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STANDING COMMITTEE ON TRANSPORT AND REGIONAL
SERVICES

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HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON TRANSPORT AND REGIONAL SERVICES

Monday, 30 January 2006

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: Ms Bird, Mr Gibbons, Ms Hall, 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.

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Committee met at 9.05 am

DAVIDSON, Mr Graham, General Manager, Port Waratah Coal Services

PITT, Mr Anthony, General Manager, Hunter Valley Coal Chain Logistics Team

CHAIR (Mr Neville)—I declare open this public hearing of the House of Representatives Standing Committee on Transport and Regional Services inquiring into the integration of regional rail and road networks and their interface with the ports. This is our 14th public hearing for the inquiry and is part of an extensive program of public hearings and visits designed to gather information from people directly involved with the main issues of the inquiry. We have been to Mackay, Gladstone, Melbourne—twice—Portland and Darwin, and over the next two days we will be in Newcastle and the Wollongong-Port Kembla area. Today the committee will hear from a number of witnesses directly involved in the coal industry and a number of groups representing support industries in the Hunter Valley region. Is it the wish of the committee that submission Nos 127 to 134 be accepted as evidence and authorised for publication? There being no objection, it is so ordered.

I welcome our first witnesses. Although the committee will not require you to give evidence on oath, I advise you that these hearings are proceedings of the 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 may be considered to be a contempt of the parliament. Will each of you be making an opening statement?

Mr Davidson—Yes.

CHAIR—Mr Davidson, could you give us a five-minute overview of your submission? Then, Mr Pitt, we will have a five-minute overview of yours.

Mr Davidson—It is a joint submission.

CHAIR—Who will lead?

Mr Davidson—Anthony will.

CHAIR—Mr Pitt, would you like to give us the overview?

Mr Pitt—Sure. The organisation that I represent and manage, the Hunter Valley Coal Chain Logistics Team, is a cooperative joint venture. It has as its members Port Waratah Coal Services, who are responsible for ship loading all the coal vessels and coal exports through Newcastle Harbour. It also has as its members Pacific National and QR National, who are the two train operating companies, ARTC, the federal government body that own and operate the track infrastructure—they operate about 90 per cent of the track infrastructure in the Hunter Valley—RailCorp/RIC, the state government body that own the other 10 per cent of the train infrastructure in the Hunter Valley, and Newcastle Port Corporation, who manage the actual movement of vessels in and out of the harbour.

Collectively, those organisations make up the Hunter Valley Coal Chain. The Hunter Valley Chain Logistics Team is the entity that those organisations have created to cooperatively manage and plan the movement of all coal through the Hunter Valley onto the vessels and off to our export destinations. I am here representing those organisations collectively today. Graham is certainly able to provide detailed information on where PWCS are up to in their expansion plans.

What I would like to do today is to focus on the issues confronting the Hunter Valley coal industry to give you some feel for how we are operating currently and to talk about some of the performance achieved in recent times but, most importantly, to look at the challenges ahead of us with the amount of demand that is forecast to come out of the Hunter Valley over the next five to 10 years, talk about some of the key challenges that we are going to need to address and particularly talk about how government may in fact assist that process to ensure that we maximise the opportunity that we have ahead of us to make some decent export earnings for the Australian economy.

Mr Davidson—The Hunter Valley Coal Chain Logistics Team exists because Pacific National and Port Waratah Coal Services got together to organise a logistics chain as one entity. It consists of 50 per cent of PWCS employees and 50 per cent of PN, with one Queensland Rail National employee and also one ARTC employee. We have a memorandum of understanding, but there are no binding commercial statements within that memorandum. So the formation of this team was done by a handshake.

CHAIR—Give us a flavour of how it works.

Mr Davidson—Basically, PWCS had a logistics team which organised the rail into the port infrastructure group. We also had a shipping component, which liaised with the Newcastle Port Authority. Pacific National, which organises all the load points and the above-rail also had their logistics team. It was deemed necessary some years ago—

Mr Pitt—2003.

Mr Davidson—for Pacific National and Port Waratah to get together and combine our logistics teams together to ensure that logistics were aligned, maintenance was aligned and capital expenditure was starting to be aligned to better the coal chain efficiency.

CHAIR—What was the problem prior to that?

Mr Davidson—Each company operating as its own entity making decisions without any consideration for the other parties in the logistics process.

CHAIR—Has this led to the more efficient slotting of the various railway lines?

Mr Davidson—We have seen an increase of some 15 million tonnes through the coal chain without any additional capital.

Ms BIRD—I would like to explore the establishment a little bit more. Cooperation across players is not something particularly common in the evidence presented to this committee. I am

interested in what prompted that consideration. Did it involve significant people within those organisations that were represented?

Mr Pitt—The formation of the team really came out of a joint project that was commenced between Pacific National and PWCS to look at what could be done to improve the amount of throughput through the entire system. Rather than viewing the coal chain as a series of independent entities, each trying to optimise its own performance, the project recognised that we are really talking about a single system here and that you cannot optimise any one component; you need to look at the system and try to optimise it as a whole. The outcome of the process there was really to say: ‘We can get better coordination if we work cooperatively here, co-locate our planning departments and get them to talk to each other so we get some improved performance.’

A very simple example of how that works is that, if PWCS need to do some maintenance on a dump station where a train unloads, they might do that on a particular day. If ARTC, who run the track infrastructure, need to do some maintenance, they might do that on another day. So we have two days where we cannot actually dump the coal into the PWCS facility. The most sensible outcome, of course, is to do the track maintenance on the same day that we are doing the port maintenance so we only take the system off line for a single day. So improved cooperation, planning and alignment of maintenance has been one of the key drivers that has enabled some significant improvement in the capacity of the coal chain over the 2½ years that we have had this cooperative model in place.

Ms BIRD—So it just arose out the requirement to do a project which then indicated these things.

Mr Davidson—And leadership. It was a leap of faith. For a large infrastructure business, any planning department is really at the core of the commercial outcomes of that business. They determine a lot about how much revenue is gained and how that business actually operates. So it was a big leap of faith—we had to surrender some control to a third party. So it was really the leadership that was shown by Port Waratah Coal Services and by Pacific National to take that first leap as a bit of an experiment to put their two teams together and trust them to come up with a good outcome. What we have seen from that is about a 15 per cent increase in throughput, with virtually no additional capital being spent on the coal chain. So, from a profit point of view, for the individual operators, it has been an outstanding improvement. From a macroeconomic viewpoint, the growth in exports that has been realised as a result of that as well has been outstanding.

Mr GIBBONS—You have optimised the coal chain. Could you give us an idea of how long, on average, the vessels were required to be anchored in the harbour prior to the optimisation? What improvements have there been in vessel waiting time since the optimisation?

Mr Pitt—‘Optimise’ is probably a bold term. I am not sure we are quite there yet but we have certainly made some good progress. There is still a long way to go, I believe. I will refer to the document that you all have in front of you. I will come back and summarise the key messages shortly but to answer that specific query, jump straight to page 4 and you will see—

CHAIR—Before we do that, there being no objections the committee takes this document into the record as an exhibit.

Mr Pitt—We can provide an electronic copy for your public records if that is required. I apologise for the number of lines on the graph on page 4 but we will talk through them. The vertical bars in the purple shade show the total number of tonnes exported through Newcastle in the calendar years 2003 to 2005. In 2003 we exported 74 million tonnes. The logistics team was created halfway through 2003. Coal exports increased to 78 million tonnes in 2004 and 81 million tonnes in 2005. The planned capacity of the coal chain available to export in 2006 is 87.5 million tonnes. So there are some substantial improvements in the capacity of the coal chain. The only change in infrastructure in that period has been that some additional trains came into the system partway through 2005. Throughput has been increasing steadily and we are seeing some continued growth in the forecast for 2006.

The line on the graph shows the end-of-month vessel queue offshore. You can see from the period early January 2003 until March 2004 the trend in the vessel queue. The blue dotted line shows you how it was trending. The average offshore queue during that period was about 25 ships and it peaked in March at 56 vessels offshore. You can see our standard Newcastle view out the window—about 15 to 20 ships offshore. Our target operating queue is 15, approximately. With 56 vessels offshore it became an extremely costly issue for the industry.

Each vessel has approximately three days from when it arrives to load and leave. If it does not load in that period of time it incurs what is called a demurrage charge, which is in the order of about \$US20,000 per day. When we had 56 vessels offshore that demurrage charge was peaking at anything up to \$US60,000, \$US70,000 and \$US80,000 per day. Fifty-six vessels waiting offshore for anything up to two to three weeks at those sorts of rates resulted in a substantial deadweight cost to the coal industry. That cost is paid for by the coal producers up in the valley.

There were two initiatives that led to the reduction in the queue. The most significant one was a decision taken by PWCS to implement a contractual framework called the capacity balancing system. It has received a fair bit of press, as I am sure you are aware. It acted to limit the vessel arrivals to match them to the capacity of the coal chain. In April 2004 that system was turned on. You can see the significant drop in that curve. That literally coincided with the turning on of the capacity balancing system. Since that time we have averaged 15 vessels offshore. So there has been a substantial reduction in the average queue. There is still some peaking and volatility here in the queue over time, and that is because we have a natural fluctuation in the arrival rate of vessels. However, we estimate that we have seen at least \$200 million in savings on demurrage since April 2004 when that contractual arrangement was turned on by PWCS to better match the arrival rate to the capacity of the system to move coal.

CHAIR—Do all of those vessels require the services of a marine pilot to dock them?

Mr Pitt—Absolutely.

CHAIR—That would be a pretty substantial cost.

