in Melbourne and goes through Lorne. That is the one I am talking of.

Mr McARTHUR—It finishes at Portland, does it?

Councillor Halliday—That is right. The road continues on, naturally. The Princes Highway continues on, and it goes to South Australia, the Limestone Coast road—

Mr McARTHUR—There is a bit of argument about that, isn't there?

Councillor Halliday—There is conjecture anywhere. Everything starts and finishes in Portland—

Mr McARTHUR—Even the wind.

CHAIR—That is highway 1, is it, the Princes Highway?

Councillor Halliday—It is.

CHAIR—So that is the national highway.

Councillor Halliday—The Princes Highway and the Henty Highway. It is virtually the same highway.

CHAIR—They are both highway 1. So they are Commonwealth responsibility.

Councillor Halliday—They are—

Mr McARTHUR—No.

CHAIR—No?

Mr McARTHUR—Not a Commonwealth responsibility. The Princes Highway is a state responsibility.

CHAIR—I see. Where is the national highway in Victoria?

Mr McARTHUR—It runs from Melbourne to Ballarat and Ararat to Adelaide. There is a confusion, Chairman, on that. It is pretty important we get that absolutely clear.

CHAIR—So you are asking for consideration under the AusLink arrangements. Is that the idea?

Councillor Halliday—It is; correct.

CHAIR—And what would your priority there be? What I am trying to say, Councillor Halliday, is that we come to every town and every town has a wish list.

Councillor Halliday—I understand.

CHAIR—There are some things that we want to have an integrated report on. We want to highlight what we think are the key elements in each area, because obviously we are not going to get everything up. So we are just asking you: where are your top priorities under AusLink?

Councillor Halliday—I know you are saying we cannot get both up, but the top priority would be a rail link with some emphasis on improvement of the road as well. If you go out along the highway, which no doubt you will, Blind Freddy would be able to see the need for both. It is pretty hard to differentiate for me between the two, because I just see the necessity for the rail, which deteriorated and was allowed to become dilapidated over the years. I believe that it is essential that it be put back in order, and I believe that the road network needs to be improved also.

Mr McARTHUR—What does the council think of wind farms? I see that Pacific Hydro are going to invest $270 million. Are you in favour of wind farms or against them?

Councillor Halliday—Totally 100 per cent behind them.

Mr McARTHUR—Are the locals behind them?

Councillor Halliday—Yes, except for a minority few, which you will get no matter what you want to put up. You will get the minority. We have a professional minority group here that will stand up against—

Mr McARTHUR—Do you think there is a long-term future for wind farms in the area?

Councillor Halliday—I think there has to be. They have a blade factory out there that is employing people. I believe there is, yes.

Mr McARTHUR—And the long-term future of the blade factory is assured?

Councillor Halliday—It is at this particular moment. They are going to do them and export them from this place.

Mr McARTHUR—There seem to be some arguments in other parts of western Victoria about wind farms.

Councillor Halliday—There are, yes, but not here. There is some conjecture on particular places where they should go but that has been confronted and addressed. I believe that where the wind farms are going will be satisfactory to all.

Mr McARTHUR—What is your view of having the wind farms along the coast or along the Great Ocean Road?

Councillor Halliday—It all depends on what side of the road. If they are on the landward side of the Great Ocean Road where they do not impair the scenic views, I cannot see any objection to them. We have them on the way into Portland between here and Warrnambool. They are quite a unique sight when you are coming along the road. They make quite a scenic view, really. They are not impeding any views and that is what the vision was. The Glenelg Shire and the planning committee worked them so that they are not impeding on any scenic views.

Mr HAASE—It is good to see you again, Councillor Halliday. Wind turbines were very much in the air and the topic of the day when I was here at Christmas about 18 months ago. I am concerned now, however, with what you see as the immediate future for and the likelihood of woodchips and getting the pulping plant. What is that going to do to your traffic movements in and around Portland? Can you tell me whether the intention is to put that product out through the port? What is the story and how will that impact? I have an overpass in mind.

Councillor Halliday—There is an overpass to be built. Is that what you are talking about?

Mr HAASE—You can feed me the answers. Is that what is proposed, is it—an overpass?

Councillor Halliday—There is an overpass which has commenced. The state government is putting $15 million into an overpass to loop over the port road.

Mr HAASE—What is the necessity for that?

Councillor Halliday—To connect south Portland to the port. The truck movements at the port are one approximately every two minutes. If you are trying to cross a road with a truck coming every two minutes, it would be chaos. The state government and others have had the foresight to build this overpass.

Mr HAASE—Is it your expectation that that will be completed in time for the first movement of those trucks?

Councillor Halliday—The movement of the trucks is on now. It is not the full—

Mr HAASE—That is what I mean.

Councillor Halliday—It is in process now and it is being done as quickly as possible.

Mr HAASE—So there is no great hold-up currently with those trucks?

Councillor Halliday—No.

Mr HAASE—So that is one thing that you have solved?

Councillor Halliday—There is a hold-up, but it is not like what we are anticipating it will be when the hardwood chips come on in 2006-07.

Mr HAASE—Do you know what tonnage per annum will be moving through the port when they are online?

Councillor Halliday—Off the top of my head I do not know that figure. Actually, I do remember—it is five million.

Mr HAASE—Five million—it just came into your head?

Councillor Halliday—Through the back door!

Mr HAASE—And that overpass will solve the problem of those truck movements?

Councillor Halliday—It will help—

Mr HAASE—What I am getting to is this: is there a need for a standard gauge rail into the port because of that woodchip activity?

Councillor Halliday—I believe so, yes. If the rail comes to fruition, the woodchips—

Mr McARTHUR—Where are you suggesting the rail will come from?

Councillor Halliday—From north of Heywood. There is a chipping factory to be built, which is on the drawing board at the moment, in Heywood. That is alongside the railway line. The pulp factory is a bit further out from Heywood. That is alongside the railway line. So it is anticipated that hopefully there will be rail movements through that corridor.

Mr McARTHUR—You would make that standard gauge?

Councillor Halliday—Yes.

Mr HAASE—Can you help me with the local geography. It is north to Heywood. Is it north again to Ararat?

Councillor Halliday—Yes.

Mr HAASE—Would it be likely that a line like the one to Ararat that you were speaking of earlier would take you through Heywood anyhow?

Councillor Halliday—It would take you through Heywood. No matter which way you go from Portland, you have to go through Heywood. As I stated before, it is a bottleneck.

Mr HAASE—So that would be the end of the Ocean Road in fact, would it?

Mr McARTHUR—Well done.

Dr JENSEN—Do you have any idea of the costings of the improvements to road and the upgrade of the rail network?

Councillor Halliday—I have not got those figures in my mind, but they have been done; there is an estimated cost of those projects. I will take the question on notice and get those for you if that is your wish.

Dr JENSEN—I would certainly like to see those figures, thanks.

CHAIR—I am just looking through your proposed developments. You say that the Heywood pulp mill, the Great Southern Plantations chipping mill and the ARC pulp mill are prospective. At what stage of development are those three projects? It seems to me that one depends on the other.

Councillor Halliday—The feasibility study has been done on the pulp mill. The land has been purchased for the other one. I am not privy to any further down-field information, but that could be taken on notice also.

CHAIR—Do they propose to use the woodchip as the fibre source for the pulping mill?

Councillor Halliday—Yes.

Mr McARTHUR—What is the attitude of the council towards the blue gums? Are you in favour? Are you worried about them? Do you think they will continue to develop?

Councillor Halliday—There is not much you can do about it; it is a thing that is happening. Personally, I am disappointed to see some of the prime land going into blue gums, but it is a way of life and I do not see how any council can interfere with it.

Mr McARTHUR—Do you think the long-term future of the Glenelg Shire will be enhanced by the blue gum plantations?

Councillor Halliday—I believe so, and I believe that they have gone to the areas where the blue gums can and will grow. There are areas of farmland not suitable for blue gum plantation. They are both now sort of settling down. You can see that the two will live together and work hand in hand. It is certainly a big employment opportunity for our area. The amount of money that is being spent in development is fantastic. It is great for the economy of this area. It shows the foresight of your parliamentary forefathers to build the harbour in Portland.

Dr JENSEN—If I had to ask for your projections five years and 10 years into the future, if things remained the same, where do you think the significant hold-ups would be? I see that there are mineral sands developments and so on being proposed—are they in the pipeline?

Councillor Halliday—They are in the pipeline; they are well advanced. The mineral sands development is being built this side of Hamilton, also on the railway line. Do you mean, 'How do I see it in five years time if there is no development'?

Dr JENSEN—If there is no development of the road and rail infrastructure, where do you see the most significant bottlenecks occurring?

Councillor Halliday—Probably in the undertaker's department, I would think. He would have a magnificent trade if there were no rail link between here and Heywood. There are minor and major accidents happening on that road now.

Dr JENSEN—So it seems that if there were a single priority it would be the Heywood rail link—is that correct?

Councillor Halliday—The Heywood rail link, yes; but the trains have got to come from somewhere else. The sand comes from up north to Hamilton to be refined and—

Dr JENSEN—I was just pointing that out in a detailed context. I am looking at a broader context in five or 10 years time. Given everything, the woodchip industry et cetera, that Heywood rail link and related rail infrastructure is the major priority?

Councillor Halliday—I would think so, yes—the road and rail.

CHAIR—With blue gums, what is the time taken from planting to harvesting?

Councillor Halliday—Ten years.

CHAIR—Do they harvest them in a mature state or a semi-mature state?

Councillor Halliday—In a mature state, and they regenerate and the second growth is eight or nine years. It already has the root structure there and they grow a bit quicker the second growth; they have a regrowth.

CHAIR—Used for woodchips.

Councillor Halliday—Yes.

Mr McARTHUR—It is interesting how those projections have changed from about 14 years to 10. I make that observation. All the infrastructure used to revolve around a 14-year rotation. You are suggesting a 10-year rotation.

Councillor Halliday—I am not suggesting it; that is what the figure is. They are manufacturing 10-year-old plantation now.

Mr McARTHUR—We ought to wait and see what turns up, I think.

CHAIR—What are the advantages in linking the standard gauge line from here to Mount Gambier? I can understand stuff coming down from north and north-east Victoria to Portland. What is the advantage in linking to Mount Gambier?

Councillor Halliday—The woodchipping now in south-eastern South Australia is a major concern. We have truck infrastructure now. The majority of the woodchips that go out through the port at this particular moment are coming from the south-east of South Australia. They are coming along the Portland-Nelson Road and Princes Highway to the Henty Highway and down

into Portland. That would alleviate a lot of those truck movements. We are also exporting logs that come from South Australia.

CHAIR—Is there any agricultural or mineral development at all along that corridor?

Councillor Halliday—There would be, yes. The agriculture area over in South Australia is heading the other way at the present moment, but if there is a better transport system there is no doubt that it will come out through the port.

CHAIR—If a train line was to be built as you propose to Mount Gambier and up to Ararat, would that replace the grain line or would the grain line have to be dual gauge?

Councillor Halliday—The grain line would be on the same line.

CHAIR—Where does the grain line go when it gets north?

Councillor Halliday—It goes up through Hamilton, Horsham, Warracknabeal, straight north to Mildura.

CHAIR—Would that all have to be standard gauge or would you envisage dual gauge?

Councillor Halliday—I would have to take that on board.

Mr McARTHUR—It is standard gauge from Ararat to Portland, isn't it?

Councillor Halliday—Yes.

Mr McARTHUR—Then the broad gauge feeds in to Ararat and Dunolly. Is that right?

Councillor Halliday—Yes, that is right.

Mr McARTHUR—We will have an expert to debate this, which might help us in a minute, Chair. Get the Ocean Road right, too.

CHAIR—Any questions, Mr Haase?

Mr HAASE—No, Chair. We have done well.

CHAIR—Thank you, Councillor Halliday, for your evidence and for your submission, and for this investment and development snapshot. We trust we can come back to you if we require any further information. You will receive a copy of the *Hansard* transcript from today, which you can check for accuracy. Once again, thank you very much.

[9.00 am]

WHITE, Councillor Geoffrey Francis, Chairman, Alliance of Councils for Rail Freight Development

RUGE, Mr Phillip Wayne, Secretary, Alliance of Councils for Rail Freight Development

CHAIR—Welcome. Do you have any comments to make on the capacity in which you appear?

Councillor White—I am an elected member of the Glenelg Shire Council. I am here this morning in my role as Chairman of the Alliance of Councils for Rail Freight Development.

Mr Ruge—I am the secretary of the alliance, which is a statewide regional body of local government. I am independent of local government in that I am not employed by local government other than in this capacity.

CHAIR—Gentlemen, although the committee does not require you to give evidence under oath, I need to caution you that these are proceedings of the federal parliament. Consequently they warrant the same respect as proceedings of the House itself. It is customary to remind all witnesses that the giving of false or misleading evidence is a serious matter and could be considered a contempt of the parliament. Having said that, you are very welcome. Would you like to give us a five- to seven-minute overview of your submission?

Councillor White—Thank you. First of all, thank you for the opportunity of being here this morning to support the submission that we tendered to the committee a few weeks ago. It may be just a brief opening statement, because it is obvious from the previous session that there are a number of questions to be answered, and we would be more than happy to do that. As Mr Ruge indicated briefly, even though he and I are located in Portland and I am an elected member of the local council, this is a state perspective that we are putting in front of the committee.

As we said in our submission, the alliance's background is that it was formed in 1997. We comprise 23 councils that extend from Mildura in the north of the state, down to Portland, across central Victoria to Shepparton, into the north-east and we have five member councils in the Riverina. The alliance was formed out of frustration with the lack of connectivity in Victoria in the rail freight system, because we have a mix of gauges—broad gauge and standard gauge—and also because there has been a serious neglect in the maintenance of the rail infrastructure over a period of time. In the last half of the last century there was virtually no maintenance done. There is a serious need for upgrade of the track so that we can get longer, faster trains in Victoria so that the rail system can become more competitive with road.

You would be well aware that most municipalities are greatly concerned with the fact that they are getting an increased number of trucks on roads, so we want to make sure that we can move some of that freight task from road to rail. As I say, the alliance has been in existence since 1997. It has been strenuously advocating for the achievement of its objectives. I might just take a

moment to read the alliance's vision and mission, which are in our submission. I do not want to read anything that we presented to you before, but nevertheless:

The Alliance's Vision is:

For Rural and Regional Victoria, Southern NSW and the SE of SA to have a seamless connective, and competitive rail freight system of global standing.

The Alliance's Mission is:

To advocate for rail standardisation of all key rail lines in Victoria including those to Southern NSW and the SE of South Australia;

To advocate for upgrading of all key rail lines and infrastructure in Victoria to world class transport standards;

To advocate for a competitive, independent and non-discriminatory Open Access rail freight system in Victoria; and

To advocate for seamless freight logistics that will facilitate the movement of bulk freight by rail, rather than by road.

In spite of our robust advocacy to achieve our objectives, I have to say that some of the frustration certainly continues. The alliance was greatly encouraged when, in the state budget in May 2001, the state government allocated $96 million for the standardisation of parts of the rails. There was $96 million allocated in that budget. There was a comprehensive program of rail standardisation to be undertaken, but I would have to say that up to this very moment not one kilometre of that has in fact taken place. Nor has there been any substantial effort made to upgrade the system. So we are here this morning to be available to expand on the submission that we made and we would be hoping that out of the discussions that are taking place in your program—

ACTING CHAIR (Mr McArthur)—Could I open the batting by saying that this committee produced a report called *Tracking Australia* which discussed in some detail the freight movements on railways from Perth to Brisbane. I recall the discussions about the difficulties of Mount Gambier, Portland and Heywood. Could you help us understand a little bit why there is still ongoing discussion when there seems to be a fairly good case for standardising and improving the rail connection from Mount Gambier, Heywood and Portland? I think Wolseley gets a mention as well. The case is developing strongly in your favour. Why has nothing been done?

Councillor White—I am aware that the South Australian government—at a very senior level departmentally as well as ministerially—and, similarly, the government in Victoria have been investigating what you might call a prefeasibility study of the possibility of reintroducing the line between Mount Gambier and Heywood. That would have to be standardised, of course, because from Heywood south it is standard. For whatever reason, the latest advice from meeting with Minister Batchelor in the last couple of weeks is that that particular project is not looking that good at the moment. I do not know whether Mr Ruge can add to that.

Mr Ruge—The Ararat to Portland line was standardised in 1996, and in regional Victoria it is very much an orphan line, in the sense that the standardisation never continued. As a result of

that line being standardised, the Heywood to Mount Gambier line remained broad gauge and therefore fell into disuse. Likewise, all of the rail lines in the south-east of South Australia are broad gauge and are currently unused. Both the South Australian government and the Victorian government have been reviewing the situation, as Councillor White said, with the intent of perhaps putting some of the freight task associated with the movement of woodchips from the south-east of South Australia through to the port of Portland onto rail. I am sure that people making submissions and answering questions later in the day for you from South Australia will further add to that. It would seem to us that the Victorian state government—certainly the Victorian Minister for Transport—has gone cold on the project. He does not see it as a priority. We do not have a great deal of confidence at the moment that in fact—

ACTING CHAIR—Is there a good economic case for developing the Mount Gambier-Heywood standard rail?

Mr Ruge—The gentlemen from South Australia making submissions to you later on will be in a better position to answer that. We have not undertaken any economic analysis of that case. It has been done by the South Australians. Our understanding is that there is a good business case for it, not only because of the movement of woodchips through to the port of Portland but also for the movement of paper product from the south-east through to the Port of Melbourne on rail, which currently cannot occur. Given that the Victorian government is showing no interest at all in further rail line standardisation at present, it is in our view extremely unlikely that the Heywood-Mount Gambier route will be standardised in the near future.

ACTING CHAIR—Let us take that as given. Could we move to the argument of standardising the wheat lines? You have the line standardised from Portland to Ararat to Dunolly and to Maryborough. Could you give the committee a view on why you should standardise the rest of the wheat lines? As a matter of interest, we got a very strong submission from the Australian Wheat Board suggesting standardisation and improvement of facilities. Could you give us your view of why it is important to standardise those other broad gauge lines?

Mr White—The line north of Hamilton to Hopetoun is standardised, and the one to Yaapeet. What you might call the branch lines from the main standardised line from Portland to Ararat are standardised. We capture the grain trade by rail from those areas. But if the line from Ararat to Mildura was standardised, which is the No. 1 priority of the alliance, that could well pick up some of the grain trade up in that southern Mallee area.

ACTING CHAIR—And bring it to Portland, rather than taking it to Geelong or Melbourne?

Mr White—At least there would be options available. At the moment, there is certainly an advantage created for Geelong and Melbourne. If the standardised line went through from Ararat to Mildura, there would quite a number of benefits, one of which would be an impact on the grain trade. Some of that could come down to Portland. The facility would be there.

ACTING CHAIR—What is the argument for not standardising the rail from Ararat to Mildura? Is it just cost?