Mr Pitt—Those costs are paid by various members of the coal chain. About 16 organisations in total are required to move each tonne of coal from the mines through the rail network, into the

port and onto the vessels, and to get the vessels out through the heads. That includes the marine pilots, Customs, Quarantine, Newcastle Port Corporation, the tugs, the linesmen and the vessel agents that manage the relationship with customers and their vessels. There is a multitude of organisations actually involved. The six organisations that make up the Hunter Valley Coal Chain Logistics Team actually control or operate or have a relationship with at least one of those organisations. So the six core organisations that are responsible for all of the movement of the coal essentially have a relationship with one or other of the parties associated with moving coal through the coal chain.

CHAIR—I have just one question on the point that Mr Gibbons raised. We found I think at Mackay or Gladstone that the queuing was not of all people waiting for coal but of some ships waiting for particular grades. There may be someone for steaming coal and someone for coking coal. What factor does that play in the 15?

Mr Pitt—A very significant one. The vessels are actually sent by the end buyer. Seventy per cent of the coal from here goes to Japan so most of the vessels offshore are actually organised by the Japanese end-use consumer. They have contracts with the various producers in the valley and essentially under their contract they are allowed to take so much coal over a certain period of time. They will send the vessels whenever they actually need the coal and they will advise the producer to have the coal ready.

The complication is that each vessel typically has two to three different cargoes. Coal consumers will get together and charter a single vessel, but there might be two or three separate cargoes on that vessel. Each cargo itself may comprise two or three different coal brands. We export more than 100 different coal brands through the Hunter Valley despite the fact that there are only about 30-odd coal mines. That is to do with the fact that there are different coal qualities and also that the natural tendency of marketers is to try and differentiate their product by calling it different things at certain times. So we actually have something like between 100 and 150 coal brands that we are actually required to export. That creates a huge additional complexity in the coal chain, because when we need to assemble the coal at the port we need to assemble coal for a specific brand from a specific mine for a specific vessel. The black stuff is not just black stuff, if you like. We have to treat it very differently as it comes through. That creates a layer of complexity in the overall planning process for the logistics team.

Mr GIBBONS—Since the optimisation of the chain—I mentioned the pilots before—all of those other organisations that have significant input into the operation from the mine to the heads would have had to increase their capacity too, of course. So that would have resulted in an increase in the number of pilots and the number of other organisations. Has that added to the overall cost?

Mr Pitt—Without a doubt. The recognition of the coal chain as a system really demonstrates that, if one part of the system increases in capacity then the whole system needs to increase in capacity if we are going to get more coal through the system. If we had a rail, track and port infrastructure increase but we did not have enough tugboats to move the vessels in and out, we would still be putting the same number of tonnes through.

Mr GIBBONS—Do you have enough tugboats now?

Mr Pitt—We do currently. Newcastle Port Corporation, who are responsible for the relationship with the tug companies, are certainly keeping an eye on the future demand requirements in the industry. They will be negotiating to ensure that they have adequate capacity there. We certainly do not see the infrastructure for moving vessels in and out of the harbour as a particularly significant constraint moving forward.

Mr Davidson—You did hit on a point. If we do not all work together we could be out of sync and people could invest in a fair bit of capital for no real gain. This is one of the concerns of Port Waratah Coal Services. As you know, we are presently investing \$170 million to increase our capacity, but we need the infrastructure prior to coming to the port to increase accordingly.

Ms HALL—I wonder if you could outline for the committee the benefits, savings and economic advantages that have been delivered in the coal chain through this agreement.

Mr Pitt—About 15 million tonnes of additional throughput has been achieved. In terms of economic value, it has been delivered at a time of unprecedented high thermal coal prices. There is over \$5 billion worth of exports of thermal coal through Newcastle harbour alone. Probably more than \$1 billion of that has been enabled through the increased capacity in the coal chain that this cooperative model has unlocked. Some of that growth has been as a result of natural growth in the coal price, but that extra 15 million tonnes is an extra 15 million tonnes of exports that would not have been had without that level of cooperation through this particular model.

Ms HALL—If you were to do a cost-benefit analysis, I am sure there have been some increases in cost, but overall what would the cost-benefit analysis deliver?

Mr Pitt—The cost is trivial. We are talking about several million dollars for the establishment of the logistics team itself. There has been some investment in additional trains in the last 12 months, at the cost of a couple of hundred million dollars, but compared with the economic value that is being created, both for the organisations that run the trains and for the exporters who benefit from the increased export volumes, the benefit vastly outweighs the incremental cost that has been incurred.

Mr Davidson—There has also been significant financial commitment by Pacific National and PWCS to develop a computer system, what we call an IPS system, which has a value of around \$4 million to \$5 million, to computerise the network so we can do analysis on our logistics systems—our trains, our arrivals and our planning. That is just coming into being now. If you look at the investment from both Pacific National and PWCS, it has been rather significant, particularly, as Anthony said, in the support or the risk inherent in giving away our logistics expertise to an entity which exists on a handshake. PWCS has seen a significant improvement in throughput just by being organised and by being aware of what happens down the chain and up the chain to allow us more efficiency in terms of moving coal from the crane onto the vessel.

Ms HALL—Is this a model that you think could be introduced nationally in different regions? Would you be recommending that to the committee?

Mr Davidson—Absolutely. I think the numbers speak for themselves: the increase of 15 per cent in throughput, relatively little cost, no capital, and the way that the coal chain is striving to work together. We have very good relationships with ARTC and Pacific National, with

Queensland Rail, and with the port. We run the Hunter Valley Coal Chain Logistics Team through a steering committee, and we also have a rules committee which determines the rules of the logistics team and the logistics providers.

Mr Pitt—There have been two major investigations into the Hunter Valley coal chain in recent times. The Department of Industry, Tourism and Resources did a specific report into the adequacy of the coal chain infrastructure back in March, and the Prime Minister's export task force also spent a lot of time looking at the model. Both of those organisations had five or six specific recommendations, and each of them included looking at the logistics team model as something to be replicated both in other coal chains and in other export operations around Australia. We have also had the New South Wales government up here looking at it as a model for managing the container networks through Botany Bay and the like, as a way to try to improve the level of coordination.

The model itself is fairly simple and logical when you think about it. The most significant challenge in the creation of the model is to find the organisations and the personalities who are prepared to take the leadership step. That really comes down to the personalities and the drive of the individuals who are involved in the process. That is probably the most significant thing in terms of the success that we have had, and it is probably the most difficult thing to replicate anywhere else. It is intuitively logical to run it this way, but when you have a fragmented environment it requires a degree of cooperation and trust that is not always present at the start.

Dr JENSEN—You mentioned that anywhere you have got a constraint that is a limiting factor. What are the current constraints in terms of the entire logistics chain?

Mr Pitt—I have three or four pages here that might set some context, and then we could talk through where those specific constraints are, if it is appropriate to go through that to answer that question. From page 4, which we were looking at earlier, I think we can conclude that some good steps have been made and that we are getting some good performance. We have taken about \$200 million of cost out of the industry and added about \$1 billion worth of additional exports over the last three years. Page 5 really summarises the challenge that we have got ahead of us, and that is the forecast growth of exports through the Newcastle port and coal chain.

The easiest way to look at this graph is that on the left-hand side it says how many million tonnes per annum, MTPA, we are looking to export in each of the five years. You can see the years 2006 to 2010 across the bottom. When Industry, Tourism and Resources did their initial investigation in March, they commissioned ABARE to do some study into the coal chain, and the black dotted line is the ABARE midpoint demand forecast they came up with. The blue and coloured bars on this chart represent the demand forecast that was recently provided by the coal industry itself to PWCS as part of PWCS's forecasting process.

The first three years of those forecasts have been provided on a take-or-pay basis, so there are some underlying financial commitments sitting behind them. The last two years are indicative, as provided by the industry. What you will see there is that in 2006 we have over 100 million tonnes of potential exports being forecast by the industry, and bear in mind that we think the capacity of the coal chain this year is only about 87 million tonnes. It is forecast to increase to something in the order of 160 million tonnes over a five-year period. That is a radical growth rate in coal exports from the Hunter Valley.

You need to be judiciously sceptical about some of these forecasts. They have been prepared at a time of very high coal prices and a lot of optimism around the industry. We do not see a huge amount of investment in additional mining infrastructure to necessarily deliver that volume over the next five years. Nonetheless, it does provide you with probably our best forecast that we have, provided by the miners themselves, as to where the export volumes could go to over a three- to five-year period. The coal chain is currently 87.5. It needs to get to something well in excess of 100 million tonnes in that sort of time frame to be able to even meet our lowest estimates of this sort of forecast. So we have a gap. The question is: how are we going to address that gap? That is really what we are starting to work through on the next couple of pages.

Dr JENSEN—So the question is: are you operating effectively at capacity at the moment, and there are constraints that you need to address?

Mr Pitt—Absolutely, yes. There are certainly constraints. The 87.5 is our best estimate based on reducing the impact of the existing constraints as much as we possibly can. There has been some terrific work between PWCS and ARTC, for example, to better align maintenance. Some additional rolling stock has been brought in by QR and Pacific National and some improved planning practices have enabled that increase to get to 87.5. I suspect that there is another one or two per cent through improved operating practices still to be had. However, to get to over the 100-million-tonne range requires some additional capital to be spent, so we are looking at a capital investment program.

Dr JENSEN—Before you complete this, I have a couple of other quick questions because this is a valuable thing to explore a bit further. In terms of your cooperative structure with the mines, one thing that I noticed when I toured the north-west—and I am talking about the north-west of Western Australia here—is that you have rail lines there that have a single user and are highly efficient in operation, efficient to the extent that the track maintenance and so on is done between the scheduling of two trains. Where would you place the efficiency of your cooperative system versus, let us say, one body that effectively—

Ms BIRD—More of a monopoly.

Dr JENSEN—Okay, a monopoly—owned the rail. It was a single operator.