Mr White—The Victorian government, in spite of its commitment in the May 2001 budget, is greatly focused on passenger rail. That is evidenced by some of the programs in terms of fast rail

to certain regional centres. The Victorian government's policy at this time is to reintroduce passenger rail to Mildura on a broad gauge system. That is not what the Mildura Rural City Council wants to have happen; that is not what the business community there wants to have happen. The concern is that if the track is upgraded, as it would need to be in order to reintroduce passenger rail, it would be on a broad gauge system. We do not believe that that is in the long-term national freight interest.

ACTING CHAIR—There seems to be plenty of money for these fast rail projects. You ought to be able to get a bit of that for your little programs.

Mr White—That is almost quoting what I said to the minister just in the last fortnight.

ACTING CHAIR—We are in line together on that matter, are we?

Mr White—We are certainly aligned.

ACTING CHAIR—So it seems that these fast rail regional projects to Geelong, Ballarat and Bendigo have vast sums of money. They are talking about a billion dollars. Yet you are saying to the committee that you cannot get some of these very important economic lines improved and standardised.

Mr White—That is right. The alliance has its priorities in terms of where it would like to see lines standardised in order of preference. The priority for the alliance is clearly Mildura to North Geelong—which picks up at Ararat, so we would no longer be marooned from the system elsewhere in Victoria in terms of standardisation. So the priority is taking Mildura to Geelong.

ACTING CHAIR—So you could make the connection to the standard rail from Geelong to Adelaide. In the longer term, you would make that connection for freight. You now have the connection to Portland. So over a 20-year time span you would get an upgraded rail system that would serve Portland well. Is that what you are saying to the committee?

Mr White—At the moment we have a 19th century rail system in terms of the neglect and it needs to be upgraded, as I said, for longer, faster trains that can be competitive with road transport, so that we can get some of that freight task off the roads onto rail. That needs a vision. We are of the view that, when the $98 million was allocated in the May 2001 budget, the vision was there. The vision seems to have been lost because the emphasis is on passenger rail. If we are going to have the long-term national rail network vision, we ought to be investing money in rail infrastructure. I would have thought that that would be of great assistance in ensuring that we get the most efficient method of getting commodities to our ports.

CHAIR—Have you done a cost-benefit analysis on that line from Mildura to Ararat?

Mr White—If I remember correctly, in the very earliest days of the alliance there were some figures prepared—Mr Ruge might comment on this, because he was involved in a study at that time. Given the limited resources that are available to our alliance, there is a limit to how much economic data we can prepare. I really cannot answer that question, but I am happy to take it on notice to see if we can help the committee.

CHAIR—My point is that it seems that you have to articulate a case not just for passenger traffic but also for freight—and, presumably, that would become a grain line as well, so it would become all three functions.

Mr White—Mr Ruge will assist me with this answer, but I think that raises another point about community service obligations. It might be the case for the Mildura-Ararat line. But there are other lines in Victoria, like Kulwin and Robinvale, which are certainly threatened in terms of their long-term viability. Given that Pacific National has now taken over the operation from Freight Australia here in Victoria, and given that Pacific National will operate in a truly commercial sense and look at the economic bottom line, it is not hard to envisage that there may be some lines that are under threat. I think that not only do we need various levels of government to assist with funding, but it raises a point about community service obligations. We are aware that in Queensland and New South Wales there are community service obligation payments made to keep certain lines open. I think it is to the extent of over $250 million in Queensland and New South Wales.

Mr Ruge—To come back to your question regarding the cost-benefit analysis, it would be fair to say that the Mildura-North Geelong line is probably one of the most studied rail lines in Victoria. The Victorian Department of Infrastructure has recently completed another cost-benefit analysis, which is not yet in the public domain. Nevertheless, we believe that that particular report says that the cost-benefit regarding freight is minimal. As a broad gauge line, it is able to carry grain through to the port of Geelong at present, albeit that there are at least three sections of that line where trains have to travel at 20 kilometres an hour—purely because of neglect associated with that line over the last 50 years.

The proposed mineral sands developments were among the prime reasons for the alliance initially advocating the standardisation of the Mildura line. It is fair to say that the development of that whole industry has been somewhat slower than was first envisaged. Projects have opened and then closed. At this stage the main mineral sand operator in the Murray Basin is Iluka, which is currently building its processing plant just south of Hamilton. Iluka will initially be mining in the Douglas area, which is not on a rail line. At this stage they intend opening up their Ouyen deposits, which are on the broad gauge line between Mildura and Ararat, in approximately the year 2007. As a company they are very careful not to commit themselves openly to that process, because they have their own due diligence to go through. As a result they have been reluctant to give any tonnages to these various inquiries into the cost-benefit relationship of the Mildura line, simply on the basis that they have not yet committed to the opening of their Ouyen deposits. Nevertheless, should they proceed in 2007 to open those deposits, their tonnages may still not be adequate to justify the acquisition of dedicated rolling stock, because the requirements for the handling of mineral sands are different to the requirements for the handling of grain.

Mr McARTHUR—Do the wheat and the mineral sands have to be changed over at Dunolly—from broad gauge to standard gauge?

Mr Ruge—They would have to be if they were to come south to the port of Portland, and economics would say that that simply would not occur.

Mr McARTHUR—Can we get it clear that, on the broad gauge line from Mildura to Dunolly, the wheat is transferred at Dunolly into a silo and then transferred onto standard gauge rolling stock. Is that what happens now?

Mr Ruge—I cannot quote figures, but I believe that almost all the grain would head towards the ports of Geelong and Melbourne and would remain on broad gauge, rather than being transferred onto standard gauge rolling stock to come south to Portland.

Councillor White—You might get a more accurate response from other submitters later in the day. But, just to add to that, we did have some discussions with the Victorian Farmers Federation at one stage, and I think there was a $3 per tonne saving—I think that was the figure—to the grower, if the commodity came down to Portland and not to Geelong. You can understand that, if the track was standardised from Mildura and the Portland option was exercised, there could be a saving there too.

Mr McARTHUR—All the grain that goes to Dunolly is put into a silo at Dunolly and Maryborough, though, isn't it? If it is on the train, what happens? Does it come to Portland or is it unloaded at Dunolly? Where does the grain that comes to Portland from Dunolly come from originally?

Councillor White—I really cannot answer that question.

CHAIR—I think the point we are all trying to make is: can we get some form of integrated system of passenger, grain and general freight out of this? If any line, other than the interstate lines, has any prospective chance of going ahead, you would seriously think the Mildura line would be the one, because of its length.

Councillor White—That is right.

CHAIR—I note in Queensland now that even QR themselves, for the first 300 or 400 kilometres out of Brisbane, carry freight by truck rather than on their own rail. But from 300 or 400 kilometres out they then use rail quite extensively. So there must be some argument for the use of road transport over shorter distances. If the rail authority itself is doing it, you would think that would be a truism of some sort.

If we were to recommend in this report that the Mildura line, for example, should come under the ARTC, there would be some deal done between the state and Commonwealth governments about that particular line. An initial investment of some sort would have to go into it and then the ARTC, which is the Commonwealth's arms-length rail authority, would be upgrading that line and then any prospective user would buy slots on that track. Who are the prospective users? That would be the question that the Commonwealth would ask, subsequent to a general recommendation from us that that line should be upgraded and put in the hands of the ARTC. We would need to craft a case, or you would need to craft a case, that said what form of freight would travel and how that would integrate as far as Ararat and then what the prospects would be from Ararat south to Geelong—or whether it would be south-west to Portland. Have you done any work in that field?

Mr Ruge—The turning point for the Mildura line will rest with mineral sands. Mineral sands probably need to reach a figure of around 400,000 tonnes before moving them by rail will become economic. I cannot justify that figure; that is a figure that was quoted by Iluka.

CHAIR—Four hundred thousand tonnes per annum?

Mr Ruge—Yes.

CHAIR—You certainly could not shift that on a grain line, could you, unless you underloaded your wagons to some extent?

Mr Ruge—The problem that is faced is that Iluka's processing plant south of Hamilton is on a standard gauge line and the Ouyen mine is closest to a broad gauge line. Our belief is that, as long as that situation exists, mineral sands will never come out of the northern Mallee on rail to Hamilton. Once it is on a truck it is easier to keep it on a truck. The Victorian minister, Peter Batchelor, has quoted to us the possibility of trucking mineral sands to Hopetoun, putting them on the standard gauge line at Hopetoun and then using rail. Our belief is that once freight is on a truck, it will stay on a truck.

CHAIR—What is the prospective cost of the upgrading of the line from Ararat to Mildura?

Mr Ruge—There is no great clarity on that, because the state government have been keeping the latest figures close to their chests. Originally, the 2001 rail gauge standardisation program was costed by the state government—and this included the Mildura to North Geelong line, the Kulwin and Robinvale lines and a number of other lines—at $140 million, of which they were prepared to put in $96 million.

Mr McARTHUR—Was that using existing sleepers?

Mr Ruge—I cannot answer that. Since then, the costs have changed dramatically, because the state government have become aware of just how poor a condition most of the rail track is in. It is quite possible that the upgrading and standardisation of the Mildura line will cost in the order of $140 million-plus.

Mr McARTHUR—Itself?

Mr Ruge—Itself.

Mr McARTHUR—That would be with new sleepers?

Councillor White—And preferably steel sleepers, which would be a bit dearer.

CHAIR—Why steel and not concrete?

Councillor White—In our discussions just recently, steel was the preferred option because, even if they went with broad gauge to Mildura for the moment, if there were steel sleepers it would be much easier to convert the line by moving one line to make it standardised.

CHAIR—Just move one line?

Councillor White—They could just move one line across if there were steel sleepers. So there might be a high initial investment but, if that was the ultimate program, it would be easier to achieve.

Mr McARTHUR—As a matter of interest, the experience of the standardised line from Geelong to Adelaide showed that in some areas where they tried to move the rail across on the old sleepers it was not very successful.

Councillor White—No.

Mr McARTHUR—So those of us who know a bit about railways would not advocate that.

CHAIR—We had a very good look at that, didn't we, in our last inquiry? We spent quite some time in that area.

Mr McARTHUR—At Ararat. It was a cold morning, Chairman.

CHAIR—It was a very cold morning.

Mr Ruge—In fact, when the Ararat to Portland line was standardised in 1994 through to 1996 they simply retained the original wooden sleepers and shifted the rail across. Most of those sleepers have been replaced in the last 12 months, simply because four out of every five sleepers were unsafe, unusable and not holding the rail to the sleepers. Largely, they have been replaced with concrete sleepers.

Mr McARTHUR—Just as an aside, is your group aware that for the very fast train projects to Ballarat, Bendigo and Geelong the sleepers are broad gauge and have no capacity to become standard gauge sleepers? Have you been arguing a case on that particular issue, since you are very keen on standard gauge?

Mr Ruge—One of the problems associated with passenger rail is that the whole metropolitan passenger rail system is broad gauge. That unfortunately has predicated that the regional fast rail lines also be broad gauge, to provide passenger rail connectivity directly into the centre of Melbourne. It is extremely unlikely that any of those lines will ever be standardised.

CHAIR—So you really need to go around them?

Mr Ruge—Yes.

CHAIR—You need to feed off the existing truck system or create your own links to new ports or new links to existing ports?

Mr Ruge—By and large, they can be worked around. There may be an argument to create a new standard gauge line, for example between Shepparton and Seymour, but that would be one of the few instances in the state where it would be required.

CHAIR—Looking at integration in relation to the point we are raising now, what is your view? I asked the previous witness about this. The proposal is that we should recommend a line between Heywood and Mount Gambier. What freight or passenger services are likely to come from such a link?

Councillor White—Passenger services would be absolutely minimal. The viability of the Mount Gambier to Heywood line would rest largely on the carriage of timber products and how that might best be achieved by getting it from the field by train into the yards at Portland.

CHAIR—Is there grain on that track?

Councillor White—Hardly. I do not think so.

Mr Ruge—Grain is grown in the south-east of South Australia. If that comes through to the port of Portland—and some of it does—it is all on truck.

Councillor White—I think whether you use trucking for short haulage comes back to functionality—volume and distance.

Mr Ruge—And the fact that the lines in the south-east of South Australia are currently mothballed.

CHAIR—When was the broad gauge line from Portland to Mount Gambier closed?

Mr Ruge—It was closed in 1996 as a direct result of the standardisation of the Portland-Ararat line. It simply had no connectivity.

CHAIR—Was it used much; was there much connectivity? What came from Mount Gambier to Portland and on to Ararat that could not go by that line in future?

Mr Ruge—I do not have any statistics on its use then. It was used, but probably there were only several freight trains a week—not daily. The difference between now and then is the woodchip industry and the task of shifting millions of tonnes per annum to the port of Portland.

CHAIR—Is it your experience that log and woodchip freight would be sufficient to justify the expenditure of tens of millions of dollars on that line?

Mr Ruge—Prior to Freight Australia selling its business to Pacific National, it saw the reopening of the lines in the south-east and from Mount Gambier through to Heywood as one of its best business growth opportunities. We do not know Pacific National's view at this point, despite having met with them last week.

Dr JENSEN—You have mentioned a rail line in relation to mineral sand deposits. There is no rail line, I think you said, to Iluka, or was it Ouyen?

Mr Ruge—The closest rail line to the Ouyen deposits is broad gauge and Iluka's processing plant is on a standard gauge line at Hamilton.

Dr JENSEN—What would it cost to change the gauge of the line to Iluka? What would be the capacity—I do not know whether you have figures for this—for freighting mineral sands by rail as opposed to by road?

Mr Ruge—Iluka have told us that the costs of transporting by road versus the costs of transporting by rail are very similar, from their analysis. As a good corporate citizen, they would prefer to use rail, were it available, simply because of its environmental and social benefits for the community. But the figure I mentioned previously of $140 million-plus relates to the North Geelong-Mildura line, which is essentially what would be required.

CHAIR—I wonder whether you could provide the committee with a better map than the one that is on page 2 of your submission. It is a good map, but we do not have a coloured version. It would help my interstate colleagues to understand the intricacies of standard gauge and broad gauge.

I want to raise the issue of woodchip movements. I note from other submissions that you are talking about a truck coming to Portland every 90 seconds. I also observe that woodchips are now being moved from East Gippsland by rail to Midway at Geelong. Do you see any advantage in using a rail network in south-west Victoria to move some of this potentially huge amount of woodchip material that is going to be coming to Portland in the future from the blue gum plantations?

Councillor White—I will make a comment, and Mr Ruge might support it. The figure that the Port of Portland uses is one truck movement every 29 seconds per day. I understand they are appearing later—

Mr McARTHUR—What about an extra second, to get to 30? What happens there?

Councillor White—I am sure they will be able to let you know what goes on with that, but that is the figure.

Mr McARTHUR—What about Sunday? Do they work on Sunday?

Councillor White—They say it is every 29 seconds 24/7. That is their figure. I am sure Mr Norman, who will be here later in the day, will be able to expand on that. Obviously it was that sort of volume of truck movements that necessitated the construction of the overpass, which you heard something about a while ago. That project should be completed by the first half of 2007, in advance of those anticipated truck movements. Anything at all that can reduce the number of truck movements from that level to something less frequent has obviously got to be encouraged. That is one of the reasons why we are hoping that the figures will stand up and a reintroduction of the rail line from Mount Gambier to Heywood will be possible. That is aside from the fact that those truck movements into the port have necessitated this new infrastructure. You can well imagine the mix of traffic you would see on the road from Mount Gambier via Nelson Road to Portland on the one hand or down the highway through Heywood on the other hand. When you mix up that level of truck movements with caravans, tourist traffic and farmer traffic from one part of a property to another you create a situation that is not very healthy.

Mr McARTHUR—Have you been arguing that case, though? Shifting the woodchip material from East Gippsland was quite a remarkable change in transportation. Rail movement was not time sensitive and quite a huge tonnage is now being moved on possibly second-class rails, particularly in the East Gippsland section. Have you been advocating the possibility of this sort of rearrangement of the transport task in the blue gum area?

Councillor White—The alliance has. The alliance has a set of priorities, as the chairman inferred from the previous submission. Our major priority is the Mildura to Geelong line. Next is the second track from Melbourne through Albury. The third priority is the connection of the Benalla-Oaklands line through to the Riverina. The next priority is the Mount Gambier to Heywood line. This is from a state perspective, as an alliance. Obviously from a Glenelg Shire Council point of view there is a higher priority on the line, as you particularly mentioned, Mr McArthur.

Mr McARTHUR—But surely you will have a major political problem if these trucks go every 29 seconds.

Councillor White—It is going to become quite apparent when it happens. I was at a meeting down at the port on 7 December. There was a very high level of representation from the South Australian and Victorian governments there. The whole focus was on that particular project—it was about the rail line from Mount Gambier to Heywood. There was great optimism in the room about being able to achieve that. Pacific National was represented at a senior level and they were showing a high degree of interest in it. It will all come down to how much of that freight task can be moved from road to rail on a competitive basis. I cannot give you any more analysis than that at the moment.

Mr McARTHUR—Was there a suggestion that was competitive? It is not such a long haul.

Councillor White—We did not get down to an analysis of how competitive it might be, but there was general agreement that as much of the task as possible should be moved off road on to rail. As I said, we seemed to leave that meeting with some encouragement from all the parties who were represented that in fact it was a feasible proposition.

CHAIR—That would involve the line going from where to where?

Councillor White—From Mount Gambier to Heywood standardised, but also extending maybe north of Mount Gambier to Wolseley—to Penola at least. There is a major issue at Penola, too, because Penola is a high tourist area.

Mr McARTHUR—But, as a simplistic proposition, you will have a major problem in the road network in another five to eight years when the blue gums come online for harvesting?

Councillor White—Yes.

Mr McARTHUR—Everyone would be aware of that in this area, surely?

Councillor White—Yes.

Mr McARTHUR—I am sure that Glenelg council would be aware of that?

Councillor White—That would very much be the case.

Mr McARTHUR—You could argue quite a good case—as you did in the case of the Ararat-Dunolly connection—because of the breakdown of the road that unless the rail network is upgraded then the road network will break down. That is the argument, isn't it?

Councillor White—That is the argument. Environmentally, socially and economically, there is great argument there to support the view that—

Mr McARTHUR—Do you reckon there might be a bit of politics in there as well?

Councillor White—There always is in these matters.

Mr Ruge—I would add that this port figure of a truck movement every 29 seconds, 24 hours a day, seven days a week in 2009 relates only to truck movements associated with the port. It does not include truck movements associated with the Portland Aluminium smelter. It does not include truck movements associated with the fertiliser industry—which is a major contributor to truck movements in the area—or with any other industry. That figure is purely in relation to the port.

Mr McARTHUR—How will you be able to move in Portland if you have those sorts of volumes? You might not be able to get across the road?

Councillor White—We will make more overpasses.

Mr HAASE—Gentlemen, we are hearing so much solid evidence. As my colleague Mr McArthur has said, it becomes obvious that you will have a problem. What is certainly not obvious to me is why you are not being offered a solution in a more timely manner by collective state governments. I wonder whether you might take this opportunity to crystallise, if you like, in your own words your point of view as to why the bleeding obvious is not being recognised.

Mr Ruge—There are at least two possibilities. The first is that the trucking interests perhaps have strong political influence. The second is perhaps a broader issue and Councillor White briefly referred to it earlier on, and it concerns the issue of the competitiveness of certain regional rail lines in relation to other rail opportunities. For example, Pacific National, as the lessee of the regional rail infrastructure or regional rail network, is by and large responsible for the maintenance and operations of those particular lines. We believe that, if the state government does not provide a community service obligation payment in some format to Pacific National, a number of lines will in fact close. It is therefore theoretically possible that the Ararat-Portland line could close. When you compare the costs of moving freight from Ararat to Geelong on an ARTC line and where the volume is significantly greater—and there is a subsidy provided through ARTC on that track which the Portland-Ararat line, for example, does not have or indeed the Mildura-Ararat line does not have—and if Pacific National look at the world purely on a straight bottom line basis, it is cheaper for them as an above rail operator to move the freight from Ararat to Geelong rather than from Ararat to Portland. I am raising that issue as one

of the deeper issues associated with why, perhaps, the Victorian state government at this stage appears to have gone cold on the Mount Gambier line.

Mr HAASE—Before you have an opportunity to answer that same question, Councillor White, are you saying, Mr Ruge, that the Victorian government would appear at this stage to be, at the very least, delaying a positive and sensible decision on pure economics? Surely that would be coloured in the short term possibly, and in the long term almost certainly, with absolutely chaotic road congestion and possibly loss of life.

Mr Ruge—When we spoke with the state minister for transport last month he referred to the fact that the Mount Gambier line was not a high priority for the government and that their assessment was that it would be a very risky business to open that line because there was no guarantee that the producers would use it.

Councillor White—Whether the producers use it or not comes down to moving freight by rail being competitive with road. If that is to take place and if the state government looks beyond return on investment and at potential loss of life and other environmental and social factors, it ought to be putting some regard on these what you might call community service obligations. Given how room can be found in budgets for serious money to be allocated to particular projects, one would have thought that what should come into the equation—in terms of your question—ought be not just the economic bottom line but a vision for the future that embraces some of those other aspects.

The Heywood-Mount Gambier line that we have been spending some time talking about is clearly going to be an example. We believe there ought to be a vision for the future on the rail freight network and framework. Part of that vision ought to be to just get on and get the job done. In the process it does assist the integration of improved access to the ports. Exporters up the line from Ararat and choosing to come through Portland or Geelong might find it cheaper to move to the wharf at Geelong but the ports people here will tell you how it is more economical to ship out of Portland than out of Geelong and Melbourne for a range of reasons.

Mr HAASE—Over the top of that we have the knowledge that Melbourne is a port fast clogging up and all manner of problems are being created for the state government in making a decision as to where the next major port is going to be—all the while filibustering on a decision to slow down that congestion process in Melbourne. Interesting stuff. Thank you, Councillor.

CHAIR—What is the prospective cost of the line from Mount Gambier to Heywood?

Mr Ruge—We do not have an accurate figure with us.

CHAIR—Are we talking 10, 20, 50?

Councillor White—Maybe 40. A figure of 40 was floated, I think, at the conference I was talking about. Maybe that information could be acquired and forwarded.

CHAIR—I come back to the question I asked both earlier in your presentation and of the previous witness. Let us say, for argument's sake, that the Commonwealth and the two states put

in $10 million each to upgrade that line and standardise it. Notwithstanding the fact that the timber interests may or may not use it, who else is likely to use it?

Mr Ruge—If the mothballed lines in South Australia were reopened, or at least the one line through Penola to Wolseley, there would be the opportunity of grain to go onto rail.

CHAIR—How much further is it from Mount Gambier to Penola?

Mr Ruge—I would say 60 kilometres.

Councillor White—Sixty kilometres is the answer we have been provided with.

CHAIR—What is the condition of the bridges and the culverts? If we are looking at grain now and perhaps logged timber and we are looking in the future to carry mineral sands, what are our axle loadings likely to be? Do we know what the condition of those bridges and culverts is?

Mr Ruge—I cannot speak for the south-east of South Australia, but the condition of the bridges and culverts on the regional rail lines in Victoria is deplorable, simply because they have had virtually no maintenance for the last 50 years. It is an issue that is of major concern for Pacific National.

CHAIR—That, presumably, then would apply to the Mildura to Ararat area?

Mr Ruge—Yes, or more particularly with the Mildura line, as it passes through a lot of desert which is unstable—more desert rather than creeks—

CHAIR—That means you have to rebuild a permanent way.

Mr Ruge—Yes.

CHAIR—Obviously we will call Pacific National as a witness. The other thing I am having trouble wrapping my mind around is: what are the conditions that would cause the line from Ararat to Portland to close? Is it just lack of use, or the fact it has no connectivity beyond Ararat? You made the implication, Councillor White, that that line might close. What are the conditions that would lead to that?

Councillor White—Mr Ruge might add to this, but I would have thought that if the operator, Pacific National, came to a view that it was not getting the level of return on that particular part of the rail network, it would possibly take a decision to not continue to operate. Pacific National has curtailed some of its operations already from Portland by rail—

CHAIR—To Ararat?

Councillor White—Yes, because of a lack of grain traffic, seasonally—I think last December it was curtailed—and therefore, relying on other than grain traffic.

CHAIR—Does grain come in on that line on the four-foot-eight, on the standard gauge?

Councillor White—Yes.

Mr McARTHUR—But surely the other argument would be the Australian Wheat Board would have a view on moving the grain from the Mallee and the Wimmera. They cannot move the whole lot to Geelong and Melbourne. They have a sheer logistical problem in shifting the grain. So the Portland line would remain open on that basis alone, surely.

Councillor White—One would hope so, but we are just a bit concerned because we are aware that Pacific National has curtailed some of its operations in quite a number of areas across the state. So one has to be careful about making the assumption that everything is going to continue as it currently does. If there is evidence to Pacific National that they are not getting the return they want on that line, it could very well be that they will take a commercial decision and they might not continue to operate. One can only speculate on that, but it is a possibility.

CHAIR—Mr Ruge, there is another point that you might be able to help me with. What is the status, in terms of ownership, of the various tracks in Victoria? Obviously the main line through to Adelaide is ARTC. What are the arrangements on the other lines on which Pacific National operate? Do they own the track and the line, or do they have an access regime? If so, who is responsible for the upgrade of the track? Is it the Victorian government?

Mr Ruge—Pacific National acquired the lease formerly held by Freight Australia. That lease has, I think, 43 years in which to run. It is a lease over the regional rail infrastructure—

CHAIR—How much of it?

Mr Ruge—Virtually every track bar the ARTC principal lines between Melbourne-Geelong through to Adelaide and north from Melbourne on the standard gauge line through to Albury. The broad gauge line from Melbourne to Albury is part of that lease package and is under the control of Pacific National. Earlier this year, ARTC asked Pacific National to relinquish that lease and to give ARTC a substantial sum of money so that ARTC could standardise that second track.

CHAIR—To Albury.

Mr Ruge—Yes. Pacific National could not agree to the substantial sum of money asked for. At this stage our belief is that ARTC are proposing to build passing loops on the standard gauge track, although we are told that no final decision has been reached. The cost of building those passing loops on the current standard gauge track is believed to be equivalent to the cost of standardising the broad gauge track.

CHAIR—It does not seem to make any sense. You would think it would be better to have dual corridor track than to build passing loops.

Mr Ruge—True. As for the responsibility for maintenance of tracks, more recently the state minister has adopted an approach of 'the market will sort it out'—

CHAIR—But what did the original lease agreement say? The state was responsible for keeping the tracks to a certain standard, and day-to-day maintenance was the responsibility—

Mr Ruge—The original lease agreement failed to specify a maintenance standard. As long as a train could travel on a track, even at 20 kilometres an hour, it was satisfactory. That was one of the deficiencies of the lease agreement. Nevertheless, had the lease agreement specified a maintenance standard then perhaps the lease would never have been sold.

CHAIR—We need to wind up. Does your committee have a view on the second line from Melbourne to either Brisbane or Gladstone—the so-called inland line? There are two proposals: one going up through Shepparton and one following the Albury line to the border and then to Stockinbingal. What is your view on that?

Councillor White—The alliance does have a policy position on that, and it is that the line should take the more inland route and go up through Shepparton to Narrandera. We believe that has some benefits in the sense that it would incorporate the standardisation of one of those lines we were speaking about earlier today.

CHAIR—Would it have a dual purpose?

Councillor White—It would have a dual purpose. We have inquired of Minister Batchelor as to whether the state government would make a submission to the federal minister in that context. We did not get a positive answer to that. I think the minister was of a view that they would not be making that submission. But we believe that there is considerable merit in that route. That would be a faster trip between Melbourne and Brisbane, instead of going through Albury and around Sydney. I think it would take about 20 hours. If that particular Melbourne-Brisbane line is going to be competitive and get some trucks off the road, we believe that is the route that ought to be followed.

CHAIR—That would then have benefits for the Shepparton area up to Narrandera as well.

Councillor White—Yes.

Mr Ruge—And currently all of the produce out of the Riverina, which is substantial in a drought-free year, is trucked to the various markets and ports. The Riverina members of the alliance are extremely keen to see the reinstatement of rail and to see the product leave the Riverina on rail.

Councillor White—And also the Shepparton area. We were given a statistic just the other day that said 25 per cent of the commercial vehicle registrations in Victoria are within 80 kilometres of Shepparton. That arises because of the lack of connectivity via rail, and therefore there is an enormous movement by road. If that route goes from Melbourne to Brisbane through Shepparton et cetera it will pick up a lot of that traffic.

CHAIR—Certainly, Shepparton is a huge road hub by any standard. It might lend itself equally to a road-rail interchange of some sort. It is bewildering; it is like fitting the pieces of a jigsaw together. But I am sure you have helped us get further down the track, not wishing to torture the pun too much. You have helped us consolidate some of our views. I can understand the local sensitivity to this subject. But you would recognise that we have to try to craft a case to the Commonwealth as to why they should get involved outside of their normal ARTC responsibilities. Or, we have to craft a case that says under the principles of AusLink the rail

infrastructure in this area will fulfil some of those goals. That is the dilemma we have as we put a case together.

I thank you for the amount of time you have put into this. The alliance is obviously a very proactive organisation. We thank you for coming today and for your various submissions.

[10.15 am]

ELLIS, Mr Ronald Weston, Executive Officer, South East Local Government Association Inc.

PEGLER, Mayor Donald William, Mayor, District Council of Grant

CHAIR—Welcome. Do you have any comments to make on the capacity in which you appear today?

Mayor Pegler—I am also chairman of the South East Local Government Association's road and transport working group.

CHAIR—We do not require you to give evidence on oath, but I should caution you that these proceedings are proceedings of the federal parliament and warrant the same respect as proceedings of the House itself. I remind you that the giving of false or misleading evidence is a serious matter and could be considered a contempt of the parliament. Would you like to make an opening statement?

Mayor Pegler—Yes, Mr Chairman.

CHAIR—To begin with, you might like to outline the geographic boundaries of the District Council of Grant and the South East Local Government Association.

Mayor Pegler—Certainly. The South East Local Government Association consists of the seven councils within the south-east of South Australia, covering about two million hectares. It has a large forestry industry as well as dairying, agriculture, viticulture, potato and fishing industries. The District Council of Grant is the southernmost council in that area and goes about 20 kilometres north of Mount Gambier, across to the Victorian border and 80 kilometres along the coast. There is a map of the District Council of Grant and the SELGA regions on the second last page of our handout. The District Council of Grant is southernmost in that south-east region, and SELGA consists of those seven councils within that region.

CHAIR—How far north does it go?

Mayor Pegler—The South East Local Government Association goes 200 kilometres to the north.

Mr Ellis—It includes the Tatiara District Council and the Kingston District Council, which you can see in the northern extremity of that map.

CHAIR—And it also crosses the border?

Mayor Pegler—No, the border is the border, unfortunately.

CHAIR—And these other four councils are not members of your association?

Mayor Pegler—No, they are all in south-west Victoria.

CHAIR—Would you now like to give us a five- or seven-minute overview of your submission?

Mayor Pegler—No doubt you will be receiving plenty of information on the forestry task that faces us. Just within our region, there is about 300 million tonnes of pine per year plus the blue gum, which is about to come on stream. You will have received plenty of information on what the plantation forecasts are et cetera and where that timber will be going, but the majority of it will be coming through the port of Portland.

The Green Triangle regional committee quote for the report predicted raw wood flows in the Green Triangle region from 2005 to 2014. The data indicates that the current annual pine harvest of approximately four million tonnes will continue into the future and the blue gum estate will progressively come on stream as harvesting commences in 2005 to 2009, with an extra 3½ million tonnes coming on stream. Catering for these projected increases in tonnages will require strategic planning to manage the transport infrastructure and to minimise any conflicts with towns and the communities impacted by additional transport movements.

We have previously given evidence at the cost-shift inquiry and also at the inquiry into the federal government's financial assistance grants. You will notice in the draft, towards the back, that in the south-east we receive quite a bit less in federal grants than our Victorian counterparts. It makes our road infrastructure a lot harder for us to maintain. Also, the South Australian government only makes available $4.21 per kilometre for local roads, compared to $30 in New South Wales and $56 in Queensland, so we as councils have a very large problem in trying to keep up our own roads and the main infrastructure that goes through our council areas.

The state infrastructure plan for South Australia only refers to the enhanced existing priority strategic freight route throughout the state in order to minimise community impacts on local roads, but it does not identify at all how to fix up our roads. It refers briefly to rail within our region. They have $10 million available, which they got out of selling rail land, so they have made that money available for rail in the south-east, but that $10 million will not go anywhere towards opening up the rail. As far as we are concerned, there has to be much better planning for all of the infrastructure needs. On the roads to the north of Mount Gambier at the moment there are about 600 trucks a day, plus 4,000 cars, with another one to 1½ million tonnes coming on board. That will equate to another 200 to 300 trucks a day. There is no way that those trucks can continue to go through some of our townships.

We have two alternatives in the south-east: first of all, rail, which I believe is dead. The cost of doing up the rail will far outweigh any chances of ever opening it. At this stage, nobody from private industry has shown any interest in reopening that rail. The Riddoch Highway can be done up—that is the main road from the north to the south through the south-east. It could be done up with bypasses around several of the townships or we could do up Border Road, but we as a region do not have a stance. It is either one of the two, but we believe that the planning people should be getting on with it and doing it.

Also, we as councils do not believe that we should be the ones responsible for taking over state responsibilities. If they are going to build bypasses, the maintenance and upkeep of those

bypasses should become a state responsibility. Our councils have enough trouble keeping up with the infrastructure needs that we have from our growth. Just in the pine industry, we identified a $9 million shortfall in arterial roads—and $6 million of that was within my own council area, so we have a major problem there. I will now hand over to Ron to go on from there.

Mr Ellis—Mr Chairman, we would like to explore with you the data and indications that have come out of the various studies that have looked into the freight task ahead. I would also like to touch on what I believe to be some of the jurisdictional and political circumstances that surround the issue of providing for transport infrastructure at this stage., I believe, and I think that a lot of people in the south-east of South Australia would also believe this, that one of the things that we have been disadvantaged by on the issue of freight infrastructure, is that our region—the Green Triangle region, which, as you would understand, covers an area of the south-east of South Australia together with the south-west of Victoria—is dissected by a state boundary. In the process of assessing need, we believe that there has been the opportunity for confusion and contradiction in the way the transport needs of the area of the south-east of South Australia and the area of the south-west of Victoria have been presented. In that process, the force of argument that something needs to be done has been diminished.

The second thing is that, politically, there is no strongly contested federal seat here. From a political point of view, it has not been an area which has demanded particular attention at times when political interest about the weight of opinion about expenditure by the federal government is an issue. When leading up to the last election, obviously our area was not considered to be one of strong political interest. Those things, it seems to me, have been partly the problem in us not being able to get through clearly an issue which we believe to be strongly linked to our economic and social development in this area.

Coming back to the statistics: you will hear today, I believe, some impressive statistics about the increasing freight load that we see moving out of our area of the south-east of South Australia through Victoria to the port of Portland. That will come as a result of maturation of blue gum forests that are planted in the south-east of South Australia. On the map that you have on the second last page of that handout we have given you today there is a dark area to the west of Penola. It is from there that about one-third of that 3½ million increase in hardwood chip movements to Portland will come. It is that area that will provide the increased freight movements on the Riddoch Highway, which runs north-south from Naracoorte to Mount Gambier. That freight will end up, we think, on the Princes Highway through to the Port of Portland.

You will also hear of proposals for the increased freight load to be handled by the reinstatement of rail possibly, upgrades to existing highways, the construction of a new border road, which would supplement the state highway system, bypasses around towns and increased access to the Port of Portland. All of those issues seem to me to be at the heart of solving the problem that we have got between now and 2012. The port of Portland will have, at that point, an increase in chip movements from an existing level of about 1.2 to 1.3 million tonnes per annum to about 4.5 million tonnes per annum. The increase in chip movements to the port of Portland will be something like six times the total freight load on the Adelaide-Darwin railway line.

CHAIR—Could you say that again?

Mr Ellis—I think that the freight movements on the Adelaide-Darwin line are somewhere under one million tonnes a year.

Mayor Pegler—Not even 800,000.

CHAIR—And on that road?

Mr Ellis—On that road leading into Portland we are going to see about 4.5 million tonnes—that is what is estimated—of woodchips.

CHAIR—And logs—or just woodchips?

Mr Ellis—No, it is mostly woodchips. There is a bit of processed timber but not a lot; it is mostly woodchips. What I am trying to say is that, by comparison with other freight tasked around the nation, this is quite significant. That is my point.

CHAIR—That is a very good point. Is that your opening statement?

Mr Ellis—Yes.

CHAIR—I read from your submission that you are not very much in favour of the rail link to Portland.

Mr Ellis—SELGA's position on what solutions are implemented is one of saying that we believe there are authorities in the state government area that are responsible for assessing need and designing solutions. It is not local government's role, SELGA's role, the District Council of Grant's role, with all due respect to Mayor Pegler, to sit and make decisions about what freight solutions should be implemented. There are state authorities to do that, and we believe that they are the ones who ought to be designing the solutions, costing them and providing the background to any submissions to the Commonwealth for funding. So we do not have any particular solution in our mind.

CHAIR—Let me stop you there. If we were to follow that premise, we would just go to the capital cities and talk to the state governments. We have come down to talk to councils, local government associations, port authorities and people at the grassroots because we feel sometimes that local knowledge colours the recommendations we make to the federal government. Not all wisdom resides in the state capitals and not all wisdom resides in Canberra; it resides in people who are at the grassroots and who travel the roads and use the rail every day of the week.