Mr Pitt—The entire principle behind the creation of the logistics team is to say, ‘How can we run something that is so fragmented as though it had a single shareholder operating it?’ That is the entire principle behind really what we are trying to accomplish with the logistics team. The cooperative model that we have has been absolutely fundamental to getting to where we are today. There are, however, a number of other competing pressures that we have on this coal chain. One of the major ones is that the rail network is not recognised as a coal network. Even though 95 per cent of the traffic on the coal network in the Hunter Valley is coal, there are still passenger trains that use the service and a number of freight and wheat trains also use the service. Coal actually comes last in terms of priority to get access to what we call the rail paths, to move the coal up and down that system. So although we are 95 per cent of the traffic, we are actually lowest in the pecking order in getting access to the rail path capacity.

We had the former Minister for Industry, Tourism and Resources, John Anderson, up here earlier in 2005, who rode a coal train up to one of the mines and back. He experienced first-hand

the issues that we confronted around the Sandgate area, where the coal train had to stop and wait 40 minutes for two passenger trains to go past and each of those passenger trains had two or three passengers on them.

Mr McARTHUR—How many passengers were on the train?

Mr Pitt—There were two or three passengers on each. He actually counted them at the time they went through, and he had a few pertinent observations when he got here. In terms of the economic value that is added from the coal industry compared to some of the constraints that we operate under, it is a little disproportionate in the Hunter Valley. That is certainly one of the challenges we are grappling with—the other users of the system.

CHAIR—Taking this ABARE trendline, it roughly comes off your 87-million-tonne point. What are you saying? If we do not get this investment your actual efficiency or output will stay roughly in line with the ABARE forecast? Or are you saying you will be a bit above or below that?

Mr Pitt—The next page says where we think we will be able to get to, and it is dependent upon investment that has been committed to verbally but has not yet started. In 2005 the capacity of the coal chain was about 87 million tonnes, when you take into account what we think the track can do, what the port can do, how many trains we have and all the infrastructure.

CHAIR—You might say where the bottlenecks are as you are explaining this.

Mr Pitt—Absolutely. In 2006, we believe we can export 87.5 million tonnes. The bottleneck at the moment is shared. The system is relatively in balance at 87.5 million tonnes in terms of the number of trains, the port and the track. On any one particular day, you will find parts of the coal chain are actually one of the constraints.

CHAIR—What are the impediments if you step up?

Mr Pitt—Stepping up would need additional port capacity. We do not have enough ship-loading capacity at the port or enough inbound capacity to get coal into the port.

CHAIR—You need another loader.

Mr Pitt—Before we even get to another loader PWCS have actually commenced an expansion program to take the port capacity to 102 million tonnes per annum. So we can move from 87.5 million tonnes to 102 million tonnes—

CHAIR—That is at a different site, isn't it?

Mr Pitt—No. That is on the same site. That is expanding the existing infrastructure of PWCS on its existing footprint. That takes it to 102 million tonnes in 2007.

Mr Davidson—Port Waratah Coal Services have invested \$170 million, which is presently under way, to extend our pad D and also a bit of pad C, and also to install another stacker, which will increase our capacity. We are also being granted by the board a further \$6.4 million to do an

engineering study to expand our total footprint on Kooragang Island, which will bring the capacity of Kooragang up to 100 million tonnes. That will include another berth, extending pads C and D for the full length of our real estate and employing another two stackers and another reclaimer. After that, we really bottom out at about 120 million tonnes. We might be able to push to 125 million tonnes, or maybe to 130 million tonnes, through port capacity. That is under way. It is no use us doing that work unless the rail is appropriately expanding or putting in new lines. It is no use us doing that without Pacific National.

The graph over the page tries to lay out the timing of all these capital investments. The Hunter Valley Coal Chain Logistics Team has probably done the 80-20 rule, where we are trying to really push the boundaries and the efficiencies of getting all the entities together. It is a bit like the 80-20 rule. We are pushing very hard with ARTC and PWCS to ensure that we get this capital at the right place at the right time.

CHAIR—So you need a stacker. Do you need a new coal loader as well?

Mr Davidson—NCIG have won the bid for the RLMC land, which is a little west of Port Waratah Coal Services, to build another ship loader facility, which I believe involves two ship loaders.

Ms HALL—And you put in—

Mr Davidson—We put in a bid but we lost the bid.

Ms HALL—Could you explain that whole thing to the committee?

Mr Davidson—RLMC is the Regional Land Management Council for Kooragang Island. There is a portion of land there which was always set aside for future coal loading expansions. Port Waratah Coal Services has a pocket of land there which we currently employ, and this land was up for bid by the state government. Port Waratah lost the bid, and it went to what we call the NCIG consortium, which is led by BHP and independent coal miners up in the valley. They have to install a new coal loader to a capacity of around 30 million tonnes just west of us.

We have had several meetings with NCIG. We publicly support them. We have some issues where we will not have conflict in terms of dredging. We are trying to work out the dredging of the river to accommodate both them and us and some land for construction of their facility and our extra berth. If you look at this diagram, you will see NCIG will add another \$30 million tonnes to the capacity of Newcastle Port in 2009 or early 2010. Port Waratah Coal Services plans to begin or at least partially complete our existing long-term plan, which has been on the table for quite some time, to develop the facility at Kooragang up to 100 million tonnes. With the addition of Carrington Terminal, we get an extra 25 million tonnes also. That gives Port Waratah a total of around 125 million tonnes per annum. Add on the top NCIG in 2009-10 and we will have around 150-160 million tonne capacity.

Ms BIRD—Is NCIG a partner in the coal chain logistics group?

Mr Davidson—It has asked to become a member of the coal chain logistics team. We said we do not have any problems with them becoming a partner. Once they start turning soil, they would

come into the partnership and obviously they would have voting rights. At this stage, they are viewers and they are quite welcome to attend our meetings.

Mr Pitt—They are working cooperatively with us.

Mr Davidson—We are working together cooperatively. They know what we do. They know what we are planning to do. We have a reasonable relationship with them.

Dr JENSEN—Prior to this MOU, was the rail system itself and the scheduling of rail traffic the constraint on coal exports? You have now identified that the port is the current constraint. Was the rail network the constraint prior to that?

Mr Davidson—I am not sure the port is a current constraint. As Anthony said, because you have several different entities, if one of our dump stations goes down, it has a roll-on effect upstream. I think from an infrastructure perspective, we are probably one of the critical paths that can affect the whole throughput. What we are finding now, because we are pushing the envelope, is that if we cancel one train due to any problems or reliability problems, it has more or less a roll-on effect because the lines are so congested.

Mr Pitt—If we had 100 million tonnes of port capacity right now, we would still be only doing 87.5 because the track constraint is still there.

Dr JENSEN—So the track is really the constraint. Is it an issue of the amount of track that you have and the availability of track to be scheduled for coal trains? For instance, I heard from my brother last night who lives in the area that there are plans to remove passenger trains from the network to improve things.

Mr Pitt—Not that I am aware of, but that is fine. The major constraint is one of physical infrastructure. The port is going from 87 to 102 in 2007, and somewhere around 120 beyond that is then possible. With NCIG coming onboard, the port can go up to 150 or more. The port plan is in place. The infrastructure of PWCS and NCIG is owned by the industry. That is heading in the right direction. That means that we then have to look at the rest of the coal chain to see how we can get the coal from the mines into the ports. That is where the track infrastructure is fundamental to us and it is where we have one of our biggest concerns moving forward. We have a number of plans in place and a number of articulated plans, but there has been no turning of soil at this particular point.

There are multiple track constraints as you go further up from Newcastle into the region. One of the major concerns we have is that most of the new growth forecast to come from coal exports through the Hunter Valley will be from fairly remote regions: up north-west of Gunnedah and out on the Ulan branch, 300 kilometres out to the west. Out there the track infrastructure is much lighter. We have single-track operations: you can move a train that way and then it has to park and wait for one to come back the other way. We do not have dual-track infrastructure. We have a limited number of trains we can get over the small hills between Muswellbrook and Newcastle, and we have major constraints through the Muswellbrook-Antienne section of ARTC's track network. Each of those has to be unlocked to be able to increase the overall capacity of the system. That is a capital expansion program. In some cases, it requires new control systems to be put in; in other cases, it requires dual track to be put in. There are a variety of projects that have

been identified. ARTC are currently going through a fifth iteration of their Hunter Valley Corridor Strategy, which is fantastic. They have identified where the major constraints are. They are looking at reprioritising those.

The issue is that we are going to have the port to 102 million tonnes by late 2007. At this stage, we do not yet have the projects commenced by ARTC to deliver the track infrastructure. If there was a message for this inquiry that I would like to convey, it is that the role of government is twofold—as a regulator and also as a shareholder of the ARTC infrastructure. We need to see the commitments made to the industry by ARTC delivered on in terms of getting on with the investment program, because the time frames are now becoming extremely tight to deliver the necessary track infrastructure to ensure the track is not a constraint. Port have turned the soil. I think you might be having a tour of the facilities later this afternoon. You will see the new project that is under way there.

We have additional trains in the system. Trains are in a competitive marketplace, so they respond to the demands of their customers to increase capacity anyway. The ports—NCIG and PWCS—are both owned by the industry, so there is a natural incentive and alignment there for the shareholders to do what the customers want, because they are the same people. The issue for the natural monopoly owned part of the infrastructure, which is government owned, is to ensure that we see the investment occur for that bit of infrastructure in a timely fashion to support the investment that is occurring elsewhere in the coal chain. That is where we have some reasonable concerns at the moment. There has been some good progress and good planning. ARTC have only recently taken over the Hunter Valley coal network, and that has been a significant increase in the size of their business, and they have had to absorb that. However, time is of the essence if we are not going to be seeing track as a constraint to exports in the future.

Ms HALL—Could you submit to the committee a list of projects that you need to be completed by ARTC and a timeline of when you would like to have them done so that they can be implemented to ensure that we can get around this problem?

Mr Pitt—Page 7.