You do have a very important role to play. I remind you that over the last four years the federal government has handed over considerable funding to local authorities by way of Roads to Recovery. That is to continue for another four years with another $150-odd million going into strategic roads projects. So your views are very important. I hope that state governments do not exploit that, using it to wriggle off the hook on state highways and state controlled roads. From time to time we hear of a bit of that happening in Queensland, but we do take what you say—as

councils and local government associations—very seriously, and we would not have come to Portland if we did not do so.

Mayor Pegler—To do up the rail, for it to become operational, will, I believe, cost close to $60 million. For far too long now—

CHAIR—Is that just to Mount Gambier or up to Penola?

Mayor Pegler—That is up to Penola. Replacing 40 per cent of the sleepers will cost $20 million, changing the gauge from broad standard will cost $6 million, upgrading the level crossing will probably cost $4 million and putting in siding and loading facilities will cost another $10 million. To put in a spur line to Tarpeena, which would be a seven-kilometre spur line, plus loading facilities—the Auspine timber company are there, and they would be one of the major freight generators—would cost up to another $16 million and then probably $3 million would be spent down here. That equates to close on $59 million, but then you still have to replace the other 60 per cent of the sleepers at some time in the near future.

CHAIR—If, as you say, this line is going to carry four to 4½ times the Alice Springs to Darwin—

Mayor Pegler—No, the line will not.

CHAIR—But were it to carry that quantity of freight it would have a capacity to have an ongoing maintenance factor built into it, surely?

Mayor Pegler—You also then have to build a bypass around the city of Mount Gambier. No trains go through the city of Mount Gambier. The train line goes right through the centre of that township, and there is no way known that you could reopen the rail line and have those trains going through there, carrying that sort of tonnage and stopping all the northerly flow traffic in Mount Gambier. You will also have to build a bypass around there.

CHAIR—It might be trying to tell you how to suck eggs but I live in Bundaberg, and to the south of us we have Maryborough, where there is considerable woodchipping. That train goes right through the centre of Bundaberg, and for that matter through the centre of Gladstone, to the port of Gladstone. They use those large coal wagons with a two- to three-foot collar around them, and the woodchip goes into those. I think we have learned to live with that as part of the operations.

Mayor Pegler—It is different, though.

CHAIR—It is not different at all.

Mayor Pegler—What tonnage are you talking about?

Mr McARTHUR—We are part of a Green Triangle down here.

CHAIR—It is huge tonnage that goes day and night, and that is in addition to coal trains; this is just one dimension of it.

Mayor Pegler—I am not against rail. The point I am getting at is that those are the sorts of figures that would have to be spent on it. Somebody has got to spend that money.

Mr McARTHUR—Just declare what you are saying: you want to get the rail from Penola to Mount Gambier to Portland. Is that the deal?

Mayor Pegler—There are three options: (1) the rail is fixed up, made operational and made to work; (2) do up Riddoch Highway; or (3) build a border road. Those are the three options that can alleviate the problem of trains.

Mr McARTHUR—What is your bottom line figure on the railway proposition? You have $60 million; is that from Penola to Portland?

Mayor Pegler—Yes.

Mr McARTHUR—You would collect all this pine and the blue gums from the Penola area and down to Portland. That is the simple argument, otherwise it would go on the road.

Mayor Pegler—Yes. It is up to private industry which way they cart it.

Mr McARTHUR—So what is the distance from Penola to Portland?

Mayor Pegler—About 170 kilometres.

Mr Ellis—It would be more than that.

Mayor Pegler—About 200.

Mr McARTHUR—It does not obey the fundamental rule of long haul. The fundamental rule is that railways will take long haul. You have about 90 per cent going from Western Australia to the east coast, but going from north to south the railway has only about 20 per cent of the traffic. It is not long-haul transport from the rail point of view, so how would you argue a case that you ought to put a railway line in when it does not obey the fundamental rule?

Mayor Pegler—I think that this discussion has assumed that we are in favour of reinstating the rail line. The fact is that we are not. We have not come to a judgment about the solution. I take on board what the chairman said about us having important information for you, and I do acknowledge that it is important that you people are here to gather local information. We very strongly welcome the opportunity to speak to you. However, let us be clear about what we are talking about. We are talking about road and rail assets that are not the management responsibility of local government. But we represent local government, so our view is that we are trying to draw attention to an issue that we see other jurisdictions have responsibility for, not us. So we have not undertaken the rigorous analysis of the solution options or made a determination about which solution should be used.

Mr McARTHUR—But I think we are hearing you say that, if something is not done, your local roads that you are responsible for will collapse under the weight of the traffic.

Mayor Pegler—If we do not see something done, we will see a flow of traffic along existing highways which will far exceed the carrying capacity of those highways. If you look at the highways now and look at the task ahead, you can see that they are simply not fit for the task ahead. They would not match the fit-for-task requirements that Transport SA uses or that VicRoads uses to assess their suitability.

The rail needs to be looked at as a potential solution. I privately doubt that it is an economic proposition—I really do. On top of that, I think that it lacks the flexibility at loading points that the forestry industry will require. We believe they are going to use in-field chipping for gathering the hardwood chips in the field—that is, they will chip straight from forest into semitrailers. If you then think of a rail as part of a solution in a short haul, like we are talking about—perhaps 200 kilometres maximum—then the double handling will make the economics of that look very marginal, at the very best.

Mr McARTHUR—As I mentioned before, that argument has been rather overturned with the East Gippsland to Geelong haul. I know it is a longer haul.

Mr Ellis—I accept that I do not have all the information. We do not present ourselves as having the expertise in planning for these sorts of issues. I believe it does require an in-depth analysis of the solutions.

Mr McARTHUR—Except that you do not need too much in-depth analysis to know that there are going to be four million tonnes of woodchips coming down the road in about four years time.

Mr Ellis—That is right.

Mr McARTHUR—That is what you are telling us, or that is what I am hearing. That is going to happen, so governments have to make some decisions about this.

CHAIR—I would have thought that was a very compelling argument for rail. I must admit that, as I said to the previous witness, I was becoming a bit bewildered by it all and thinking that road may be the solution, but when you are talking of quantities like that—

Mr Ellis—We are talking about a lot.

CHAIR—It is the very essence of a fast rail system to handle that sort of freight.

Mayor Pegler—Our problem is that those who are responsible are not getting in there and doing the planning. It is a state government responsibility to have proper plans in place—be they rail, road or alternative routes. We are continuously asking our state government what their plans are for the transport needs in the south-east of South Australia, and we are getting no answers.

Mr McARTHUR—If you are on the ground, you ought to be making a broad recommendation as to how you see it. Your perspective is the inevitability of the breakdown of your own road network, isn't it?

Mayor Pegler—Our road network, regardless of whether it is rail or highways, is still going to have the problems that it has. We are still going to have to have the roads to get to the rail head or to the highways. That is not our problem.

Mr McARTHUR—It will be your problem when the roads break down, won't it?

Mayor Pegler—We are already addressing that problem. What I am getting at is that nobody is addressing the actual freight task of how to get it from, say, Penola to Portland.

Dr JENSEN—I appreciate the fact that you have not done a detailed analysis, but you have outlined that there are three possible options. Have you come to any conclusions about which of these options would be the way to go? Do you have some idea of the capacities and costs of the three options? As I said, I appreciate that you have not done detailed analysis of it.

Mayor Pegler—That is what I am saying: it is not really our responsibility. The responsibility clearly lies with the state.

CHAIR—Let us get away from this for a minute. We have come here as a federal committee at the request of the federal minister. He would not have asked us to look into things like this if he did not intend to do something about them. Obviously, in some areas of Australia it will not meet the conditions of the national interest, it will not meet the conditions of AusLink or it might not meet the conditions of arterial transport systems—in which case, we will not have much to say about it. But, if it does meet one of those, it may be that the Commonwealth is the honest broker between the two state governments, with itself as a third partner and perhaps the industry as a fourth partner, to achieve a result.

I get the impression you are more concerned about your roads than the freight task. I can understand that. State governments do have a great facility at times to cost shift. But make no mistake about it: you are handling four to 4.5 million tonnes of freight a year in that very narrow part of the state. It is not going to affect just the arterial roads; it is going to affect all your feeder roads and shire roads.

Mayor Pegler—We are fully aware of that. We already handle 4.5 million tonnes. Our freight task in and around Mount Gambier right now is 4.5 million tonnes.

CHAIR—It is going to be nine million tonnes.

Mayor Pegler—Yes, it is going to be nine.

CHAIR—I would have thought there was a compelling argument for at least a re-examination of the rail facilities to Penola, probably hand in hand with some special consideration of the road systems of the area.

Mayor Pegler—That is why we put a submission into AusLink.

Mr Ellis—We put a submission into AusLink a few months ago. We asked AusLink to consider putting $150,000 into some costing and design work. That was to be supplemented by $50,000 from each of the states, and local government also agreed to put in $50,000 in-kind

support to that project. It would be a $300,000 planning and design costing work. AusLink refused. The Victorian government has refused. The state government of South Australia has agreed to put in $50,000 but now can see that there is no support at the federal level or in Victoria.

CHAIR—That is not quite a fair analysis. If this area has a vision of what needs to be done it should not immediately run to the Commonwealth and ask for a grant to have a look at its problem. Surely to God you go to the Commonwealth either as a group of local authorities or as a group of local authorities supported by one or other state government or perhaps both and say: 'This is the case; national interest is involved here. Here is our study. It is a cogent study with probity and it has been done properly. How about contributing?' There is this idea that every time something goes wrong or there is a case to be made suddenly it is the Commonwealth's problem to put up the money to tell a region what it should be doing. Even the local authorities of that area putting in $10,000 each could solve this problem.

Mr Ellis—I think that would oversimplify it, to be truthful. I accept that going to the Commonwealth without a detailed plan does look as if we have not done the planning work. The fact is that I truly believe the planning work has not been done. I truly believe that. If we went to Transport SA and said, 'There are three options here'—we have just outlined them—'we can upgrade our existing highways with no other new infrastructure and leave the old rail system in mothballs; we can put a rail system in and upgrade roads; or we can put a new border road in and upgrade other highways to do the task'—I doubt whether one particular solution is going to fit all. If we asked, 'What are the cost-benefits of those three options?' I am certain you could not get a good analysis on that question.

Mr McARTHUR—Why don't you take a leaf out of the Pilbara area where they put in their own rail line to shift the iron ore from the mine to the port? You have now got a blue gum industry that runs big prospectuses on the stock market.

Mr Ellis—With respect, it may be different in other states, I do not know, but our local governments do not see that they have a key responsibility in designing and providing for transport infrastructure, which is the responsibility of the state and the Commonwealth. We are dealing with state and national rail and road networks.

Mr McARTHUR—Let us concede the argument. We are just asking you at the local level what your view is. The blue gum companies have this four million tonnes of product that is going to be moved to the seaboard. They need to export it—let us be clear about that—so it is in the national interest to have infrastructure. They have some responsibility to make sure there is capacity to move it from the plantation source to the seaboard. It is no good passing the buck and saying that we haven't done the study. It is pretty obvious to me that there is a problem. It is straightforward.

Mr Ellis—The task is well defined. If you have read our written submission to you, you will have seen that five or six studies are listed that look at the freight task from various angles. We know what the problem is. We do not need to discuss that anymore. We know that the freight task will be basically to move stock to the port of Portland. The problem is this: what do we design and cost now to put in place to solve that problem? Local government, with due respect, is not the authority that is required to do design and costing work on state and national transport

infrastructure. We look after our local road networks, and I believe we do it well and responsibly. But we are trying to draw attention to what we see as an issue for the state to look after.

CHAIR—With great respect, if everyone retreated to their responsibility level, this inquiry would not be in Portland. We would not be here. The Commonwealth would say, 'We're not going off the national highway,' and so on.

Mr Ellis—I understand.

CHAIR—There used to be a program called Roads of National Importance, which has been subsumed into AusLink. It has always been my experience that, where a region get together and craft a very compelling case and come to the Commonwealth, they have a better chance than if they hang back and say, 'This is not quite our responsibility and the state government is not doing anything.' If that happens, it all goes on the way it has been going on for the last 30 or 40 years.

I put a challenge to you: if you can get $50,000 from South Australia, and you have seven shires and the city of Mount Gambier to the west of that line, I have no doubt that West Wimmera and Glenelg would want to be part of it. That is nine local authorities. For $10,000 each and with $50,000 from the South Australian government, you could get in and do it. Get in and do it and come to the Commonwealth with a compelling case. If there is an either/or in the case, come to the Commonwealth with that. But we are like a dog chasing its tail at the moment.

Mr Ellis—I am sorry we cannot bring more to you. We have not got the data and the information you—

CHAIR—We are looking to you and to your adjoining councils for a vision of what is going to happen. We know there are problems getting to that vision. But let us see that vision so we can put in our report what you really feel and what this area is really capable of. Had we had the old program of Roads of National Importance, I would have thought there was a very compelling reason for some infrastructure funding for Penola to Portland.

Mr Ellis—We are certain of it.

Mayor Pegler—That we agree with. The problem is that none of those roads were included in AusLink and none of the links to the port of Portland were included in AusLink.

CHAIR—Craft a case to show that they should be.

Mayor Pegler—That is what I believe we should be doing. I agree with that. But going back to what Mr McArthur had to say about the Pilbara before, you have two companies there. There is the iron ore; there is the port. If they want to get it to there, they have to build a port. Perhaps we should be doing the same with the blue gums. It is not us that gave them the tax breaks to go and plant all the trees. So perhaps we should be saying, 'No blue gums on our roads.' We cannot do that.

Mr McARTHUR—That is the argument. We have been to the Pilbara. We have had a look at the rail system there. Those two companies put in their own rail system at great expense.

Mayor Pegler—I know exactly what it cost them.

Mr McARTHUR—It is the best rail system in the world. I am suggesting that the blue gum people, who spend a lot of time promoting their virtues on the share market, ought to be part of it, because part of their total outcome is getting their product to the seaboard and into the hands of the exporter. They cannot leave it back at Bessiebelle or Penola. It is not of much value there.

Mayor Pegler—And it has not been much value to the shires, either.

CHAIR—Quite apart from the general stuff about the arterial road and rail network and the connectivity to the ports, the third term of reference the minister gave us says:

... policies and measures required to assist—

presumably people like you—

in achieving greater efficiency in the Australian transport network, with particular reference to:

land transport access to ports—

that could be road or rail—

capacity and operation of major ports ...

That follows as part of that same agenda. That is the third term of reference. We want you to tell us not what the problems are but what your vision is. I suggest that you get together with the south-east councils plus the two immediately adjoining ones—because it is very much in Glenelg Shire's interest for this to go ahead, and I would think that with all the timber in west Wimmera it would be in their interests as well—and complete that study yourselves. Do not wait for the Victorian government or the Commonwealth to put money in it. If I were the Commonwealth, I would not be putting money into a $150,000 study. Why would I? If you were the minister, you would say, 'Gee, if it's not important enough for them over there to put in 50 grand or 100 grand or whatever it is, why should the Commonwealth be worrying?' We have to tell the Commonwealth that this stands over and above the interests of the local shires, that it stands over and above the interests of the state governments of Victoria and South Australia, that it is in the national interest that something happens with these industries in this unique Green Triangle area and how we get to it.

Mr Ellis—We have no argument with that. We would strongly endorse that proposition. We have no problems with that all. I hope that we have not given you the impression that we are contra to that view.

CHAIR—I think you should put some flesh on the bones of it.

Mr Ellis—Can I explore with you a few things that we understand about the situation. This is more like the content of conversations I have had with the state authorities: VicRoads, the Department of Infrastructure in Victoria and Transport SA in South Australia. The first factor is that the proposal to reinstate the rail looks uneconomic. The estimates that we have from the

department of infrastructure in Victoria—and they do exist—say that it is an expensive proposal and that, from the Victorian point of view, they are not strongly attracted to it for that reason. The benefits to Victoria in reinstating the rail connection to the border of South Australia are really not there. They do not see much benefit in doing it and there is a very significant cost. The second factor on rail is that so far there has been no private sector interest prepared to run the rail, even if it were reinstated to a certain standard. The element of an operator who is able to make a profit out of it seems not to have materialised yet, and that is an essential component.

Dr JENSEN—In other words, on the question that I put forward earlier about the three options, in your mind at least you are in effect ruling one out?

Mr Ellis—Unless something quite unexpected arises in relation to rail, I do not believe it is a strong possibility. There is another factor I would like to add. The rail option is not strongly supported—in fact, it is not supported at all, I think—by the forestry industry on our side of the border. They believe that it does not offer the service and flexibility that they require in transporting wood products out of our forests in the south-east of South Australia. So there are some real issues and problems about reinstating the rail and overcoming this freight task.

Dr JENSEN—This is part of the point that we are trying to get to. As the chair has stated, we are aware that there is a problem. That is why this committee is here. We are trying to look for solutions to these problems, and part of it is not only identifying potential solutions but also prioritising. This is partly what I am looking for. Clearly, in your view at least, rail is not a realistic option. Given some of what you have said, obviously—

Mr Ellis—I have to say that that is not SELGA's official position. It has never publicly said that it would not favour rail, because it simply was not its role to make a judgment about that and it did not really have the data to say so. But there are some things that I know give you doubt that rail is really going to be an efficient solution.

Dr JENSEN—This is some of the stuff that I am certainly after, anyway—looking at an actual solution. If you have come to a conclusion about something, clearly the rail people would have a different viewpoint on this.

Mr Ellis—Let us say something else about rail, too. To rule on it now as a solution for woodchips is quite a different matter from ruling out the reinstatement of rail in the longer term. I am seeing this freight task over the next five or six years, and assessing whether rail can provide the solution. I have given you some things that surround that issue. It would be wrong to conclude that we should say 'never' to rail in the corridor that presently exists in the longer term. There may be other things that arise that would give you reason to reinstate it at some later stage, and I am simply not able to speculate about what they may be. Do you understand my framework of—

Dr JENSEN—I understand what you are saying. I guess what I would like to have is, 'Okay; in the five-year framework this is what is going to be required in order to cope with the expected traffic. In 10 years time we are going to require this.'

Mr Ellis—Exactly. The second thing is about the border road. Are you people aware of the border road concept as part of the potential solution?

CHAIR—No.

Mr Ellis—If you look on this map that I have here with me, roughly where the northern perimeter of the Wattle Range Council meets the border, south along the border to roughly adjacent to Mount Gambier, there is a corridor in which there are some formed roads. They are local roads. They are built and maintained by local government.

CHAIR—Sealed?

Mr Ellis—In places they are sealed, but I think the majority of it is probably not sealed.

Mayor Pegler—Only six or seven kilometres of the 70 kilometres are sealed.

CHAIR—How about you give us a paper on that?