Ms HALL—Thanks.

Mr Pitt—We have identified three basic phases of investment that are required to lift the capacity of the coal chain beyond where it is today. There are three phases of investment. The first is to take us to 102 million tonnes of system capacity. That is a fairly firm target in the sense that work has already commenced. PWCS are getting on with spending \$170 million. That project is going to be delivered mid- to late-2007. That is under way. The second major phase of investment is to about 120 million tonnes, which is less certain, but the detailed engineering plans are under way for that. The third phase is to say that we could get to 150 million tonnes. I am not sure whether we need to build that much capacity, but theoretically it is possible and the projects have been identified.

For the first phase, to get to 100 million tonnes, I have identified in green and red the projects that have commenced and those that have not yet commenced. The projects that have commenced are the ones around port expansion, additional trains and some of the upgrades that we need the mines to make to their load points where the trains get loaded. The projects in red

are the projects that have not yet been delivered or are currently being progressed. Unfortunately, you will see that most of those are some of the ARTC projects.

We believe it is entirely plausible for ARTC to deliver the capacity that is required to meet the 102-million-tonne capacity for next year, but that requires some fairly immediate and urgent action to be undertaken to address some of these initiatives moving forward. We were expecting them to release the updated version of their corridor strategy in December. It is now January, and I think it might be early February that we will be seeing it. At that point, we will be able to have a more fully informed point of view about whether or not it is going to be necessary and adequate to deliver the capacity that we need in the coal chain moving forward.

This is where the whole cooperative model is fundamental. We need ARTC, like PN, PWCS and Newcastle Port Corporation, to participate cooperatively in the planning of the expansion program. PWCS have gone out on a limb and their shareholders have committed \$170 million to expand the port, but they are doing that in the expectation that the track and train infrastructure is going to follow. It is promised to follow, and I think there is a \$270 million expansion program that ARTC have publicly announced for additional Hunter Valley coal infrastructure, but it is a long way between announcement and turning of soil, if you like.

One major project has been started by ARTC, and that is the Sandgate project. That was commenced in November last year and it is due for completion by November this year. That is the project to build a flyover to separate the coal trains from the passenger trains where they come onto Kooragang Island. That is a very positive project in its own right. But that project will not give us additional capacity until some of these other projects are completed. We need to see the constraints on the track unblocked at multiple points on the track. Those projects need to be undertaken in parallel and they need to be undertaken in accordance with the overall timetable for the expansion of our other members to ensure that we see the overall coal chain capacity lifted up. Otherwise we will have \$170 million worth of investment at the port and \$200 million worth of new trains and we will not be using them. That is a lot of capacity and a lot of capital that we will not be getting a commercial rate of return on, which is obviously going to upset a few shareholders, as well as constraining the overall throughput of the system.

CHAIR—On that point, is it implicit in what you are saying that ARTC is short of funds?

Mr Pitt—It is not. As I understand it—and I have only been working in the industry here for 18 months—there is no issue to do with funding. The funds are in the bank; the funds are being committed—

CHAIR—What is the hold-up then? You say that these are not completed, or they are not progressing.

Mr Pitt—I am not really able to comment on the cause of the hold-up. It is internal, within ARTC. The funds are available. The industry itself has, on a number of occasions, offered to pay for it if it is going to be a constraint. In terms of the \$270 million worth of capital expenditure that we would need for the future to unblock some of the constraints, that is relatively trivial when you consider the economic value of an additional \$1 billion to \$2 billion of exports, year on year, for the next five years. The funding itself is not an issue. The industry itself has been

prepared to commit the funds in the past. I understand that ARTC have the funds available. It is an internal project management issue.

Mr McARTHUR—I wish to raise two issues. One is that you say the plan is to operate the system as though it were owned by a single shareholder. Can I just raise the philosophical issue that, in Western Australia at the Pilbara, there is an argument about access to that private sector regime. Those operators have made the public comment that they have lifted their productivity much more than this operation here because they are a private sector operation totally committed to improving the output to meet the export demand. There has been an argument about access to that regime by a third party; that was granted just recently and there is going to be another court case on that. They argue that, because it is a continuous process, something similar to yours, they have been able to inject capital and improve the output to meet the demand. Would you care to comment on that observation?

Mr Pitt—Certainly. I do not think there is any doubt that a single shareholder model is a sensible model from the point of view of how we would operate the system, in terms of both where we would commit additional capital and how we should operate it to maximise efficiency. A single shareholder is more likely to make a sensible decision from a system perspective than a situation where you have 16 independent organisations all trying to work together. There is no doubt that a cooperative model or a single shareholder model is the preferred model from an investment and an operational point of view. That is what we are seeking to replicate through the logistics team and I believe we have made some significant inroads into it.

The track access regime is managed through the competition authorities, I think, currently, at the state government level. I believe ARTC will be regulated through the ACCC at the federal government level in the future. In terms of the track access issues, they are issues for the regulator, who needs to ensure that we have appropriate track access regimes in place to promote competition—particularly to support the competition of the above-rail segment that we are seeing in the Hunter Valley—to ensure that we get sensible and efficient decision making out of that area.

In the meantime, the logistics team itself does not get involved in any of the commercial decision making by its various participants. We operate purely to look at the logistics and the capacity of the coal chain. Our objective is to maximise throughput and we will do that on behalf of QR National and Pacific National, who are two competing organisations that use us. How they then carve up that capacity amongst themselves with their customer base is something that they will deal with in their own separate commercial undertakings with customers.

Mr McARTHUR—That is my next question. You say in your submission that you have improved productivity in output by 20 per cent by having a cooperative basis. Now that you are coming to a bit more of a crunch point, how will you allocate the capital investment, when obviously not all the stakeholders—shareholders—will want to invest at the same rate? If you get a very tricky crunch point where one of the players says, ‘I’m not going to invest another \$20 million because it’s not in my interests’, what would your attitude to that be?

Mr Pitt—That is where we can seek to use facilities and forums such as this one to try to encourage actions to be undertaken. The logistics team model, although it has been very successful, is still an extremely fragile model. We, as a logistics team, have no legal ability to

impose or enforce investment or insist that it takes place. It is truly a cooperative model and, like any cooperative model, it is only as strong as the participant of its least cooperative member. If there is a particular issue, a track issue or a port issue, and we find a particular member and their shareholders are not willing to undertake investment in a particular increase in infrastructure, that is not something that the logistics team can influence. So it is not perfect.

Mr McARTHUR—How is that matter resolved? If you are going to get up to 107 million tonnes in the next big leap, how are you going to resolve the investment problem of the number of stakeholders?

Mr Pitt—It is important to look at the following page and understand what the commercial drivers are to act on each of the elements of the coal chain. When we look at the ship loading facilities, PWCS and the NCIG one that is to be built over the next few years, we see that each of those organisations is owned by the exporters themselves. So we see a very good alignment between what the investment decisions of those organisations are likely to be and what the needs of the export industry will be, because the shareholders and the customers are one and the same organisation. PWCS is owned by Xstrata and Rio Tinto and all the other coal exporters. So we see a natural alignment or a natural incentive for PWCS to undertake the investment.

On the train side of the equation, we see a competitive marketplace now. We have had QR National commence export operations this year in direct competition with Pacific National. We see actions by customers, bringing a lot of pressure to bear on those organisations to increase the amount of rolling stock they have and to be able to operate it in a way that is more beneficial to throughput. We see a competitive marketplace creating sufficient tension that the natural incentive for the above-rail segment, the train segment, is to invest in accordance with the rest of the system as well.

The area where we probably have the least commercial drive to invest is in the track infrastructure, where we see the government-owned natural monopoly which does not have the same commercial incentives applied to it as does the port and the train segment. That is really where the role of government as regulator and as shareholder is fundamental. The role of regulator is important to ensure that we do not end up bickering over a rate of return of half a per cent that delays the whole investment getting under way by 12 months.

Mr McARTHUR—How can you encourage government to force the maintenance of that rail infrastructure below rail? How can you just tell them to, say, put another \$200 million into the rail track?

Mr Pitt—I think it is a question of looking at the economic value that is at stake. There are models in the gas pipeline market where, if there is a wholly underwritten revenue stream guaranteed to the particular monopoly infrastructure provider and they are getting a commercial rate of return that is guaranteed and is acceptable to the regulator then there needs to be a mechanism in place through the competition authorities that seeks to compel a degree of investment if it is not otherwise forthcoming. If there is no revenue risk whatsoever because it has been underwritten by the customers in the industry—in this case, the exporters and the train operators—and there is a commercial rate of return that is acceptable enough for the competition regulators to say, ‘These guys are getting a reasonable return,’ then there is no risk and therefore that investment should in some ways, I think, be compelled to go ahead to ensure that we have,

in this case, the track infrastructure not being a constraint to the investment that has been made elsewhere in the coal chain.

Mr Davidson—Without doubt, the entities within the coal chain strive to not be the bottleneck within the coal chain industry. One of the objectives of the board of Port Waratah Coal Services is to never be the bottleneck. The same can be said for Pacific National and Queensland Rail. That is driven by a customer focus. It is a commercial focus also. I am not quite sure that that is there in ARTC.

Mr Pitt—The issue as I see it is that a truly cooperative model requires cooperation. You can try to put in place mandated investment regimes through the track access arrangements that come through the ACCC but, at the end of the day, the capacity of the coal chain will be determined by the preparedness of each of the elements of the coal chain to invest. It will come down to a level of cooperation. We certainly see good cooperation from ARTC in the sense that they participate in what we do. They have staff employed in my organisation. That is facilitating the maximising of throughput. They are spending a lot of time, energy and money looking at the strategy. It is more the urgency and the actions that are being taken to follow through on that planning about which we have concerns at this point.