Mr Ellis—There is a paper attached to the submission that we presented to you in writing. That is a study done by Maunsell for Auspine. You have access to it. It is quite a detailed study of costing that particular solution. The border road solution is one that, again, the Victorian interests—that is, the state government and the shires of Victoria—are not so interested in, for obvious reasons. It basically takes traffic off the Riddoch Highway, the north-south corridor that links Mount Gambier to the towns to the north, and assists in the north-south movement of traffic that presently is in South Australia. It is basically that. There would be perhaps some freight traffic movements that would use a border road solution from the south west of the West Wimmera Shire. They would travel west a little bit down on the border road, come down and hit the Princes Highway at Mount Gambier and then across to the port of Portland, if it were woodchip. So the border road is more a South Australian solution. If you ask the people in Victoria about the border road solution they will tend to think that is basically a South Australian issue.

Mayor Pegler—That is one of the biggest problems we have. If it were just one region, it would be a different story all told. But the last thing any shire in Victoria, or the Victorian government, is going to do is to take on half the responsibility of a road that is going to alleviate a lot of the problems in South Australia.

Mr McARTHUR—Why don't you just make a separate state?

Mayor Pegler—There was one once—'Princeland', I think it was going to be called.

Mr McARTHUR—Put you two fellas in charge!

Mr Ellis—If you asked the Shire of Glenelg about the border road concept, they have been public in their statements of lack of interest in that particular solution.

CHAIR—Let us take a step back. You are telling us the solutions for your particular area. We are looking at a holistic solution of connectivity to the ports. We are told that the freight task in Australia in the next 10 years will double, and will treble in the next 20. One of the reasons we are out here doing this inquiry is to offer the government a medium-term view of some of the things that should be done to accommodate that problem.

You also have to recognise that the terminus point for this area, if we are talking in terms of ports, is the township of Portland and the Shire of Glenelg around it. They have not just the woodchip from South Australia coming to their port, but also grain, mineral sands and other things. All those things start to converge on the roads of the Glenelg Shire, in particular going into Portland. So there is a very heavy burden on the Shire of Glenelg on behalf of the whole region—not with any selfish interest in view but on behalf of the whole region.

You could well understand, with that in mind, that they would see rail as a better solution or as part of the solution to their problems. Otherwise all this woodchip and mineral sand and perhaps, if some of these grain lines collapse, grain is going to be feeding into the port of Portland, on their roads. That is not a solution to anyone's problem. That is just shifting the problem from one side of the border to another. We are a Commonwealth instrumentality and we are trying to look for a holistic solution. While that border road might be a good internal solution, linking up all those forestry areas—and I can understand why you would want to do that—I do not know if that is a holistic solution to this Green Triangle problem. Perhaps, as we go on to the other witnesses and as we start talking to the plantation committee, we might get a bit of a feel for the—

Mayor Pegler—I suppose, in fairness, what you have to do is start from the port itself and work back.

CHAIR—Yes.

Mayor Pegler—At the end of the day that is how you plan anything. But, at the same time, in working back you still have to be able to economically put that product onto whichever mode of transport you are going to operate. There is no point in working back from the port and saying, 'We're going to use all rail,' then finding that, say, chipping blue gum and putting it onto rail is completely uneconomic compared to carting it by road.

CHAIR—As you know—and I am sure it is no different anywhere else in Australia—where roads in a shire adjoin or run into or along the boundary of another shire, where there are some elements of joint responsibility, it is my experience that they are always the last roads to be dealt with. Neither shire can see the intrinsic value to their particular side of the border. I think there is a bit of that in this problem, with this Victorian-South Australian border. Why would we want to put $50 or $60 million into a train line when we could get $50 or $60 million to solve all our roads problems on our side of the border?

Mr McARTHUR—It is like a new state, the Green Triangle.

CHAIR—Please understand where we are coming from. We are trying to look at a holistic solution for this Green Triangle area, rather than just answering a sectoral problem in one part of it. And I think all the shires have to recognise, as I said before, that the consequences of their decisions will impact very severely on the Glenelg Shire and, in particular, on the township of Portland and that corridor from Heywood to Portland. So I would just ask you to step back and have a look at that.

I would also again challenge you to get this study under way and get some hard evidence. What we are doing here today is very speculative. We are blue-skying how we might solve the

problem, rather than saying that such and such a study says there is a cost benefit of such and such in an all-road solution, and that there is a cost benefit in a rail solution, and there is a cost benefit of such and such in a dual solution.

Mayor Pegler—One of the biggest problems we have is that we have been doing studies for years and nothing has been happening.

CHAIR—I understand that.

Mayor Pegler—There are cupboards full of them.

CHAIR—I suppose we have experienced that with some of our committee reports, but we have usually found within two or three years that they have gone back to our reports, as they have on rail in the past, and they have acted on them. Your evidence today is very helpful. I would just like to say that the district of Grant has been a good contributor to this committee. We recognise that this is not the first time you have appeared before us. If I got a bit emotional, I apologise. I do not want you to think that I in any way was devaluing your submission—I was not. If I was a bit challenging, it is because I think that your particular area has the capacity to do something about it, not just theorise about it. We trust we can come back to you. One thing I would like to see is an overlay of roads and existing rail lines—albeit mothballed rail lines—over the map of the forestry area. The committee would be most appreciative if you could get that together for us.

Mayor Pegler—I can do that.

CHAIR—We will be sending you a *Hansard* transcript of today's proceedings. There is a paper here entitled *Inquiry into the integration of road and rail networks and the interface with the ports* by the District Council of Grant. Is it the wish of the committee that the paper be accepted as a supplementary submission? There being no objection, it is so ordered.

Proceedings suspended from 11.11 am to 11.34 am

KLEIN, Mr Peter, Marketing Manager, Port of Portland Pty Ltd

NORMAN, Mr Martin, Chief Executive Officer, Port of Portland Pty Ltd

CHAIR—Welcome. Although the committee will not require you to give evidence on oath, I should advise you that these are hearings of the federal parliament and they warrant the same respect as those of the House itself. It is customary for me to caution witnesses that the giving of false or misleading evidence is a serious matter and can be considered a contempt of the parliament. Having said that, you are most welcome. Would you like to give us a five- or seven-minute overview of your submission?

Mr Norman—First of all, I would like to clarify the status of the port of Portland. The port of Portland is in fact a private enterprise operation. There is no financial interest on the part of any government in the port of Portland. It was part of the Victorian government's privatisation of ports program in 1996. We are purely a private enterprise operation.

There are four significant things in our submission. Firstly, the obvious things: we are a deepwater port. We are the only deepwater port between Adelaide and Geelong. We are a port that has deepwater facilities in terms of depths superior to those of Geelong, Melbourne and Adelaide. Our No. 1 berth has a depth of 12.8 metres underneath it, which is greater than the depth of other ports in our region in southern Australia, so we have a geographical advantage on our side in that respect. Our ability to cater for bigger ships is greater than those other ports and in fact an expansion would require far fewer dollars than those other ports because they have long channels to negotiate. That outlines the physical port itself.

Over the next five to seven years, our trade projections tell us that we can expect an increase in exports through the port to the extent that our total trade will increase by between 50 and 100 per cent. The primary drivers for that, as you will have heard this morning, are the hardwood chip plantation industry and the mineral sands. Our existing businesses are as you have described, plus the Alcoa smelter located in Portland. That is a significant portion of the business that goes through the port and the fishing industry, which I understand is the biggest centre of wild fish production in Victoria. That outlines the port itself. In the medium term, there will be very large expansions.

In the inland transport area, we rely on road and rail. In the case of the rail network, the grain crop comes to us by rail and all the rest of the commodities that flow into and out of the port are catered for by road access. As far as the rail system is concerned, we are quite concerned about our situation in western Victoria. The main cause for our concern is the lack of standardisation of the rail system in Victoria. In effect, it is a standardised rail system which is isolated from the rest of Victoria by a broad gauge system which is interposed between us and the eastern part of the state. For reasons I do not understand, half of our rail network is standardised and half of it is still broad gauge. That brings up connectivity problems for the grain industry between our port and other areas of the state. The grain industry is the only customer of the regional rail system throughout most of Victoria and it is the only customer for the rail system going into Portland. If we get the opportunity, we ship grain out of Portland and fill a ship with grain, but there is a small amount of shortfall in the grain product that is being loaded on a ship.

I understand that in previous times, when we were all broad gauge, small quantities could economically be brought to top up ships from virtually anywhere in the states. Since the half-mast standardisation program took place, as we are isolated we do not have that opportunity. So there is economic benefit in connectivity. We are also concerned, and it has been widely reported, that the rail network in Victoria, although extensive, has not been maintained. We are concerned that there is actually too much rail in parts of Victoria. I have a rail map of Victoria here, which I can distribute to the committee. It shows a very extensive rail network in our part of the state—

CHAIR—Perhaps Mr Klein might hand those around while Mr Norman speaks. Is it the wish of the committee that we take this into the record as an exhibit? There being no objection, it is so ordered.

Mr Norman—The rail network is very extensive but poorly maintained. I suspect, although I do not have any concrete evidence, that the maintenance imposition on the rail system would be very great in maintaining a series of north-south rail lines which are 20 to 30 kilometres apart running all the way down the western part of the state. We suspect that one of the problems with rail and rail standardisation is that there is just too much rail. On the road side of things, our forecasts tell us that in the next five years truck arrivals at the port will grow from 90,000 to 180,000 a year on the low side and up to 240,000 a year on the high side. We expect truck arrivals in the port to more than double with the trade expansion.

Mr HAASE—Over what period are you expecting that to double?

Mr Norman—Between now and 2011. That timing is dictated by the crop growth cycle for the hardwood chip business. We understand that those trees are harvested at eight to 11 years of age. The planting that has occurred between 1997 and today indicates that harvest will reach a sustainable level at somewhere in excess of two million tonnes and possibly in excess of three million tonnes a year in around 2011. So from 2011 onwards we expect hardwood chip volumes flowing through the port for export to reach a plateau of somewhere in excess of two million tonnes per annum.

Mr HAASE—Is there any foreseeable alternative to the port of Portland for the export of those chips?

Mr Norman—Alternative export points? Yes, of course there are other ports. Geelong is the nearest and we think that some of the plantation lands which are closer to Geelong geographically and entail shorter road distances may well use Geelong.

Mr HAASE—Is there any question in your mind that without substantial upgrades to the major arterial infrastructure, be it road or rail, coming into Portland you might lose the lion's share of that increased export?

Mr Norman—I do not think so. Really, the economics of the industry is that it is a low-cost business. Cost per tonne to export is all-important and it is homogeneous product, so it is just a commodity trade. We believe that the plantation operators will find the cheapest way to get it to port, and I cannot imagine a set of circumstances where most of it will not come to Portland.

Mr HAASE—We need a solid starting point, and I wanted to reinforce that. Thank you.

CHAIR—When does that start?

Mr Norman—It will start next year, when there will be small quantities exported, and it will build up until 2011, when we expect it to peak at a sustainable long-term level.

CHAIR—You are a private company. Do you own the port or do you have a long-term lease from the state government?

Mr Norman—The land side is owned freehold and for the water side there is a long-term lease from the Victorian government. It is a 100-year lease, in fact.

CHAIR—When your company took control of the port, was it on the basis that there would be standard gauge rail to Portland?

Mr Norman—I believe there was standard gauge rail to Portland, although I could be wrong. It was already standardised at the time we—

CHAIR—From Ararat?

Mr Norman—Yes.

CHAIR—But not more widely?

Mr Norman—No.

CHAIR—Do you have facilities to handle both types of freight?

Mr Norman—At the moment our rail infrastructure is entirely devoted to grain. We do not have any terminal facilities which are specifically tailored to any other trade.

CHAIR—Does the standard gauge line go to the port?

Mr Norman—It goes right into the port. It terminates on port land.

CHAIR—But there are no unloading facilities or anything of that nature?

Mr Norman—It has been many years since there was a demand for any other unloading facilities except for grain.

Mr Klein—I would just make the point that we have received up to one million tonnes of grain by rail in a single year.

CHAIR—Do you have a tippler?

Mr Klein—A bottom dump. That is owned and operated by GrainCorp at the port of Portland. We have a lease with GrainCorp. They manage the rail operations.

CHAIR—Do they have a loading facility for the boats?

Mr Klein—Yes, they do. We will go and have a look at it today. They own all of the storage infrastructure out there. They own the conveyers and the outloading infrastructure. We own the berth.

CHAIR—If the line to Mildura was upgraded from Ararat, is it your belief that the grain from that area would come through your port?

Mr Norman—I think some of it would, inevitably.

CHAIR—But you do not have any hard commitments?

Mr Norman—No. I do not think you would get those hard commitments at all until there is a real prospect. It is too early for anybody to imagine that outcome until they know.

CHAIR—It is chicken and egg stuff?

Mr Norman—Yes.

Mr Klein—I think maybe the people to ask about that would perhaps be the grain industry—ABB Grain and AWB. One of the limitations we have is that, if you look at the feeder system into Portland, our catchment compared with, say, Geelong and Melbourne is relatively small and our capacity to accumulate the right categories of grain is at times limited. We see the majority of our trade in fact at this stage as top-up trade in the grain industry. So we will have ships calling in to either Melbourne or Geelong to take on 80 per cent of their load and then they will call Portland to take on the other 20 per cent. Two port calls is obviously more expensive than a one-port call. If we could accumulate more grain to Portland, it may be that we will see larger consignments leaving Portland because we would be able to extend our overall catchment.

Mr McARTHUR—If Melbourne port is dredged, what will happen to this topping-up type arrangement?

Mr Klein—I think if the port of Melbourne is dredged all the way up to the green loading berth, this topping-up arrangement would be under threat as far as Portland was concerned.

Mr McARTHUR—What sort of percentage of top-up do they take from Geelong and Melbourne?

Mr Norman—I think last year about 60 per cent of our ships were top-up ships.

Mr McARTHUR—Roughly what percentage of load does a ship take? Do they take another 20 per cent or 30 per cent of load?

Mr Norman—That is correct. It will come in with a draft of, say, 11 metres and it will load up to our maximum. It will take anywhere between 8,000 tonnes and 25,000 or 30,000 tonnes.

Mr McARTHUR—What is the percentage of the load?

Mr Klein—It will vary. It depends on the ship size. I think it is likely to be around the 20 to 30 per cent mark.

Mr McARTHUR—Can I just be sure of what you are saying about the dredging. If the dredging goes ahead in Melbourne, what impact do you think it will have on your port? I did not quite hear what you said.

Mr Norman—I think that the top-up trade that is coming out of Melbourne, as far as this port is concerned, would be under threat. The other issue of course is the question: why top-up trade and not full shiploads? We are constraining the port by our storage capacity at the port.

Mr HAASE—I think that is an important point. What is your storage capacity? What is the number of full shiploads that you can store in Portland?

Mr Norman—The theoretical capacity is 60,000 tonnes. In practice, some of that storage capacity is always dedicated to products other than the ones that will be loaded by the ship that is just arriving. So, in practice, to take a full shipload, we do not have enough storage capacity on the port. In fact, we have to work on a semi just-in-time system. We have to have rail arrivals while the ship is berthed so that we can get a full shipload. So we use all of the storage capacity plus train arrivals during the time that the ship is loading.

Mr HAASE—For any long-term increase in capacity, to provide a better guarantee to ships visiting for a full load, whose responsibility would it be, cost wise, to provide that additional storage?

Mr Norman—The terminal operator, GrainCorp.

CHAIR—Is that storage under cover?

Mr Norman—Yes, it is. All the grain crop storage is under cover. I should point out with respect to GrainCorp that they have extensive grain terminal facilities, including terminal facilities in Geelong, so in a sense they are their own competitor because they control bulk grain-loading facilities in both Portland and Geelong.

Mr HAASE—Do you know whether their storage in Geelong is used to capacity?

Mr Norman—I understand so. Geelong has significantly more capacity than we do.

Mr HAASE—What about draft capacity?

Mr Norman—Limited.

Mr Klein—It is limited, yes. It is 11.6, I think, from the grain berth.

Mr HAASE—And what is yours?

Mr Klein—12.8.

Mr HAASE—It is not a lot of difference, is it?

Mr Norman—Well, it is the critical differences—

Mr HAASE—Critical, I realise, but it is not a much greater difference and therefore a huge attractant for vessels to call here and fill up. You have a few things going against you, haven't you? You have somebody else's commercial decision about whether they invest in storage, and you have the question of arterial infrastructure to get the product here on a regular basis. There are a few pre-existents that take that trade away from you, I would have thought.

Mr Klein—I think we are not as sceptical as that. In fact, the port has the capacity to do full shiploads. We have 60,000 tonnes of storage capacity, but our largest grain shipment has been 68,000 tonnes, which is fully laden for our depth. So in fact the limitation on us being more efficient is the rate of grain receival, and that limitation relates to the number of rail wagons that the train operator can put to the task at Portland, compared with operations into Melbourne or Geelong. So that tends to be somewhat of our limitation. But we are capable of doing a full load. I think it is the rate of accumulation and the availability of grain within our catchment that tend to be the limiting factors and which result in 60 per cent of our trade being top ups out of Melbourne, Geelong or Adelaide.

Mr HAASE—I see that you are ideally equipped to do top up, but—with a limited knowledge of freight movement—I would not expect that a shipper would want to have a vessel alongside whilst you brought cargo in to fill it. I would want that to be coming from an on-site guaranteed capacity, not be dependent on transportation whilst I was alongside.

Mr Klein—Indeed. Those operations are concurrent, though.

Mr HAASE—Moving from grain for the moment, what about the availability of land within the port area for the construction of other specialised storage and load-out facilities such as for woodchips? I do not at this point in time understand the technical nature of the transportation and the offloading and on-loading process for woodchips. Maybe you could very briefly explain that.

Mr Norman—The woodchip trade—as far as port facilities are concerned—requires accumulation in open-space heaps, as close to a wharf as possible and linked to a wharf by automatic conveying and ship-loading facilities. You have to have your woodchip heap physically close to where the ship will berth. It is a fairly land-hungry occupation, so you need a couple of hectares of land for a good-sized woodchip accumulation heap.

Mr HAASE—Do you have that?

Mr Norman—We do. We have unused reclaimed land which we are now in the process of preparing. Those of you who are going on the port tour this afternoon will see that it is destined for the woodchip trade when it comes along. So we do not have a lot of land and we can foresee

the time when we will be land constrained. But for the trades that we have in prospect between now and 2011, we probably have a little bit more than is adequate to cater.

Mr HAASE—What is the typical retrieval process from your outside lay-down heap of woodchip to the conveyor? Do they use an automated retrieval system or a front-end loader?

Mr Norman—The whole process from end to end involves harvest; chipping, either at the site of harvesting or in a fixed chipper somewhere between there and the port; road transport in semitrailers or B-doubles, which are in prospect at the moment; and automatic tipping facilities, which tip the whole truck at one time for fast unloading. It gets conveyed into a stack up to 25 metres in height—that is about as high as they get—and is groomed using bulldozers or the like to push the material into the shape that maximises the use of space. When the ship is loaded, the same machines push the material to a reclaim, which is a hole in the ground. It falls into a hole, onto a conveyor and, from there, onto a ship loader and into the hold.