Ms BIRD—I just want to follow through on the regulations. We talk a lot about the capital investment, but clearly you have indicated in your submission that part of what you are operating under at the moment is an approval from the ACCC to run the ship arrival contractual system, which would not normally appear to have a competitive emphasis. I would like you to talk about how significant that is and whether that is an interim thing or is critical to the ongoing success of the operation. We have had coal companies, such as those in WA, indicating to us that they very much like a monopoly, which I find very interesting. Obviously, in a port like we have here, where there are so many uses and different types of movement happening in the port, that is not a viable option. In other ports we hear about all the problems of competing organisations. You seem to have a good balance. But clearly it is not just about capital investment, as Mr McArthur was explaining; it is also about the regulation. So I am interested in hearing a bit more about that and how critical it is.

Mr Pitt—I will make a clarifying comment. The capacity balancing system, which was the commercial arrangement that was put in place to limit the vessel queue, is an initiative of Port Waratah Coal Services, independently of the Hunter Valley Coal Chain Logistics Team. It so happens that I worked on that project before I came into the logistics team, so I have some knowledge of the context of it. Essentially, a commercial relationship is in place.

Mr Davidson—The capacity balancing system is a system whereby we regulate the number of vessels turning up. At the beginning of the year we nominate our capacity. The industry then puts in a forecast or an allocation of the amount of tonnes they need to ship through the port. For example, if the demand is greater than the capacity then we have certain rules and regulations whereby we cut back the demand from each individual mine owner. At the beginning of each quarter we also implement nominations again for the demand and we nominate our capacity for the quarter. We virtually operate under the same rules, but there are also some consequences for not supplying the demand from the mine owners. For example, they get plus or minus 90,000 tonnes on their nominations. They are allowed minus nine days, plus five days to get their nominated tonnes through the port.

Obviously, there are consequences if they do not do that, because they are actually taking capacity off other owners. The consequences are to take or pay. If you do not manage your demand through that particular segment of time, you pay for it anyway, which changes the whole industry around in terms of really managing the vessel queue and managing the demand from our customers. Also, if you do not make that demand, you lose it for the next quarter. That was ratified by the ACCC and was the case for 2005. It was voted in for 2006, not only by the number of coal owners but also by the capacity they put through the port.

CHAIR—I would like to ask a few questions for clarity as we wind up. What is the company structure of Port Waratah and NCIG? Can you give me the shareholding structures?

Mr Davidson—I have a slide on that. I believe you are visiting Port Waratah this afternoon.

CHAIR—Will we see that then?

Mr Davidson—You will see that then and I can give you the whole slide presentation and the percentages of Xstrata, Rio Tinto, the Japanese contingent and also the independent coal owners.

CHAIR—Has the entry of QR National into the Hunter Valley been positive or negative? Has it been a competition stimulant?

Mr Pitt—It certainly made Pacific National sit up and take notice.

Mr Davidson—I think competition has been relatively good for Pacific National and Queensland Rail.

CHAIR—In terms of the cost of transporting coal, has it become more competitive?

Mr Davidson—I am not sure about the cost. I could not answer that.

CHAIR—What are your recommendations for the federal government in respect of the port? I mean that in a general sense. Given the terms of reference, in what way should the Commonwealth intervene, if at all, in the Hunter Valley and in the efficiency of this port?

Mr Davidson—I think that the port itself is relatively efficient if you just focus on the vessel coming to berth.

CHAIR—What about the logistics leading into the port?

Mr Davidson—I think Anthony highlighted on these pages in red where we have some concern in terms of the development of ARTC developments. On page 13 you can see the capacity enhancements, where the yellow line is the capacity of 2004 and the red line is where we need to go to capacity for 2009 and the developments that we need ARTC to do to ensure that we can get the coal through.

CHAIR—For example, you say that part of the upgrade of the Gunnedah line needs duplication and the light track needs to be upgraded to a heavier duty. Who should be doing that?

Mr Pitt—ARTC own 90 per cent of the track infrastructure in the Hunter Valley now.

CHAIR—Are those lines that you identify on page 5 all controlled by ARTC?

Mr Pitt—The purple dotted line is the ARTC expansion. I see there are two key roles for the federal government moving forward. The first is as regulator, to ensure that, particularly through the ACCC, we get an appropriate access regime for the track that does not delay investment decisions through bickering around rates of return and the like, as we have seen happening in Queensland; to ensure that we get fair and equitable access that also supports competition; but mainly to ensure that we get timely decisions made to ensure that there are no competitive regulator delays or constraints to expansion. The second role for government is clearly as the major shareholder of the track infrastructure—particularly the federal government, which has the ARTC to ensure that the appropriate shareholder pressure is brought to bear to keep the commitment to the investment being delivered on time in a timely fashion in support of the rest of the coal chain investment that is actually occurring.

Mr Davidson—It is a timing issue on that particular graph on page 6. We have tried to time these capital investments to deliver capacity to the coal chain. You can see Port Waratah several steps up to 120 million tonnes. Our board is committed there with the market. You have ARTC—you can see the purple line, which Anthony was referring to—and also Pacific National and Queensland Rail having various steps of capital investment. It is a relatively complex graph. But they are the sorts of timings we have been looking at. We spent a considerable amount of time doing modelling on this particular work, and that is one of the processes where PN and PWCS invested this considerable amount of time, money and effort to have a feasible model for the coal chain.

CHAIR—Thank you for your evidence. I trust we can come back to you if we require more information. We have approved your additional document. We will send you a copy of the *Hansard* draft for editorial corrections.

[10.09 am]

BEALE, Mr Paul William, Operations Manager, Newcastle Coal Export Terminal, Newcastle Coal Infrastructure Group

CHAIR—Welcome. While the committee will not be requiring you to give evidence under oath, I have to remind you that these hearings are formal proceedings of the 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 lead to an action for contempt. Having said that, you are most welcome here. We would like you to give us a five-to seven-minute overview of your submission, and then we will break into questions.

Mr Beale—I intend to take you through the presentation that has just been handed out.

Mr GIBBONS—I move that the paper be taken as an exhibit.

Dr JENSEN—I second that motion.

CHAIR—Passed.

Mr Beale—The paper has the detail of where the Newcastle Coal Infrastructure Group is up to at the present time. We have completed our pre-feasibility study and we are about to enter our feasibility study. I will go through it in detail, slide by slide. I am happy for you to ask questions as we go along.

The second slide in the presentation details the six coal companies that are involved with the Newcastle Coal Infrastructure Group. The six companies are all current exporters in the Hunter Valley and they all have plans to expand their businesses in the short to medium term. The purpose of the Newcastle Coal Infrastructure Group is to actually build a new coal terminal in the Port of Newcastle, which will be the third coal terminal.

Ms BIRD—Can you indicate what percentages the ownership of the third terminal comprises?

Mr Beale—I cannot give it to you exactly.

Ms BIRD—Are they equal partners?

Mr Beale—They are not all equal. BHP is around 30 per cent to 35 per cent. Excel and White are around 20 per cent, and the other three are around 10 per cent. They are not the exact numbers, but the actual numbers are in the order of those ones.

The history of the Newcastle Coal Infrastructure Group goes back to about September 2004. The New South Wales government called for expressions of interest for the use of land on Kooragang Island. They were one of the groups that actually submitted. That process continued through to about February 2005, when preferred candidates were short listed and requests were made of them to make formal submissions to the New South Wales government. That process

continued. By August 2005 NCIG was announced as the successful candidate for the purposes of building a new coal terminal on the land at Kooragang Island. Slide No. 4 shows the layout.

CHAIR—What is the capacity?

Mr Beale—The capacity of the fully built facility is 66 million tonnes. The stage that we are building will be about 33 million tonnes. The layout that you see on slide No.4 is the layout that was developed during the pre-feasibility study.

CHAIR—Will this require any additional dredging and so on?

Mr Beale—Yes, it will.

CHAIR—Will you be taking ships up to the Panamax or Cape vessel size?

Mr Beale—Both. We will be dredging sufficiently to ensure that we can—

CHAIR—To what maximum tonnage?

Mr Beale—150 or 180. It will be the same as Port Waratah can do currently. It will be the same as the port capacity is today.

Ms HALL—Earlier, Port Waratah said that the dredging is going to be done in conjunction with them. Is there an agreement that you will work together on that?

Mr Beale—There is no formal agreement, but we will work together to try and achieve the dredging. There are actually three dredging projects that are timed to occur around the same time: PWCS has a dredging operation for their berth, K7; we have dredging operations for our berths, K8 and K9; and the Newcastle Port Corporation has plans for deepening the harbour. Those three projects will all occur around the same time, and there are obviously some synergies that can be achieved through the three parties working together.

CHAIR—I have one question on that point. We have found that with these rapid expansions in overseas tonnages, entries at a number of ports, including Gladstone, Mackay and Melbourne, need to be widened or ‘passing lanes’ need to be made. Will there be a problem with that as your new terminal comes on stream in Newcastle?

Mr Beale—I do not believe that there is a problem. At the moment the port operates so that you do not pass ships in the channel. That will continue to be the same.

CHAIR—So there is not a dredging access problem at all.

Mr Beale—The restriction in the port is the depth of the port at the harbour entrance, but we do not believe that the capacity of the three coal terminals will require the port to do any extra dredging apart from the dredging they have planned to do to increase the depth of the harbour to accommodate larger ships.

CHAIR—Can you take us to page 5 of your submission now.

Mr Beale—That is a colour picture which, unfortunately, when it was transferred from the computer, did not come out as well as it should have. The yellow area shows the stage 1 part of the operation. The area with the three yellow filled-in rectangles is where the stockyards will be. The blue area below it is where the wharves will be. The red area out to the left of it is where the rail track will be.

CHAIR—That is a loop operation, is it?