Mr HAASE—I understand it now. Thank you.

CHAIR—What are the various tonnages of your major commodities from the port?

Mr Norman—At the moment, our throughput is about four million tonnes. Of that, the softwood chip business is a little over one million tonnes, maybe 1.2 million tonnes. The grain business fluctuates widely from as little as a few hundred thousand tonnes in a very bad drought year to over one million tonnes a year. Fertiliser, which is mainly for broadacre and is an import business, is about 450,000 tonnes a year. The smelter receival of alumina raw material is about one million tonnes a year. Export of aluminium ingots is a couple of hundred thousand tonnes a year. We have livestock export, which is a relatively small tonnage but a fairly intense operation. That would account for most of our business.

CHAIR—So it bulks up to four million tonnes, and you have the prospect of another two million tonnes if the woodchips—

Mr Norman—Another two to three, yes. The other thing I should mention is the mineral sands business. We have already contracted with the Iluka operation to export their mineral sands products.

CHAIR—What sort of tonnage are you looking at there?

Mr Norman—It is relatively small, but it is of higher value for us. It is around about one-quarter of a million tonnes when it reaches its full capacity, as designed at the moment. However, I understand that there are very large prospective areas for mineral sands mining to the north of us. That is the other business that would increase our trade in the medium term.

CHAIR—Which is the grain handler?

Mr Norman—GrainCorp is the terminal operator at Portland. In fact, GrainCorp controls most of the storage sites to the north of Portland which feed the port.

CHAIR—Has it ever been said whether the link between Dunolly and Maryborough would make a difference to you?

Mr Norman—We are very interested in upgrading the line between Dunolly and here because we believe we can offer a very competitive service if we can get large grain wagons and long trains into the port. We think we can offer an alternative to the port of Geelong, where there is a lot more rail business going on and they often suffer from congestion on their rail loop.

Mr McARTHUR—But who will make that decision? We had evidence earlier in the day that the Ararat-Dunolly-Portland line might not be viable if Pacific National decided to pull the plug. Whilst you guys want to get the grain here, the rail operator might say that it is not profitable and it would be better to go to Geelong. What is your comment on that scenario?

Mr Norman—The rail operator has the grains industry as a customer, and the biggest players in the grains industry are GrainCorp and AWB in Victoria. ABB Grain Ltd is also a significant operator in Victoria. They contract Pacific National to carry grain to one of the three Victorian ports, and I imagine they would drive the decision about rail facilities. They are the only customers of Pacific National on the rail system in rural Victoria. If they are convinced, for whatever reason, that it is cheaper to get grain to Portland, Geelong or Melbourne, they will react accordingly and they will work with the rail operator.

Mr McARTHUR—But what do you offer the rail operators to come to Portland? Why is it in their interest to come here if it is a lineball decision from Dunolly to Portland or from Dunolly to Geelong?

Mr Norman—They can get through the rail facilities quicker; there is less congestion on our rail facilities here. Traditionally, the grain has arrived here simply because it has to travel fewer kilometres in this direction than in the other direction.

Mr McARTHUR—You say you are a deepwater port, but I notice that your draught is not that much greater than in the other ports. Do you do any dredging here at Portland to get your draught right?

Mr Norman—It is a natural harbour, so very little dredging is required, but from time to time at the berth spaces in particular, yes.

Mr McARTHUR—It was always my presumption that ‘deepwater’ meant that your draught was considerable but that there was not any limit on it. Is your draught of 12.8 metres virtually unlimited for the ships that come here?

Mr Norman—No. In fact a panamax bulk ship can reach a little over 13 metres when it is fully laden.

Mr McARTHUR—So how do you handle a panamax ship?

Mr Norman—They cannot depart fully laden.

Mr McARTHUR—So you are not a deepwater port by definition?

Mr Norman—I think by definition we would be classed as a deepwater port, yes.

Mr McARTHUR—That is an interesting—

Mr Norman—It depends on the ship size. We could not depart a cape-size coal loader fully laden either. It has a draught of well over 14 metres, but we can—

Mr McARTHUR—But it has always been put to me that the virtues of Portland were that you were a deepwater port, no dredging was required and you could take any ship size. You are now saying to us that you are limited in some ways.

Mr Norman—Yes, certainly. But every port is limited in some ways. We are a deepwater port, but 12.8 metres is not the current total depth of the typical panamax—

Mr McARTHUR—Could you dredge it to get a bit of extra for the panamax ships?

Mr Norman—Yes, we could. I am sorry, I should qualify that. Dredging at the berth that is most in prospect for deep draught ships is likely to be a complex affair, because the berth was constructed at a time when ships did not require that much draught. So there may be significant structural work to carry out on the wharves to get them down to a depth where you can depart a fully-laden panamax.

Mr McARTHUR—On the broader issue, you were privatised under the Kennett government. You might prefer not to answer this, but is the port profitable?

Mr Norman—Yes.

Mr McARTHUR—Is this a published statement of your operations, or—

Mr Norman—No, it is a private company, so we do not publish financial statements.

Mr McARTHUR—But you have said publicly that it is profitable and it has worked out in the right way.

Mr Norman—Yes.

Mr McARTHUR—Thank you.

CHAIR—What is your view on woodchip? Are you fairly sanguine about which way it gets to you at the port?

Mr Norman—We think we can cater either way, whether the material arrives by road or by rail. Rail handling is more efficient, because the typical trainload of woodchip that arrives at the port would carry up to 800 tonnes of material; whereas a semitrailer carries 25 tonnes. So you need many more semitrailer loads to make up the 800 tonnes that you have got on a train. A train handling of bulk commodities like that is inherently more efficient. We will cater for it whichever way it comes. We do not have a really fixed point of view about that.

Mr McARTHUR—We are hearing evidence from other witnesses that these trucks are coming in every 29 seconds, seven days a week. Surely you must have a view on whether you can cope with that type of traffic flow.

Mr Norman—Yes, we do have a view on it, and the answer is yes, we think we can cope with that. We have had internal port road studies carried out and we think that we can receive and depart trucks—

Mr McARTHUR—You said a minute ago, though, that you feel that the rail option would be a bit better because you have got an 800-tonne load coming into the port. Have you made some observations about the possibility of improving the rail network from Mount Gambier to Penola to collect some of that woodchip product?

Mr Norman—Yes, we have. We devoted a little effort last year to investigating that possibility. We concluded that we could provide for rail arrivals of woodchip at the port relatively efficiently. But we would have to construct unloading facilities that we do not currently have on the port.

Mr McARTHUR—So you are keeping both balls in the air, so to speak. You will be able to handle road, and rail is a possibility.

Mr Norman—Yes. The implications for road are the number of trucks that are coming through Portland when the harvest reaches its full sustainable level in 2011. But that is a problem for Portland. For the port of Portland, we believe that we can handle the trucks when they arrive.

Mr HAASE—Does any of your grain arrive by truck?

Mr Norman—A small proportion of it. Of the 700,000 to one million tonnes, maybe 100,000 or 150,000 tonnes could arrive by road in a year.

Mr Klein—The point is that a large proportion of that is coming out of South Australia as well.

Mr McARTHUR—Could you give us a bit of a view on the relativity of the export and import? I notice you are talking about a 70 to 30 ratio. Could you extend that argument as to the profitability of the port—having some imported product as well as being a major exporter?

Mr Norman—Either way, I do not think we feel that one mode of arrival is more profitable, at least for the port, than another.

Mr McARTHUR—It is just that you have got imported product as well as exported product. I am just trying to get a feel for that assisting you in the port's operation.

Mr Norman—The importing part of our business is a critical part of our business. When you look at the importing part, what it is composed of is mostly alumina, which is a feedstock for the Alcoa refinery. Its product is almost all re-exported. So it is a receiver for processing and re-exporting, if you like.

Mr McARTHUR—What about the fertiliser? Can you give us a view on that?

Mr Norman—Fertiliser is mainly supplied to the broadacre producers to the north of us. It is partly supplied out of a fertiliser plant that is actually on the port, but it is a core part of our business. It is very important to us.

Mr McARTHUR—With the rationalisation of the fertiliser business, do you think that facility will continue to operate?

Mr Norman—We have got no indication that there is anything on the horizon as far as the fertiliser industry is concerned.

Mr HAASE—I am interested to know where your aluminium product comes from. Do you know its source?

Mr Norman—Western Australia; it comes from the south part of Western Australia.

Mr Klein—It is from Bunbury.

Mr HAASE—We are hearing constant debate about whether it is road or whether it is rail in the future. We are certainly concerned with being able to make a firm recommendation with regard to the best solution for the port at Portland and the immediate Portland area more generally. It seems that we are not getting a clear indication of the region from our witnesses. It is beginning to dawn on me that the lack of decisiveness in this regard perhaps has a lot to do with the fact that we can keep on, in small increments, improving road infrastructure. We can easily allow the trucking industry, in their small units tonnage wise, to make piecemeal decisions, in a very easy way, about putting another truck, and yet another truck, on the road. But it strikes me that no-one is sufficiently collectively visionary to bite the bullet with regard to a long-term solution, which I have always believed to be rail. The mantra of one of the chair's colleagues was: the steel wheel on the steel rail is seven per cent more fuel-efficient and is our transport future in Australia. It seems not to be a very fertile ambition here in the region, generally speaking. I expected the port authority to have looked long and hard at this and to have been more decisive.

Mr Norman—In fact, we have looked long and hard at it and our conclusion, as of late last year, was that rail, particularly from the South Australian side of the border, would be a feasible way for us to receive a portion of the hardwood chip harvest and a portion of the softwood chip harvest—not all of it, because the rail is not positioned conveniently for all of it, but maybe 50 or 60 per cent of it could come to the port by rail. It could come economically to the port by rail, because the tonne-kilometre cost by rail is a lot lower than road, because of the factors that you mentioned and also because the price of diesel is going up. Those cost factors will continue to increase.

But it was also our conclusion that someone—that is, some government—would have to undertake the capital cost to provide the rail solution, as they do for roads. It was our conclusion that an operator could make a profit from capturing roughly half of the product from the area, maintain the capital and keep the terminal facilities, but the main railroad itself would be beyond the ability of the private operator to provide and they simply would not be interested in making

that investment. We looked at it in our own right, in fact, and one of the reasons we ceased efforts in that respect was that we thought that we did not have the expertise to carry the argument any further. But our conclusion was: yes, it is feasible, but the government would have to provide the permanent way initially to attract an operator.

Mr McARTHUR—At least you are making the point that 50 per cent of the product could travel by rail. That is a more definitive statement than we have heard from other witnesses.

Mr Norman—If you think about it, the grains industry operates now by rail in a way that the woodchip industry thinks cannot happen. But they have been doing it for the best part of 100 years. That is, they accumulate in sites adjacent to railways, they load trains and the trains go to export ports. That is exactly what the proposition would be for the woodchip industry—the same thing.

Mr McARTHUR—What is wrong with that?

Mr Norman—Nothing. The point is that there is nothing wrong with that.

Mr McARTHUR—Some of us have been arguing that case this morning but it does not seem to be making much progress. If you loaded it at Penola or Mount Gambier, it seems good sense to shift the product here by train.

Mr Norman—I would agree with that. It gets back to the fact that to provide a level playing field with the road the same people have to maintain the permanent way as maintain the road—that is, a government.

Mr McARTHUR—The alternative that we are hearing, though, is that the road will break down under this four million tonnes of woodchip material.

Mr Norman—That is something that road experts could answer. They are indicating to us that the roads, at least the main ones, can take it.

Mr McARTHUR—You are exporting 1.2 million tonnes of woodchips. Could you give us a view as to what you think the future of the whole woodchip-blue gum industry is, from the port's perspective?

Mr Norman—We see that, from 2011 onwards, that is a sustainable harvest and it is probably in excess of two million tonnes, and possibly in excess of three million tonnes. But, just like everybody else, we are guessing how big it will be. The only risk factor in that is that, if the conclusion is drawn that the industry in its first rotation is uneconomic, there might not be replanting for a second rotation. They are eight- to 12-year cycles. But, given that everybody thinks it is a viable industry now, there is no reason to think it will not continue.

Mr McARTHUR—Would it affect your operation considerably if the woodchip industry fell over?

Mr Norman—Certainly. If we cater for a two-million-tonne harvest to be exported and it does not arrive, we would be devastated.

Mr Klein—I think it is worth making the point that when we talk about two to three million tonnes of woodchip we are talking about blue gum chip as well. We are doing, as Martin said earlier, about 1.2 million tonnes of soft woodchip per year. That is all plantation timber; that is the by-product of the sawn timber industry, and it has been around for a hundred years. We do not believe that the soft woodchip trade is going anywhere. In fact, we see that as one of our secure trades, so the 1.2 million tonnes is established. We talk about another two to three million tonnes on top of the 1.2 million already.

CHAIR—If you had a rail link to Penola, how much of that additional soft woodchip would be available? Or is that corridor all blue gum?

Mr Norman—No, the majority of our soft woodchip comes by road from that area.

Mr Klein—It is processed primarily at Tarpeena, which is between Penola and Mount Gambier, at the Auspine facility. The Auspine facility is, I think, seven to nine kilometres off the main track. There has been a bit of an issue as to who is going to pay for the spur line into Auspine; that is an issue. There is also wood being processed in Mount Gambier and at Dartmoor. Obviously, all of those positions are adjacent—particularly the Mount Gambier and Dartmoor sawmills—to the rail track to Portland.

Mr Norman—That would make those facilities an attractive prospective customer for a railway. In other words, there is a predictable volume coming out of facilities that are located hard by rail facilities.

Dr JENSEN—Let us take it five and 10 years into the future. Let us assume that we have a situation in five years time where essentially there has been no new infrastructure building but there has been maintenance of existing infrastructure. Do you have a capacity constraint? If so, what is it?

Mr Norman—We do not have a capacity constraint at the port as far as road arrivals are concerned. But I should temper that by saying we have to redesign our internal road system in accordance with the recommendations we have received from some traffic engineers. Also, we believe that we will have to build a new berth to cater for the woodchip trade. I guess they are constraints.

Dr JENSEN—But no constraints from the perspective of road or rail links coming into the port?

Mr Norman—No, I do not believe so. Those things I mentioned are things that the port itself would invest in.

Dr JENSEN—Ten years down the track, looking at your projections once again, assuming that you do your port upgrades, as far as road and rail linkages outside the port are concerned, is there going to be a capacity constraint if all that has happened is routine maintenance of the outside infrastructure?

Mr Norman—The constraints are more in the nature of limiting our opportunities to expand further than catering for the trade that we now predict to receive. When I say that, I am thinking

about the development of mineral sands mining to the north of here. Mineral sands is a kind of product that might well go on rail because it is produced in predictable quantities from fixed points rather than being harvested from all over the place. So it is a very good potential candidate for rail transport to the port.

Dr JENSEN—You are talking about that northern line?

Mr Norman—That is right.

Mr HAASE—It is interesting, isn't it? As my colleague 'General' McArthur mentioned earlier, you have made the point that sand mining is ideal for rail, because it is from a fixed point at a predictable quantity. Yet your traditional rail customers are grain growers, and grain comes from a multitude of sources in an unknown quantity, depending upon rains. It is interesting to observe that you have a vastly different view of the two industries, which are vastly different, yet you say that they are both adapted to rail. But you have not expressed such a strong point of view about woodchips.

Mr Norman—If I have not, I should do so now. Again, I ask: what is the difference between the woodchip business and the grain-growing business as far as logistics are concerned?

Mr HAASE—Okay; you concede that. I would like to hear your thoughts on this matter: we have heard repeatedly the question: 'What if we build a rail and products continue to move via road?' As a business that survives on the concentration of all those products, if you decide to make the most efficient use of your land by limiting the trucks and encouraging rail, how might you see a regulatory regime that would put those products onto rail provided and maintained by others?

Mr Norman—I think it is an economic question. Our customers are bulk product exporters. They will take the cheapest mode that is available. If rail is unfairly penalised because they have to bear more of the capital cost of their infrastructure than the road people do, then rail is operating with a hand tied behind its back, so to speak. But, as I say, these exporters and importers are dealing in bulk commodities, and cents per tonne kilometre is what matters to them.

Mr HAASE—A point of view exists in many quarters that the trucking industry enjoys a great benefit because the surfaces on which they travel are paid for by others and that in fact the imbalance is the other way—that road transport is in fact heavily subsidised—although it is not obvious.

Mr Norman—There is a fair bit of published material on that subject. If the committee has not seen it already, there is one document called *The future for freight*, published by the Australian Railway Association and Port Jackson Partners some months ago. It looks into those questions of comparative costs and who bears them.

Mr HAASE—Do you think the cost of the licensing of road transport ought to be substantially increased?

Mr Norman—I think that, as far as regulation is concerned, you need to make the two modes of transport economically equal. I am not an expert on how you do that but that is what you need to do. You need to make sure that you take away the advantage of one that will distort efficient transport.

Mr HAASE—I would expect that you would be concerned for your economic future, given that you took a decision—to a degree, at least—to specialise your preferred mode of transport into your port. If you took the decision to go for a very efficient and adaptable rail service because you saw it was difficult to handle 29-second intervals with the arrival of woodchip trucks, you would then want to be assured through a regulatory regime that that rail was utilised and you did not, regardless of your decision, still have a constant stream of trucks coming into your port facility.

Mr Norman—We think in any case there will be a constant stream of trucks coming into the facility because there will be produce that comes from the land around that is just more efficiently dealt with by trucks, either because rail lines are too far away or because the material is harvested from points very close to the port.

Mr HAASE—Such as live sheep trade or whatever.

Mr Norman—We think that there will always be a proportion of our cargo, under any circumstances, arriving by truck.

Mr Klein—We are providing a service to the exporters. Although we have spent a lot of time looking at rail, our view at this stage is that we will provide whatever receival service current or future exporters may want. To that extent, we can provide receival of products by rail or by road. But the point is we think that the overall cost of the port providing the receival service is relatively small compared with the cost of the freight. So in fact our component of reply is relatively small and probably will not drive an exporter's decision to go with road or rail. It is ultimately going to be that cents per tonne kilometre that drives an exporter's decision to go with road or rail.

Mr McARTHUR—What is your perspective of where Portland fits in relative to Geelong and Melbourne and the possibility of Hastings Westernport?

Mr Norman—As far as being a port that services a manufacturing sector or heavy industry, there are very significant land-side and well as seaside requirements. If you are thinking of Portland as a potential major import or export port for manufactured goods—the types which come through Melbourne and to a certain extent Geelong—there are a number of factors which would make it unfortunately a little difficult to compete. We are 350 kilometres from Melbourne, the site of most of these industries, and land transport would be the mode. Even the most efficient rail is probably 6c or 7c a tonne kilometre.

Mr McARTHUR—You think you have a place in the sun, though—that Portland, Geelong and Melbourne will continue to be the major ports in Victoria.

Mr Norman—I think that for logistic reasons. That is where the people are and that is where the heavy industries are, and the land transport link between Portland and those places is probably just a little bit too difficult.

Mr McARTHUR—You will continue to provide this commodity export through Portland.

Mr Norman—That is the way we see our future, yes. If that changes over time and we need to do some container business, we can do that too. I think we are probably just a little bit too far from population centres to aspire to major container operations.

CHAIR—I hate to wind this up but we will see you this afternoon. We can fill in some other details as we inspect the port. Thank you for your evidence today. We will be sending you a copy of the *Hansard* transcript for editorial corrections.

[12:31 pm]

KELLAS, Dr John Douglas, Executive Officer, Green Triangle Regional Plantation Committee Inc.

KING, Mr Grantley Colin John, Chief Executive Officer, Limestone Coast Regional Development Board Inc.

CHAIR—Welcome. Do you have any comments to make on the capacity in which you appear?

Mr King—I am Chief Executive Officer of the Limestone Coast Regional Development Board, based in Mount Gambier—and, interestingly, a former chairman of the Greater Green Triangle Region Association, which obviously encompasses much of this Western District area as well.

CHAIR—We will not be asking you to give evidence on oath, but I remind you that these are proceedings of the federal parliament and warrant the same respect as proceedings of the House itself. It is customary to remind witnesses that the giving of false or misleading evidence is a serious matter and could be considered a contempt of the parliament. Having said that, you are most welcome to be here. Presumably, you both wish to make an opening statement.

Mr King—Yes.

CHAIR—Perhaps you could start, Dr Kellas, and Mr King might follow.

Dr Kellas—I am not sure whether you are aware, but the regional plantation committee and private forest development committees are funded by the federal government through the Department of Agriculture, Fisheries and Forestry—and, in my case, jointly by the South Australian and Victorian governments—to provide a focal point for plantation development expansion within the Green Triangle region, which is clearly both sides of the border. The membership of the committee consists of the various plantation growers, both softwood and hardwood; private individuals; local government representatives; and representatives from catchment management authorities and farm forestry. So we cover quite a diverse range. We do not necessarily cover all the processes in the region but we certainly cover all the growers in the region.

I will put things in perspective. The Green Triangle region has been noted for its beautiful conditions for growing trees, certainly pine trees, for in excess of 100 years. In more recent times, with the advent of Plantations for Australia: The 20/20 Vision and the target to treble plantations within Australia by 2020 to three million hectares, this region is certainly making its contribution. The bulk of the growth that has occurred in the period since 1996 has been in blue gums. Currently, we have 130,000 hectares of blue gums plus this year's plantings, which probably makes it about 135,000 to nearly 140,000 hectares; and somewhere in the 160,000-hectare range of pine, which has stayed reasonably stable. With blue gum, most of the

development has been done under management investment funds with the objective of export to North Asia in some form, as chip or potentially as pulpwood.

As you have heard already, pine production is roughly four million tonnes per year. Basically all of that is processed within the Mount Gambier region or in Dartmoor's, another mill, and there is some wood exported out of the region, if you like, to places like Colac. Of the four million tonnes, about two million tonnes ends up as sawn wood and other bits and pieces go into panel boards, veneers, veneered lumber and woodchips.

I would just make a clarification on some of the numbers that were quoted earlier on the pine woodchip exports. There are two sources of pine woodchip in the region. About half the pine woodchip export comes from operations in the field. The other half—in other words, about 600,000 tonnes—comes from, basically, three saw mills: Auspine and Green Triangle Forest Products, which has two mills, and the other processor in the region, Carter Holt, which use their own wood residue within their own plants to produce panel board and veneered lumber. So the potential for picking up from rail with all the pine chips will be somewhat problematic as at least half of it comes from distributed points within the forest.

With the blue gums, we predict in the submission and in a recent report we have released estimates based on growers' contributions. We are predicting potentially up to 3.7 million tonnes of blue gum chips, but I think the sustainable volume at this point in time will be around three million tonnes. Large plantation areas were put in between 1999 and 2001. Of the roughly 130,000 hectares, 80,000 went in in three years. So there will need to be some smoothing of harvest for delivery to the port come maturity. But our data would suggest that the long-term average at this point in time will be roughly three million tonnes.

We have one organisation looking at the environmental effects statement for a pulp mill to be based at Heywood. That would take in three-quarters of a million tonnes of chip to turn out about 350,000 tonnes of pulp, which would then be exported. It is also problematic whether that would be exported through Portland as bales or through Melbourne as containerised product, depending on who is buying the end product. It would be anticipated that that would go to North Asia. The offtake has been contracted to a Swedish company but they are building plants in North Asia. So it will remain to be seen where that output goes.

In regard to the other matter of chip production, as has been stated, some chip production will occur at stump; some of it is likely to be shifted to static sites. Those static sites may be permanent or they may be short-term permanent, if you like. Great Southern Plantations is looking at the feasibility of establishing a bulk storage facility at Heywood, adjacent to the railway line, in which it may well ship logs to Heywood and chip them on site rather than move chips. That would allow for the movement of chip from Heywood into the port of Portland in that process.

CHAIR—What tonnage?

Dr Kellas—At the moment they have roughly 25,000 hectares. That is probably going to grow to closer to 40,000 hectares. As a ballpark figure, if you multiply that by 20 tonnes per hectare per annum you are looking at roughly just under one million tonnes potentially.

CHAIR—Is that currently included with your earlier quotes or would that be additional?

Dr Kellas—That is within the three million or four million tonnes.

Mr King—The Limestone Coast Regional Development Board, which I represent, is funded by the South Australian government through its Department of Trade and Economic Development and the local councils in the south-east of South Australia. It is one of 13 regional boards in South Australia. Its primary role is to facilitate economic development. In as broad a sense as possible, we try to do that. The area that I represent is the south-east of South Australia, which goes just a bit above the Dukes Highway at Bordertown and Keith, across to the Coorong and back down to Mount Gambier, but for a whole range of reasons we operate and watch very closely what happens here in the western district of Victoria. We have strong relationships with our colleagues here, particularly in local government in the shires that border our immediate patch, and certainly the Glenelg Shire.

We are fortunate in this region to have a very diverse economy. It is one of the regions in Australia that we are a bit parochial about in terms of what is occurring in the region in economic terms. At the moment one of the key issues for us and one you would have heard a lot about and will continue to hear about is the growth in the timber industry in particular and its impacts on our road, rail and port infrastructure. That is why it is particularly pleasing that the committee has seen fit to come here to Portland today. We are pleased to have the opportunity to talk to you about that issue. The timber industry is a major regional employer. There are around 4,000 direct jobs and around 10,000 indirect jobs associated with plantation forestry and wood processing. For the purpose of that industry, the South Australian-Victorian border is irrelevant. The industry spans the two regions—it is one discrete industry and is very significant to both sides of the border.

One of the consequences of blue gums being established in the region a number of years ago, principally in answer to the federal government's 20/20 Vision, was that we were going to have a significant resource available to us in addition to the resource that is currently processed in the region at a number of sites or exported as woodchip. The regional development board undertook a scoping study which was sent through with the submission. The study was basically looking at the extent of the plantation estate, going forward 30-odd years, trying to give us a feel for what capacity there was within that resource base to attract further value-adding of the resource. That was the principal reason for conducting this piece of work.

One of the consequences of the work was that it highlighted to us the extent of the plantation estate and how it is going to look going forward in terms of its impact on the harvesting and haulage operations associated with taking a resource from the forest to a point of either export or processing. In addition to this work, we followed on very quickly with work in partnership with the plantations committee and our resource information mapping centre to undertake work to map the wood flow as it would affect the various local roads, national roads and other means by which that wood resource is going to find its way to processing plants or to Portland.

Based on the volumes that are available to us from this very good data, we could see very quickly that Portland is a critical piece of infrastructure to this region and the impacts on the port are going to be significant. In working with the port, my understanding is that something like 2.6 million tonnes of their freight come into the port by road. Our figures estimate that that is going

to more than double when woodchip traffic that we think is going to come to the port starts coming on stream in a big way beyond 2010. We have no operating rail system in the south-east of South Australia. We were disconnected from the national grid when the line was standardised, and that frustrates us. Obviously these increased volumes are going to put significant pressure on a whole range of roads. The wood flow work will show that, but that impact is going to be felt on local roads, the highway systems, the main roads and, significantly, the feeder roads in to the port.

One of the challenges for us is that there are plenty of local opinions, local solutions and local experts. To try to address the issue and reach a sense of coordination in terms of what might be our best investment to manage our transport task into the future would mean bringing together the various pieces of work that have been done by local governments and working with the private sector to try to understand where we might best invest in a transport solution. That has been difficult because, as I said, there are differing views. Some of the timber companies, for example, have different views on how they might see their product coming through to the port. Much of that opinion is based on the cost of moving, in terms of woodchips, what is essentially a low-value commodity product, and therefore the cost of transport is critical in that marketplace.

We have engaged with the South Australian Department of Transport, Energy and Infrastructure and the Victorian Department of Infrastructure. We have worked closely with our local government associations, both in the south-east and here at the Glenelg Shire, and worked with the port and other stakeholders. We thought as a region that one of the smart things to do would be to put in a submission to AusLink for strategic project funding to bring together the work that has been done to try to sort through what might be the best way forward for investing. I am interested to know that there is a range of views about whether or not the region should make up its own mind about what might be the best solution. We continue to have a lot of arguments. Certainly from the regional development board's point of view we have argued for 10 years now that our rail system in the south-east must be preserved, because at some point in time our view is that the road freight task will be so great that we will have no option but to look at rail.

At the moment, the missing link in the rail scenario is a commercial operator who is prepared to identify and seize a commercial opportunity and to work in partnership with whomever it might be to invest in the upgrade that is required to standardise the link and put in the other infrastructure that might be required to both load and discharge from those facilities so that rail can provide part of the solution. Our development board believes that it is important long term that that solution is available to us when the commercial environment is right.

Our submission talked about the need to bring all that information together, and I guess that is really where we sit at the moment. We are doing a lot of work with industry, as I say, to look at the various options. We certainly have looked at the key roading infrastructure. There have been proposals to build roads—the Border Road, for example, which I am sure you have heard about. We know that there is significant pressure on the Princes Highway, on the Mount Gambier-Portland road via Nelson and on the Riddoch Highway and that those pressures are going to increase with the volumes of wood that we know are going to come on board.

There are a couple of interesting things about this region that I think are worth noting in terms of road transport, particularly timber transports. For a good part of the year it is wet down here

and, if you get behind large transports on the roads without sufficient passing lanes or the capacity to move safely, the wet weather conditions—certainly from June to October, at least—are very hazardous. That is a factor that needs to be understood when we look at the number of truck movements that we continue to place on our various road networks.

My background is in earthmoving and civil construction, so I spent a lot of time working with the forestry industry and building roads around the region. In doing that, I operated trucks so I have some understanding of the cost of transporting materials. Again, one of the challenges for us in arguing for a rail solution has been the view that it is a short-haul operation and therefore the cost of double handling might make that prohibitive in terms of the low-value commodity and its ability to cope with those extra handling costs. I think that clearly there is a need to have a proper evaluation of the commercial viability of our rail system as part of the process of looking at what money needs to be invested in maintaining a road network. It is something that we must do as a region to understand our best way forward.

I want to thank you for coming to the region. I hope that you get a better understanding of this region as an economy and that we gain some support in the issues we are trying to cope with in managing our way forward in a partnership arrangement to fund what is going to be a sizeable task to manage a more than doubling of our freight tasks.

CHAIR—You have made a very good submission. I was looking at this map and at the rail map as you were speaking, and one quite obvious thing is that, whether you move it by road or by rail, the main corridor areas are certainly the ones from Penola down to the port and from Hamilton and Casterton down to the port. They will be your three major arteries, two of which presumably could be handled by rail if the appropriate infrastructure were there. Where does your priority lie? Would your priority lie with seeing the rail restored? You said you think that would be critical for the future in the medium term. On the other hand, you are putting in a pitch for the border road as well.

Mr King—No. I am saying that there are local experts who have solutions. In fact our local member in the south-east said publicly a few weeks ago that he had the answer: 'We'll build the border road.' You cannot build the border road until such time as you have it fully costed and properly evaluated in terms of its impact on the freight task and its impact on other infrastructure. That work has not been done. Auspine has spent several thousand dollars, with Maunsell, to have preliminary work done on costing that option. It is one of the options and it needs to be looked at in the context of this challenge. The challenge we have is that people are picking winners but we do not have an agreed position on that. I think we need support to gather the intelligence available, to put it on the table and to work towards an agreed position.

CHAIR—I must admit that I was surprised by earlier evidence that there has been no evaluation of the options.

Mr King—There has been. I have referred to the work that Auspine carried out in their own right to cost the border road. They have spent $30,000-odd in looking at costs.

CHAIR—What was their costing for that road?

Mr King—It varied. The first time around the estimate was about $15 million; it is now estimated to be something like $25 million. I suspect that it will probably be more than that. The rail option has been part of an intensive call in South Australia for a commercial operator to come forward, and when the network was isolated we as a development board had the project costed in terms of standardising it. I suspect that would be a heck of a lot more money now than it was then. I understand that the Victorian government have just done similar work, looking at their side of the border.

We have both agencies of state governments doing work in-house at the moment, and we think that information will be available to us around the end of August. At that time we will have a much better idea of what the state's position will be on its infrastructure. When we have that information, it will put part of the picture together for us. There are a number of local issues. We are being pressured by our communities to be seen to be doing something about what they see as a looming freight task. There has been much speculation in the local media, because people are talking about the various preferred solutions. Our board's position is that we simply need to have some support to use the data available, put the facts and the work on the table and in a sensible way work through where we think the best investment might be to manage this freight task.

CHAIR—But what are you saying to us as a Commonwealth inquiry? This is not said with any disrespect, but we have come here not so much to hear what the region wants to say to us and for us to recommend to the Commonwealth as much as to have the region tell us how many diverse views there are within the region. There does not seem to be a coalesced view of where the Green Triangle region wants to go. We have had people on different sides of the border articulate two different cases: one for the urgent restoration of the train line and one saying that they did not think the train line was worth too much and that they would rather have the border road. That is in the short space of a couple of hours this morning. What does the industry say? How many players are there? You are the committee; presumably you represent growers.

Dr Kellas—There are principally three to four blue gum growers who will be using the port. They may or may not become a major consortium but at this time they are acting individually.

CHAIR—Do they do their own harvesting and transport?

Dr Kellas—It will all be subcontracted out.

CHAIR—But they will be ultimately responsible?

Dr Kellas—They will be the ones who manage it.

CHAIR—What about the farm plantations? How do they coordinate their sales?

Dr Kellas—They have the same arrangement. Most of the companies either own freehold land or have leased land, and they have the harvest rights. So the companies organise that themselves, essentially.

CHAIR—So the farmer provides the land.

Dr Kellas—He provides the land and gets a payment for that. The forestry companies manage the rest of it.

CHAIR—You said there were four major players?

Dr Kellas—Yes.

CHAIR—Is that purely for the blue gum plantations?

Dr Kellas—The principal blue gum growers are: Timbercorp; ITC, Integrated Tree Cropping; Great Southern Plantations; and to a lesser extent Forestry SA, the corporatised forest operator. The pine operators are Hancock Victorian Plantations, Green Triangle Forest Products, Auspine and, again, Forestry SA. So essentially there are eight growers in the region.

CHAIR—They do not have a coalesced view?

Dr Kellas—In fact there are some contrary views within that group.

Mr McARTHUR—Mr King, what is the local politics of the roads being overwhelmed by trucks? You mentioned the problem of rain in the wintertime, but when there are four million tonnes of woodchip material what do you think the locals will say to state governments, local shires and federal governments? What will be the attitude on the ground?

Mr King—There are a number of attitudes, I guess. Again, the wood flow work shows that the roads that are going to be impacted are wide and varied. So local governments are going to be saying that there will be a significant impact on local roads for which they are responsible. Historically in our region the timber companies have been very good at partnering with local governments and other governments, with respect to some of their forest roads. The significant impacts are going to be on the major roads and highways.

One of the issues, at least in the south-east region of South Australia that I understand quite well, is that there are going to be pressures on some towns. Penola, for example, currently has no by-pass; all the traffic goes through the main street. I think when Transport SA last did a count there were something like 700 transport movements per day through the main street of Penola. With the blue gum harvest, if the blue gums come through Penola it would add a significant number of trucks to their community and it would cause some concerns as well as some safety issues. Mount Gambier at the moment has no significant northern by-pass and therefore most of the timber traffic comes through Mount Gambier, along the main highway and back out, either through the Princes Highway or through Nelson, to Portland.

Those volumes will increase significantly, just from the traffic that will come from the south-east. I know that there are all sorts of figures being bandied around on this but, if we take a standard 25-tonne load as it arrives at the port and a standard 250-day working year and look at the volumes, on a three million tonne scenario a truck will be moving somewhere—either loaded or empty and probably at the port—every 1½ minutes. I have been involved with tip trucks and I know how long it takes to park one, back it into a spot, tip it and discharge. I do not know that that has been factored in. The turn-around time is significant and that is why one of the things

we have said in our AusLink proposal is that it is critical for us to come to the port and work our way backwards to working out how to address this freight task. We must do that.

In terms of the impact on Mount Gambier, most of the million tonnes of softwood chip and the 300,000-odd tonnes of export log currently find their way close to or through Mount Gambier. Without a rail system to take some of that freight, and without a border road, it is likely that a million tonnes of blue gum chip is going to come through Mount Gambier as well. When we have that million tonnes added to the current freight task, just timber traffic alone is going to see a truck somewhere in Mount Gambier, going one way or the other, every two minutes on the same 25-tonne scenario.

Mr McARTHUR—The locals will have a view on that, won't they? That is what I am trying to ascertain: what the local politics will be.

Mr King—The local politics will be that we will be searching for a solution, which will be either a bypass around Mount Gambier or a rail solution that might take some of that freight. Even then there will be an issue, because the rail corridor runs right through the middle of Mount Gambier. The challenge of a lengthy train running through the centre of town is going to be an interesting one. In the short term there would be no option but to do that. As regards the long term, we say in our submission primarily that we need to take a helicopter view of the whole region and have a look at how these things work and where they fit so that we can plan for the long term. This is not a two- or three-year fix; this needs to be a 50- to 100-year fix, in our view.

Mr McARTHUR—What you are really saying to us, in summary, is that there is going to be a major political problem for those people who have that responsibility. Members of local government and state and federal parliaments are going to be lobbied very strenuously if you have a truck moving through Mount Gambier every three minutes. I have had some experience of this in Geelong, so I know what they do.

Mr King—Yes, and we have not touched on what it is going to do to places like Casterton and other little towns in this community if we do not have a proper evaluation of which is going to be the best solution for us.