Mr Beale—Yes, it is. The facility is designed for up to 66 million tonnes per annum. The plant will be built in three stages, with the initial stage to be built for a 33-million-tonne capacity. The plant will provide three services. The first will be the receipt of coal by rail and the stacking out of the coal into the stockyard. The second one will be the storage and blending of coal in the stockyard. The third one will be reclaiming coal and loading the coal into ships.

Ms BIRD—We heard previously from the PWCS that one of the big challenges that many coal ports face is the multitude of product and the demand that that creates to mix, blend and load different amounts. With your operation, do you see potential specialisation between the various services or will you both be trying to blend 150 brands?

Mr Beale—That is a difficult question to answer.

Ms BIRD—Is it determined by price and that sort of thing?

Mr Beale—How many products need to be blended and how many products can be sold as their own single brand depends, I guess, on what the market requires. I cannot give you a specific number on that, but it would be fair to say that we would expect that we would be required to give about the same service that Port Waratah currently are required to give their customers.

CHAIR—So the plant provides the three services you listed, including the blending and reclaiming of coal. Do you use an underground or above-ground system for that?

Mr Beale—The rail receiving area will be a rail loop with an underground station that is below the line. An underground conveyor will come to the surface and from there the conveyors that run to the stockyard will all be above ground. The coal will be stacked out via a stacking machine. The reclaim system for the ship loader will be above ground.

CHAIR—Take us through page 7.

Mr Beale—For the operation itself we plan to have dedicated stockpiles for regular high-volume shippers. We plan to operate a mandatory train timetable with a significant proportion of the train arrivals, so we are trying to sequence them and have them arrive in a dedicated program every day. We are seeking to run a smooth, even, regular rail program. There is a need for us to work with existing stakeholders within the Hunter Valley coal chain—the other coal terminal, the rail providers, the rail track owner and the port corporation—to minimise any impacts. We see it as very important that the Hunter Valley rail network maintains sufficient rail capacity to enable the port to—

CHAIR—Have you appointed your rail carrier or are you going to use both?

Mr Beale—We as such will not appoint a rail carrier. The decision on which rail carrier comes rests with the mining company. They do that. We will be able to handle both companies. Even if a third player arrives that we do not know of, we will handle them all at our facility.

CHAIR—What about the timetable?

Mr Beale—We are currently undertaking a detailed feasibility study and preparing our environmental assessments. We aim to submit our environmental assessment by the end of June 2006. We are aiming to start construction around March 2007. The plan is for the first coal to be received in part of the facility in the first quarter of 2009 and for the 33-million-tonne stage to be completed from a construction point of view by the last quarter of 2009.

CHAIR—You know the terms of reference of the inquiry. It looks as though you have an efficient plan in place to build this third coal facility for Newcastle. I suppose the question—and this is explicitly stated in our terms of reference—is the connectivity from the arterial systems into the port. How do you see that affecting you? What is your comment on the access into the mining areas and into the arterial system? Do you have a view on that?

Mr Beale—I guess from a port point of view, the rail system is an extremely important part of enabling the port to function through delivering all of the coal to meet the port capacity in the future. ARTC have developed a corridor strategy. That has a number of projects in it which they plan to do over the next three years. It is very important that they maintain that timetable and put that additional capacity within the rail network to enable the port to actually operate and function to its capacity when the new terminal has been built. So the rail network in effect is the key to actually ensuring—

CHAIR—What is your comment on the current condition—this congestion with passenger and other freight services? What are your comments on that? What are your recommendations to the committee in that respect? That is going to affect the efficiency of your terminal.

Mr Beale—I am not a local. I have only just been hooked in, so I do not have good knowledge. I am actually from Wollongong. I used to work at the coal terminal down there. I have been involved in this project for 18 months. The rail network, as I said, is important. A part of the network up as far as Maitland is actually a four-track system and there are a couple of tracks dedicated specifically to coal. From the coal terminal point of view, our aim would be to ensure that the rail network can provide all of the necessary coal that we need and bring the capacity down to the port that is required. I would think that, within the network, that is doable with the plans that ARTC has and what I have read about ARTC's plans. I think we can survive with the passenger network, the freight network and the coal network.

Ms HALL—The new coal terminal is rather exciting, isn't it?

Mr Beale—Yes, it is.

Ms HALL—We heard earlier from Port Waratah Coal Services that you were seeking to form a partnership with them.

Mr Beale—In terms of the dredging?

Ms HALL—No, generally—in the logistics chain.

Mr Beale—We will be part of that chain and we will work with that process, yes.

Ms HALL—You put in the tender for this second coal loader. What was the motivation of your members to do that rather than support the Port Waratah Coal Services thing?

Mr Beale—To get certainty. All of our members are mining companies that are seeking to grow their businesses over the next couple of years. They wanted to actually get certainty and ensure that there was enough capacity within the port to handle all of their projected throughputs in the future.

Ms HALL—And you felt you did not have that certainty?

Mr Beale—They wanted to make sure that the certainty was there.

Ms HALL—Were you here for the end of the Port Waratah Coal Services presentation?

Mr Beale—Only the last five minutes of it.

Ms HALL—Did you hear their presentation on ARTC? This is linking into what Mr Neville was saying previously. They were saying that the problems with actually getting rid of that congestion related a lot to ARTC and the delivery of services and upgrades that had been promised. Did you hear that part of the presentation?

Mr Beale—I heard the end of it, yes.

Ms HALL—Does that concern you?

Mr Beale—The ability of ARTC and the rail networks to perform and ensure that all the coal is delivered to the port is a very important issue. ARTC have identified a number of projects they need to complete by 2008-09 which should give the port sufficient capacity to handle the three coal terminals that will be operating.

Ms HALL—Do you see this as having any potential impact on your operations?

Mr Beale—If the work is done and ARTC continues to invest to stay ahead of port capacity, it should have minimal effect.

Ms HALL—And if it does not?

Mr Beale—If not it will have a significant effect.

Ms HALL—Will all the coal be brought in by train?

Mr Beale—All the coal from this facility will be brought in by train.

Ms HALL—Good luck. Here in the Hunter we are looking forward to seeing it up and running and helping us to grow the industry.

Mr Beale—Thank you.

Dr JENSEN—Ms Hall touched on the point of additional players using the track infrastructure. What has been seen all over Australia is that the more players you have using the available track infrastructure the less efficient the use of the track becomes. How do you see your company cooperating with the previous respondents in the efficient use of the track infrastructure? You mentioned that you would probably become a part of the consortium—the memorandum of understanding.

Mr Beale—I am not sure what memorandum of understanding you are talking about. I have no doubt that we will join the logistics team if we are invited, and we will work with them in setting up as smooth an operation as we can. But, in essence, the new terminal is going to have little impact on the operation of Kooragang Island, because if the network can bring all the trains down the Hunter Valley, they will turn in and then it will be purely a matter of whether they turn onto one road to come into this terminal or go down another road to go to another terminal.

Dr JENSEN—I am just trying to get my head around this. These mining companies that your company is owned by are not using Port Waratah at all; is that correct?

Mr Beale—Yes they are, at present.

Dr JENSEN—But they will not be when your company is in—

Mr Beale—They will still probably need to use Port Waratah at times.

Dr JENSEN—I can understand that, at the immediate port side of things, your company operating a different section of the port with different track possibly would not impact on the logistics supply chain. But I am thinking of further up the line; if there is not adequate cooperation between you and Port Waratah there could be issues related to congestion further up the supply chain. Would you see that as potentially being a problem?

Mr Beale—It would not be a real problem because I think the systems that are in place today cope with that, and I think they will cope with it in the future. The only issue will be that there will be more volume. The trains can be programmed to come down the valley. As I said earlier, it is important that ARTC meet their investment decisions and increase the capacity of the line. Providing there is enough capacity in the line there should not be any problems.

Dr JENSEN—So you do not see any scheduling conflicts?

Mr Beale—Provided ARTC make their investment.

Dr JENSEN—I think I am getting the message there.

Mr Beale—They have said that their plan is to complete that work by 2009.

Ms BIRD—Mr Beale, given that you have come from a port where the vast majority of transport is by truck, and we will certainly be looking at that over the next couple of days, to an operation that is 100 per cent rail—

Mr Beale—Whilst I come from Wollongong, I previously came from Newcastle, where I was involved for seven or eight years during the start of Kooragang Island.

Ms BIRD—I am interested in your observation about the efficiencies between the two forms of transport.

Mr Beale—That is an interesting question, and it is probably a good question to ask when you talk to the people down at Port Kembla. Down at Port Kembla it is not really a scenario of one being better than the other; it is a case of where the mine is. Either it is available to have rail or it is not, and if it does not have rail it has road. So I do not think there is an easy answer to your question. From a general, philosophical point of view, trains will bring coal down in larger unit sizes, so they should be more efficient. Trucks are probably easier to operate. I guess it gets back to the specific mine and the location that it needs to operate within.

Ms BIRD—Does it affect the efficiency of the port? That is what I am looking at. Are there more problems and challenges with one particular mode at the point of offloading?

Mr Beale—Rail is probably the easiest operation because you can bring in more tonnes per hour at a single point in time, whereas trucks will bring in only 25 or 37 tonnes per load. A train can bring in up to 7,000 or 8,000 tonnes.

Ms BIRD—Are they more reliable with scheduling as well or is there not much difference?

Mr Beale—No, there is probably not much difference.

Ms BIRD—I was interested to hear you say that those operators will most likely focus on using your facility but will also access Port Waratah.

Mr Beale—I would probably need to clarify that. It is not that simple. I will just say that a ship requires two types of coal: type A and type B. Type A might be from a company that predominantly uses Port Waratah and type B might be from a company that would normally use NCIG. While the marketplace has not really determined what it is going to do, it would be likely to be whoever is the largest shipper. For example, if one of the companies had 80,000 tonnes on the ship and the other company had only 40,000 tonnes, you would more than likely put both lots of coal where the company was that had the 80,000 tonnes. It is likely—and I say ‘likely’ because we do not really know, because we have not seen what the marketplace has done yet—that at times NCIG members will use PWCS and it is also likely that at times some PWCS members will use NCIG, based on the fact that it is not as simple as saying, ‘All your coal comes in one ship.’ There will be mixtures across.