Mr McARTHUR—But in the long run it will be the political pressure that will drive some of the arguments. You can have all these nice studies, but if this truck flow that you are talking about eventuates then the locals will be very unhappy, as we found in Tasmania with the log trucks. The log trucks dominating the roadways became a big issue in the Tasmanian timber debate.

Mr King—That is right. The locals will not only be unhappy but will have increased risk as our travelling public will be further intermingled with heavy vehicles. Although in some respects, from a regional development point of view, that paints a very health economy when people see the amount of activity that is happening in this region, we have to look at safety and the costs of maintaining the infrastructure if we are going to keep that sustainable arrangement going.

Mr McARTHUR—They tend not to take that into account when they see the log trucks running over the top of them, I can tell you.

Mr HAASE—We are getting a lot of information, much of it conflicting, as the chair has already mentioned. As to the problem of trucks moving through Mount Gambier versus the problem created by large trains moving through a central part of Mount Gambier, both seem to be a problem. I am sure they are, but surely an opinion is held as to which one is greater problem than the other. You have confessed to being supported by the South Australian government. What view does the South Australian government take of that potential problem? I am hearing a great deal about the isolation, certainly from Melbourne to the east and from Adelaide to the west of this triangle area. What interaction are you aware of between the two state governments in, firstly, being aware of the problem and, secondly, being interested in providing a solution?

Mr King—My understanding is that the two states have worked, in recent times, fairly closely on this issue. I know that the department of transport in South Australia have a view that the rail solution is a possible solution that they would like to see established. Similarly, I think the Victorians have a view that the rail solution might work for them. I understand that in their current costing and analysis of the situation at least the two state ministers have talked about that situation. We would encourage that to continue to happen. As I said earlier, I would expect that by the end of August at the latest, the South Australian department of transport will have their plans available to us, which I expect will be a summary of their view on rail and at least an outline of their proposed expenditure on Riddoch Highway.

Mr HAASE—Do you know if there will be any consultation, prior to the publishing of that report, with the Victorian government? Is there a proposal to integrate that recommendation with a similar set of recommendations in Victoria?

Mr King—I can only say that the state Minister for Infrastructure and Transport has said that it is critical that the two states work together on this rail issue in particular. There is no point in the South Australian government saying, 'We'll invest in a rail upgrade,' if the Victorians are not going to connect Heywood to the state border and vice versa.

Mr HAASE—That is my point. So is there any evidence?

Mr King—Dialogue is happening between the two state ministers. I know that Patrick Conlon is very keen to ensure that the two plans come together in terms of a decision being made.

Mr HAASE—Perhaps we are a little early, so to speak. I am imagining how much easier this debate would have been had we arrived after those two coordinated reports had been published. Do you have a personal point of view that says that we can be optimistic about these reports and that they will bear a solution into the future, or do you believe that state governments will filibuster and not address the issue in the short term?

Mr King—I think the state government will have to invest in infrastructure. My view is that the Commonwealth needs to be a player at the table in this respect.

Mr HAASE—As we are, of course.

Mr King—Yes, and that is why I think it is terrific that you are taking the time to listen to the issues. The key point I want to make today is that this region is doing lots of things for the economy. It has lots of challenges, some of them good and some of them difficult. But it is

important that each party to the process understands its role and is part of the solution. In that context, I would add that much of the investment we have seen in the blue gum industry was driven by the 20/20 strategy and the policies of the government of the day. We are simply taking the opportunity to say that the state governments are looking at the solutions. We have had consultations with the private sector and will continue to do that because, as John said, they do have some differing views. They are doing their own work on where this fits. I am simply reflecting on the fact that we put a bid up to AusLink to provide support for us in that context and failed.

CHAIR—But that was purely for the study.

Mr King—I think 'study' is probably the wrong word, Chair. I talk about the work that is happening at the two-state level and within industry and I talk about the varied views that we have. We really need support and independence to bring some of this together, to find a way forward that can be agreed to by the region.

Mr HAASE—You are seeking a higher umpire, so to speak.

Mr King—My personal view has been that if we had the resources to do so we should engage some independent and perhaps international expertise in transport logistics—to have a helicopter look at this region and provide some expertise as to how we should move forward on this.

Mr HAASE—I am reminded of comments from my colleague earlier about the great impression the Pilbara ore rail had on him. Of course, that was all funded by the industry, with state agreement concessions. I suspect it was a cheaper product per tonne than woodchips. It strikes me here that there is no consideration at all that, even as the wildest scenario, those whose industry it is and who make their profits from the shipment of this product would ever contemplate making a direct contribution to the capital infrastructure.

Mr King—In the case of roading, that has been mooted by one of the timber companies in particular. In the case of rail, currently we have a total road solution. As I said earlier, there is no rail operator. I think some interest is starting to emerge in an operating rail system.

Mr HAASE—But you say at somebody else's expense of creation and maintenance.

Mr King—Not necessarily. I certainly do not have a full and proper costing of the recommissioning of the rail system in a standardised form with appropriate loading and unloading facilities that could take the freight task we are talking about. Until such time as that actual cost is known and the numbers are factored into moving the products to their export destinations, a rail operator is hardly likely to put their hand up.

Mr HAASE—I thought a state development commission would have seen that as their regional task—to do such an analysis and to carry it through to its ultimate conclusion.

Mr King—Sure—and I referred to the report we had carried out almost 10 years ago when our rail line was isolated. John Holland Constructions provided a cost estimate of $16.2 million to standardise the total connection through to Portland. Again, the missing link was a

commercial operator prepared to go into bat and pick up freight to make a business from that standardised infrastructure.

CHAIR—Where did that one start? Penola?

Mr King—No, it went right through from Wolseley, where the main line interconnects, through to Mount Gambier, a spur west out to Millicent, and then the connection through to the border.

CHAIR—Only $16 million?

Mr King—It was $16.2 million. That was 10 years ago.

Mr HAASE—You should have grabbed it.

Mr King—We did our work.

Dr JENSEN—Dragging ourselves away from the regional infrastructure point of view and back to the port, you may have heard that the port authority's view is that, apart from mineral sands perhaps, there does not appear to be a bottleneck or constraint on volumes, as far as the current road infrastructure is concerned, out to 10 years in the future, given adequate maintenance. What is your view on this?

Mr King—The port would know better than I, perhaps. I am reflecting on the figures that we know are likely to find their way through to the port, particularly woodchip traffic. I know the facilities at Portland currently and I know what is likely to happen if we more than double that task. It is going to be no easy fix.

Dr JENSEN—If you could define one constraint, where would you put that one constraint?

Mr King—As I said earlier, I think we have to look at where the product is going to go. The indication at this stage is that most of it will come to Portland. We have then got to work with the port to establish whether they can accommodate all of that freight on road or whether there needs to be a mix of rail. From the work I have done with the port, they certainly believe there is a rail solution that needs to be put in place for part of that freight task. Currently our transporters and our timber companies are relying on road freight. Until there is a commercial option available to them to use rail, the port is going to continue to have to face dealing with increased road volumes. They might be able to accommodate those volumes in the next three to four years but our work indicates that from 2011-12 on there is going to be a significant increase in the volume of road traffic moving around the port. I think that will be a challenge for them.

Mr McARTHUR—I put a scenario to you: this blue gum plantation industry is being run by the tax regime that the Commonwealth has set in place. The Commonwealth has been very keen for Australia to produce wood products to overcome the deficit in wood products. Given the Commonwealth's role in encouraging those two aspects, do you think the Commonwealth might help in this infrastructure difficulty facing the industry in actually exporting the product?

Dr Kellas—That is a fair comment. The environment has been set up more or less by the federal government in consultation with the states. Vision 20/20 is a national thing.

Mr McARTHUR—20/20 is an objective to move into plantations.

Dr Kellas—Yes, that is right: to extend the plantation estate by a factor of three. The other parts of that were removing impediments and improving infrastructure to handle that export. It probably was not predicted at that point in time that the bulk of the new plantings would be so biased towards woodchips. There is some discussion going on about trying to change that arrangement more towards sawlogs, but at this time we are in an environment producing woodchips.

Mr McARTHUR—From this committee's point of view, the Commonwealth, ironically, has been the driver of this whole woodchip industry. I am not making a comment either in favour or against it, but I hear a lot of comment on the ground that the tax regime has encouraged this massive investment: the 13-month rule and et cetera. We have a whole new industry we did not have 10 years ago, so maybe the Commonwealth might have some responsibility in making sure we can actually get the product from the plantation to the exporter. At the moment it seems to me that that is a looming problem that we have not got a solution to.

Dr Kellas—Yes, that is correct. We are seeing exports starting in Western Australia that have already commenced from Albany and Bunbury blue gum plantations. In their case, there is no talk at this point in time of pulp facilities onshore, whereas there is at least a positive opportunity here for onshore processing and value adding.

Mr McARTHUR—Would you care to make a comment on that? You have got this argument in Tasmania with the pulp mill being mooted as well. If you put this pulp mill at Heywood, you change the whole scenario of exporting the woodchips through the ports.

Dr Kellas—That is exactly right. We are talking about a different form of pulping process here. This would be a thermo-chemical-mechanical process—really just grinding the wood up into a mush, drying it and then exporting it to then be put through a paper machine—

Mr McARTHUR—So by how much does it reduce the volume?

Dr Kellas—It reduces by 50 per cent, so it will have an intake of about 750,000 tonnes for an output of about 350,000 tonnes.

Mr McARTHUR—So, that might be a sort of a sudden solution to one of the problems we are talking about. You reduce these potential volumes by 50 per cent.

Dr Kellas—It will be a partial solution in that that would take about a quarter of the production from the region.

Mr McARTHUR—Is that going to be exported as well?

Dr Kellas—That would be exported.

Mr McARTHUR—To pulp—

Dr Kellas—To be turned into paper offshore—more than likely North Asia: China or Japan.

CHAIR—Is it being sold in bales?

Dr Kellas—It would depend on the process. If it went to China, most of their new paper mills are inland and bales are the easiest way to do it because they do not have containers. If this goes to Japan, it will more likely be by container.

Mr McARTHUR—The rationale for this mill is surely a volume reduction process, is it?

Dr Kellas—Yes. It is the increased value of the product.

Mr McARTHUR—That is why there is no big argument: because there is no chemical involved?

Dr Kellas—There is some level of chemical involved. We are just starting the environmental effects statement. I guess we will get a reaction as that process develops.

Mr McARTHUR—How much water?

Dr Kellas—About seven gigalitres per year.

Mr McARTHUR—Is that significant?

Dr Kellas—It is certainly less than, say, a full Kraft mill, which has been suggested for Tasmania and which is about 30 gigalitres per year. My understanding is that undertakings have been given that it is easy enough to supply seven gigalitres.

Mr McARTHUR—Have you guys got a view on this possible development? What are you saying about this? Is it good or bad; it might happen; it might not happen?

Dr Kellas—I think it will be absolutely brilliant for the region.

Mr McARTHUR—On the transport?

Dr Kellas—It will concentrate your transport into Heywood, one way or another, but it is—

Mr McARTHUR—Not in Portland?

Dr Kellas—No, it will remove it from Portland, and the employment opportunities and spin-offs from there will be immense. We are talking about $750 million investment to get it up and running.

Mr McARTHUR—Do you think that is really possible?

Dr Kellas—Yes.

Mr King—Absolutely.

CHAIR—Looking at this whole scenario that we have here, it seems to me that the region has not committed to a serious comprehensive study. I think that is the first prerequisite for getting government on side. You might argue that the state government should have done it. It is very interesting, when you look at the map of Victoria, to see that all the train lines that are closed are the ones on the border, be it the New South Wales or South Australian border. I think the region has got to be part of making its own solution, rather than just waiting for government to come in with a solution. The Commonwealth, in putting this inquiry forward, is expressing an interest in assisting with the national interest—that being the efficiency of ports and what we export to take advantage of a resources boom in Asia.

I also get the impression when we are talking about these roads and railway lines that everyone wants to cross every t and dot every i—'Can we have a bypass around the town?' or 'We don't want the train line through the middle of the town.' Isn't the first thing to develop the basic infrastructure? Even if the train line does have to go through the middle of the town for a few years to prove the point that the region can produce, you can always fund a bypass around the town out of your profits. That one big Queensland line from Brisbane to Cairns—and further—goes through all those Queensland towns. Those trains carry all sorts of things over certain distances—coal on some and woodchip on others.

As I think I said to an earlier witness, we have woodchip trains travelling from Maryborough to Gladstone right through the middle of my home town of Bundaberg day in, day out. No-one seems to mind. They cross at the level crossings and everyone knows to pull up at the boom gates. It is not considered to be rocket science nor is it considered to be a great impediment in the town itself. I do not think I have ever heard a complaint about a woodchip train going through Bundaberg. I suppose the ideal is that you would like to bypass all the major provincial cities over time, but if you do not get the economic impetus there in the first place to prove that the region can produce then how will you achieve all these other things in the long term? I liked your evidence today. Dr Kellas, did you have a rough analysis of how that $60 million on the train line might stack up?

Dr Kellas—No, that was a previous witness.

CHAIR—We need to get that. I liked your analysis of traffic movements in terms of trucks and heavy vehicles through Portland and Mount Gambier. Could we have a couple of pages on that?

Dr Kellas—Certainly.

CHAIR—That will help us build our case. You are a leading think tank for the industry and you are the pre-eminent development board for the area—certainly, on the South Australian side of the border for that half of the Green Triangle. Given that the South Australian government is prepared to put in $50,000, what is your view about getting on with a study funded locally?

Mr King—Again, I refer to the AusLink submission. We took the view as a region that we needed a process to pull together the information that we think exists. We have significant new data that is reliable, and therefore this was not necessarily about starting with a blank sheet. It was about finding out what costings had been done both sides of the border for rail and road, plugging that data in to see what impact it had on those freight volumes on those particular pieces of infrastructure and then working with the port to look at their infrastructure to start to build a picture that says, 'If we're going to work in partnership with governments and industry to put in place an infrastructure solution that's going to cost us $100 million, $200 million, $300 million or whatever, then this is our best bet.' We simply put up a submission saying, 'We think we could use some resources from a tripartite arrangement that allows us the capacity to pull together that picture.' That is why we went to the Commonwealth to ask if they were prepared to play with the two states and local government to achieve that task—and industry would participate as well.

That was our request, and I still believe that that work needs to be done. As I said, I am not suggesting we start with a blank sheet, but we certainly need capacity or support to do that work. I suspect that if at some point in time the Commonwealth says to us, 'It's your baby; deal with it yourselves,' then we will do that because there is a need to do that. Again, that was the purpose of saying to the committee today that there is an issue; that there are needs, we understand them and we are working to them. In fact I suspect that by around September, following meetings with the plantation owners last week, we will have a number of their views on the table as well. Although some of them might be differing views, we will have more information to sort through and match with costings so that we can then start to make some of these decisions. I think the region can make the decisions. At the moment we have to bring some of that information together and add some value to the information so that we make the right decisions.

CHAIR—Let us say we get past this study and there is a case for action of one sort or another. You can see that the Commonwealth might be more inclined towards a rail link rather than a road link on the basis that a road link has other dimensions to it—that is, it is a facilitatory mechanism for local government. I have not met a local government yet that, when you are applying for a Commonwealth road, does not throw in a bit more in here, a bit further up there and an intersection coming in there while the Commonwealth money is on the table to get as many things as possible out of the package. Many of those things are state responsibilities too. Some are local government responsibilities. Some are individual industry's responsibilities. I think the committee perhaps gets a bit sceptical at times. In fact, with regard to some of the evidence we heard this morning, I was a bit sceptical that we were really talking about a sectoral interest within a subregion rather the national interest—that is, the efficiency of the port of Portland and what it is dragging in from its hinterland (a) to increase the wealth of that hinterland and (b) to allow Australia to take maximum advantage of a resources boom in overseas economies, especially China, Japan and Korea.

Any additional information you can give us would be appreciated. You said you are expecting some more material in August or September. We will still be considering this matter then; we will not have reached our end point by a long shot. We would not mind a supplementary submission from you on that. We would like to have those traffic movements and anything that you get together with regard to the various segments of the timber industry and how they are interacting. That would be helpful to us as well.

Dr Kellas—There has been a lot of preoccupation with Penola. Our figures suggest the blue gum load from Penola would be about one million tonnes. This ultimately gets back to what Grantley was talking about—that is, the question of feasibility. In other words, is one million tonnes an economically feasible amount to carry for the costs of the reconstruction of rail lines? We also have to remember that the bulk of the blue gum plantations—that is, 75 per cent—are in Victoria. Half of them are probably below the Hamilton-Casterton Road.

CHAIR—We used Penola today just for discussion purposes. The basic question was whether you reconstruct the line from Portland to Mount Gambier. The maps we are being provided with—and your own confirmed this—shows that there is a very distinct—

Dr Kellas—Yes. It would just not be effective to do it. Once the wood is on trucks to Mount Gambier, they would just keep coming the extra 100 kilometres to Portland, I would suspect. You would need to have your bulk handling facilities at Penola.

Mr McARTHUR—What about Portland to Ararat, collecting some of that western Victorian blue gum? Is that a chance?

Dr Kellas—Again, it will be a matter of having bulk-handling facilities by the rail line and whether that is efficient. The last things the truckers will want are short hauls and quick turnarounds. The volumes we are talking here are much more significant.

Mr McARTHUR—You have to get it into the port.

Dr Kellas—Yes.

Mr McARTHUR—I go back to the Midway experience. They are shifting large tonnages by rail, which people thought was impossible. They bring it into the Midway operations and they are woodchipping it on the site. That has all happened; that all works. Admittedly, it is long-haul stuff, but with very little capital cost in terms of the rolling stock. They made it work. It is all documented.

Dr Kellas—Yes. That is coming in from East Gippsland. There is no question about that.

Mr McARTHUR—We suggest you have a look at it; that is all we are interested in.

CHAIR—Even on your own 2014 projection, Mr McArthur is saying that that is going to be the second or third busiest link-up.

Dr Kellas—I agree.

CHAIR—Is it the wish of the committee that the document entitled 'Future Wood Flows Across the Green Triangle Region' be accepted as evidence? There being no objection, it is so ordered. Thank you very much to the Green Triangle Regional Plantation Committee and to the Limestone Coast Regional Development Board. I am a former development board executive myself. In fact, many years ago in the eighties, when the country centres project was under way, my region was twinned with the Green Triangle, so I have happy memories of this area. I know how difficult regional development is, especially for people like you—one within the industry

and one outside the industry—trying to pull all the diverse forces together. You have other commercial interests that sometimes stand in your way. You have the chauvinism of individuals on councils, or councils against each other, not all councils, mind you—some are very good. So we appreciate your work, your evidence has been very sound, and we will certainly take note of it. I declare the second day of Victorian hearings in the city of Portland closed.

Resolved (on motion by **Mr McArthur,** seconded by **Dr Jensen**):

That this committee authorises publication of the transcript of the evidence given before it at public hearing this day.

Committee adjourned at 1.32 pm