Ms BIRD—I assume that the owners that you list are not all the miners in the Hunter.

Mr Beale—No.

Ms BIRD—Could you give me a rough idea of how many others there are, because it is a fairly extensive list?

Mr Beale—No, actually I cannot.

Ms BIRD—There are quite a few others?

Mr Beale—Yes.

Ms HALL—You could submit that to the committee at a later date, couldn't you?

Mr Beale—I could get that information.

Ms HALL—That would be useful.

CHAIR—To clarify the last point you made to Ms Bird, when you said that Waratah will use your facilities and at times you will use theirs, do you mean that you will redirect your coal through their facility or do you mean that the vessel will call at both wharves?

Mr Beale—I do not know the answer, but I guess, based on my previous experience, that a ship will normally come to only one facility. The coal terminals will not be redirecting the coal; it will be the case that the mining company will make a decision that the coal will go through a particular facility.

CHAIR—I see.

Mr McARTHUR—I notice that in your timetable you have an environmental assessment in June 2006. Are you hopeful that that will prove to be acceptable or will the whole project be held up by that?

Mr Beale—We are working to that time frame to complete our environmental assessment and make our submission to the state government by the end of June 2006.

Mr McARTHUR—Are any people a bit worried about the project?

Mr Beale—Worried in what sense?

Mr McARTHUR—Just from an environmental aspect.

Mr Beale—I do not think so. The land at Kooragang Island is basically land that has been reclaimed. It was previously a dump site, so a lot of information is known about the island. I am not aware of any group that will specifically—

Mr McARTHUR—So you are very hopeful that it will proceed as planned?

Mr Beale—Yes.

CHAIR—Mr Beale, your submission has been particularly concise and very efficient. We are just about out of questions. We usually have the other problem. Ms Hall has another question before we start to wrap up.

Ms HALL—I cannot get away from ARTC and the role that it plays in us actually being able to meet capacity here in the Hunter. I go back to the capacity plan status that was given to us by the Hunter Valley Coal Chain Logistics Team. It has more than six items, but six items are identified as needing to happen for us to ensure an adequate supply for the coal loaders to operate effectively. Each of the items that ARTC are responsible for have not commenced. Does this concern you as much as Port Waratah? Do you have any indication as to whether or not ARTC is going to be able to deliver on time, according to the schedule that has been outlined?

Mr Beale—The ARTC produced their strategic paper—I think it is dated 24 May 2005—which details all those projects. The first project, the Sandgate flyover, is under way and I know it is running a little bit late. It is very important that the projects they have identified—and I obviously cannot see what the six projects there are, but I am assuming that they are the same projects that were identified in the ARTC's strategy paper—

Ms HALL—It is the only one that has commenced. There is also the additional effective path combination for MMA section, Minimbah and Nundah Bank headway reduction, full track duplication—have you got one there now? You have a copy?

Mr Beale—Yes.

Ms HALL—Good.

Mr Beale—That looks very similar to what the plan is with ARTC. This takes them up to about a 130 to 140 million tonne capacity, and obviously there is work they need to do beyond that as well.

Ms HALL—Does it concern you that six out of seven items have not been commenced?

Mr Beale—No, it does not concern me right at this point. Progressively, as PWCS increase their capacity and NCIG bring their new terminal on stream, it will be very important to ensure the works are completed by those times so that the rail capacity exceeds the port capacity.

Ms HALL—If you were to give us, as a committee, one message to take away about what we should recommend for this area, what would that message be?

Mr Beale—I think the biggest issue for this area for the coal industry is ensuring the rail network has sufficient capacity to meet the port demand.

CHAIR—Just before I ask my final questions, the secretariat has suggested we might upgrade this document of yours because you have worked from it to make an additional submission. Are you happy to do that?

Mr Beale—Yes.

CHAIR—Would someone like to move that we do that?

Dr JENSEN—Yes.

CHAIR—There being no objection, it is so ordered. Winding up, Mr Beale, you know the terms of reference. I would like to know what you feel the role of the Commonwealth should be. You have obviously worked here before; you have worked in Wollongong and you know the logistics of bulk commodities and coal. Where do you see the Commonwealth putting its main effort, in terms of the arterial road and rail systems and how they affect the port—and in particular the port of Newcastle? What do you think we should be doing to improve that?

Mr Beale—I think the rail network is the key, for the capacities that people are looking at in the short to medium term.

CHAIR—You mentioned the Sandgate flyover, but give us some other things that you see needing to be done, in general terms—not necessarily affecting your project but from the perspective of a person who is familiar with the local scene.

Mr Beale—For the rest of the network, the Sandgate flyover assists at the Newcastle end of the network. Looking in the longer term there is probably a need for additional duplication of the line specifically for coal north or north-west of Maitland. I think consideration needs to be given to the expansion of the Gunnedah coalfields area, which involves the rail system that will take coal through the Liverpool Ranges. I know ARTC have got studies in that area at the moment, even though we do not know—

CHAIR—This is what is called the Murrurundi area.

Mr Beale—Yes. The Liverpool Ranges is the specific area where they have difficulty taking trains over the mountains. At the moment the rail network beyond the Liverpool Ranges is all old sleepers that are not rated for the larger trains with the higher axle loads. They are the main issues. I think the port has enough in hand in terms of the capacity that people foresee in the future. At this point in time, I do not think there is anything special that needs to be done at the port.

CHAIR—If there was special Commonwealth seed funding to get better tracks to the west of the range, would that improve the capacity and efficiency of the port of Newcastle?

Mr Beale—The answer would be yes. The underlying statement I would make off that would be that if they improve the rail network, and if, for example, they put a tunnel through the ranges, you would be able to run larger unit trains up to the coalfields around the Gunnedah area. With each train path at the moment they are restricted to a maximum train size that carries around 3,000 tonnes, while the rest of the Hunter Valley operates 5,000-, 6,000- or 7,000-tonne trains, so you would get far more efficiency at the port on the basis that—

CHAIR—So double the capacity of each train.

Mr Beale—unit train sizes coming down would be larger.

CHAIR—And faster trains.

Mr Beale—Yes.

CHAIR—Thank you for your evidence. We trust that we can come back to you if we require any more information.

Mr Beale—Not a problem!

CHAIR—We will send you a copy of the draft *Hansard*, to which you can make editorial corrections. Thank you.

Proceedings suspended from 10.41 am to 11.08 am

COYLE, Mr John Francis, Executive Officer, HunterNet Co-operative Limited

CHAIR—Welcome. Although we do not require you to give evidence under oath, these are proceedings of the parliament and consequently 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 lead to a contempt of the parliament. Having said that, you are most welcome.

Mr Coyle—I see from the various presentations you have before you that the general issues that are facing the Hunter in terms of infrastructure development have been pretty well defined. I think they are set out pretty clearly in the Hunter Business Chamber's document and the HACC's in particular. The coal industry is well represented. Given the major economic activity in the area, which the coal industry is supporting, this is very significant. We have seen quite an upturn in the region's economy from being a basket case in terms of unemployment levels. Employment has increased considerably in the region. I think there was an occasion last year when our unemployment rate was lower than Sydney's. We do have an element of long-term unemployed, which relates to the closure of manufacturing industries in the last decade, so there is a hardcore of unemployed but, as I was discussing with Jill, these are gradually being washed out of the system.

Our emphasis today, taking into account the documentation you already have, is to talk about the manufacturing industry, where it is going and what form of infrastructure it needs for its long-term development. I have related briefly the history of manufacturing in the region, which has obviously changed dramatically in the last decade. Unemployment has declined in the manufacturing industry from 40,000 20 years ago to 25,000 today. When you consider that BHP at its peak employed 22,000 people, it is not surprising.

However, this is still the country's largest regional manufacturing centre. It has been through a lot of changes, and that continues. One of the big changes we see is a movement of industry from this area—downtown, if you like, and across at Kooragang and Carrington—to areas such as the city of Maitland, which is the fastest growing non-coastal regional centre in Australia. In the manufacturing area we see a strong growth in the Thornton-Beresfield area. Representations later will talk about the importance of the expansion of the F3 through Kurri to support that region.

In conjunction with that we have talked about the case for an intermodal hub in that area. We believe this would be very important in giving that area some legitimacy as a major industrial location. We have seen manufacturing change from large-scale iron and steel shipbuilding to more niche manufacturing, which is consistent with Australia's general drive in manufacturing. We have also seen in that a push to exports. We are trying to achieve this within HunterNet, which is some 80 companies banded together. We have somehow collected the charter to promote the manufacturing industry in our region. We see export as a prime driver of that hub and we need, perhaps, a review of the container facilities within the port of Newcastle to support this export agenda. They are the two key issues we would like to bring to the attention of the committee.

I heard the concluding remarks of the previous presentation. They talked about the port and its capacity. Indeed, and I think you will see this later, the port of Newcastle has a capacity to more than double its current throughput of shipping movements alone. There was a push in the past to support this with a very fast train to Sydney with a multipurpose terminal. That project was withdrawn some years ago because the sheer cost of it back then was about \$3 billion. That was in support of an international airport at Kooragang, which cost about \$2 billion. But you could not have one without the other so that project went away.

We see the multipurpose terminal as a critical agenda for the Hunter to support the manufacturing industry and the long-term development of the region. We have seen what has happened in other cities—Sydney and Melbourne—as manufacturing has moved out of the region. It is a bit of a time warp in the Hunter—what we are seeing now is what happened earlier in other cities. We are perhaps 10 years behind the experience that Sydney went through. There are some good lessons to be learnt.

What we are really promoting is a planning procedure to support the intermodal hub with all the benefits that would come in consolidation and the use of current new technology to really make our industry more efficient. People here have problems sending freight overseas. It usually has to go to Sydney and, if it has to go to Sydney, it comes here and is then sent to Sydney, so that is just one day's delay, maybe. Our big manufacturers need to send trucks or trains to Sydney carrying anything from aluminium ingots to steel, wine and all kinds of merchandise. That goes to Sydney, which seems a waste.

We believe that if we were to support a niche container facility at the port then we could actually get the support of these manufacturers; they would get on board with this. It is disappointing when manufacturers do not come along and present submissions themselves on these occasions. In that sense, we try and speak for them. I spoke to them all before this and they all said, yes, they would definitely support and be interested in such a facility. In the past, companies had their head offices in the Hunter and in Newcastle and that has changed now, so we have to go about this in a different way—because head offices have moved to Sydney, Melbourne, Perth or overseas as a lot of the companies are acquired. I think it calls for a new way of looking at how we support and promote industry. On the back of all this would also be the Hexham-Sandgate corridor that we talk about for the rail, so that we could keep the freight traffic out of the Newcastle loop, as part of an intermodal hub. Then that could be accommodated as well. So we could get a combination of things.

Finally, we also have a Hunter economic zone; I do not know if you have seen this or come across it. It is about 2,000 hectares of development land outside of Kurri. I think within those 2,000 hectares there are about 1,000 hectares for industrial development. When you consider that the last big industrial development in the region was about 30 hectares, this is a fairly significant investment. That has a rail spur to it at this time. They would also feature in some of these programs that we talk about.

In essence, we are also saying this is an opportunity for the federal government in particular to consider elements of a manufacturing policy. We have just completed surveys through the AIG, which HunterNet is heavily involved in in the region, which indicate a certain frustration in local industry with the lack of a manufacturing agenda from state government perhaps and the federal government as well. There is an element here within this proposal to give manufacturing

industries some support and to help with a bit of a blueprint on how to drive manufacturing further. We have the infrastructure in place, so we are very anxious to use that and get things going. Key areas for growth here are defence and aerospace infrastructure, and there is a big rail industry—in addition to our normal industries of aluminium smelting, coal, electricity generation and so forth. Those are the key issues that we thought we would like to bring to your attention, Chair.

CHAIR—Mr Coyle, there are two areas of your submission that I would like to explore. While I understand the focus of your organisation, we as a committee have to link that back to the road and rail infrastructure. Of those two areas, one talks about an intermodal hub. So I presume that you are picking up on the terms of reference for inland ports, only you want to bring one down onto the coast rather than have it further inland. I understand that. I will come back to this in a minute. I would like to know what form of intermodal port you mean. Would it be just road to rail, rail to road? And how would that tie in with shipping and airfreight?

The second area of your submission is where you talk about the volume of commodities that have to go to Sydney. Obviously, they are going to Sydney because they can be more efficiently handled there than in Newcastle. So we might start at this point: can you describe for me what is wrong in the infrastructure of the port here that prevents you, for example, from exporting aluminium ingots or doing things like containerisation and so on. I do not think it is a very complicated system, because in my own electorate at Gladstone the Boyne smelter has its own dedicated wharf and I think 90 per cent of the stuff that goes from that wharf is aluminium. What I am anxious to know is: what is failing in the infrastructure here that prevents these other commodities from being exported from Newcastle?

Mr Coyle—It seems to be a bit of a chicken and egg situation. It is not so much that Sydney is more efficient in handling containers but that the shipping availabilities are not here because—

CHAIR—That comes with volume.

Mr Coyle—That is right—exactly. We seem to have lost our way. We had a big export shipping industry here when BHP was active. Since they closed production, some ships that would ordinarily come here have turned away. I think the port is working very hard to try and get ships to come. The basis of the multipurpose terminal was to have the demand side here. It has been identified that 160,000 container equivalents could be available for shipping out of the Hunter. That has not materialised for reasons I do not know.

CHAIR—Where do you see the role of the federal government in all this?

Mr Coyle—I think the role of the federal government is perhaps twofold. One is to acknowledge the traffic input into the Sydney area in terms of those 160,000 containers or a proportion thereof. The other is the fact that the F3 is at capacity and that only 20 per cent of containers out of Port Botany move by rail.

CHAIR—The Commonwealth cannot start dictating to the New South Wales government that containers cannot go on the F3.

Mr Coyle—No, it cannot.

CHAIR—That is not within our authority.

Mr Coyle—I understand that. Getting local industry organised as a driving force within that agenda is, I think, the issue. That is something that the Hunter—

CHAIR—How do you see the Commonwealth doing that?

Mr Coyle—Maybe by supporting local organisations in bringing this onto the agenda and by allocating some resources to whomever to help get it established. The other side of that argument is that, the more we can make shipping containers available here for shipping, the bigger driver we can have for attracting manufacturing industry to the region. We conduct various research programs and, as I have indicated, we have just completed one on innovation which has direct linkage to exporting.

We have been running this for some four years now. We have been supported by the Department of State and Regional Development and by DOTARS through the Hunter Area Consultative Committee. We have made good progress in increasing productivity and innovation levels with SMEs, but we have not really got too far with exports. This is not a good area for exporting, despite the volumes you see going through. Local industry is not as switched on as other regions of Australia are—maybe Gladstone is one of them—in terms of export generally, so there is a lot of activity going into that.

CHAIR—You are quite right in saying that it is ‘chicken and egg’ and that the Commonwealth should assist. But isn’t it a truism that industry tends to go to an area because of the availability of raw materials, superior logistics, superior freight arrangements or superior workforce?

Mr Coyle—Yes, all of that.

CHAIR—Although governments, state and federal, are going to encourage industry by saying, ‘Go to this area or that area,’ at the end of the day you cannot pick up a company by the scruff of the neck and say, ‘You’re going to go to Newcastle’ or ‘You’re going to go to Gladstone.’

Mr Coyle—No, you cannot.

CHAIR—There has to be an attraction factor there. I will not persist on this. I want my colleagues to enter into this discussion too.

Mr Coyle—I take your point. Part of our agenda is to attract companies to this region. If we can indicate to them that there is a shipping facility and service availability that may become important. We compete with Queensland, including Gladstone, quite heavily on manufacturing.

CHAIR—Outside of coal and aluminium, is there a body capable of talking to the international shippers?

Mr Coyle—Yes.

CHAIR—What we have seen here in the coal supply line is very efficient and very well organised. Do you have a parallel body for the general commodities?

Mr Coyle—No, not really.

CHAIR—But isn't that the starting point for you guys?

Mr Coyle—Yes, I agree with you.

CHAIR—Isn't that the point where you should start with the Commonwealth—with perhaps some seed funding to get that sort of body going?

Mr Coyle—Yes. The shippers are combined—the shipping companies. They have their own forum to push their own particular interests. We have talked to them.

CHAIR—You need people competent to interface with them.

Mr Coyle—Yes.

CHAIR—I will throw to my colleagues; I want to come back to this intermodal hub later.

Ms BIRD—I am Illawarra based and so, as you would appreciate, share an interest in very similar issues. One of the things I have been talking to our area consultative committee about is potentially expanding the terms of reference of area consultative committees to take on a transport infrastructure role within a regional development focus. I would be interested in your comments on that, given that what you have said identifies very strongly with similar sorts of comments I was reacting to in my area.

Mr Coyle—Certainly those committees have been very supportive of HunterNet. They work very effectively, and over 15 years HunterNet have conducted a number of programs with the council. Speaking of forums and how to perhaps start to pull this together and get industry to work together, it certainly would be a possibility, I believe, to work through the area consultative committees. And as I have indicated, the fact that industry is not here speaking on its own behalf on some of these issues—why I do not know—indicates that a forum such as the ACC could take a role in that. And HunterNet, through its membership, which is mainly SMEs, would certainly put its hand up to participate in such a program. As you say, the Illawarra faces very similar problems, and we work in a number of areas with the Illawarra with some of these agenda items.

Ms BIRD—Do most of the other commodities that are shipped through Sydney travel from here by road or by rail? Do you have any idea?

Mr Coyle—A lot of the product that starts here, in my experience, tends to go by road rather than rail. A lot of the rail is through-cargo coming from—

CHAIR—Even aluminium?

Mr Coyle—Yes.

Ms BIRD—The committee has been hearing—it is almost like two separate committees in a way—that coal-exporting issues seem to be quite different from other products' issues.

Mr Coyle—Indeed they are.

Ms BIRD—One of those issues is increasing reliance on road and the pressures that that is putting on the national road infrastructure. I suppose one of the challenges for the federal government, particularly under funding, is whether we continue to put more money into roads because the demand is there or try to support a rail system to redirect demand off the roads. I would be interested in your comments on that.

Mr Coyle—One of the issues with the rail system from here to Sydney is the complexity of it and the cost in developing and upgrading it. But I think that is an issue that has to be tackled. When you look at what is there now, you see it was put in 100-odd years ago. People then were not daunted by the challenges. The cost has been estimated at some \$3 billion for a very fast train, but you do not have to go to that extent. But people who travel regularly on the F3 will soon see the dramas that are involved with that, even travelling outside of peak hours. The rail seems a logical method of development to get people off the road and onto rail. I do not know what the additional capacity on the rail system to Sydney is, but I suspect it is not great.

Ms BIRD—The other similarity between the two regions is that you also have, not only from the North Coast but also from the Hunter now, a lot of movement of people into Sydney, either commuting daily or on a fairly regular basis. Are you increasingly seeing a clash between the needs of people movement and freight movement?

Mr Coyle—Yes. Last night I was showing someone a book on Newcastle and we saw that the Flyer, the steam train, used to take two hours and 10 minutes to get to Sydney in the sixties. You cannot do that today on an electric train—apart from the very fast train—and I think one of the issues there is that the extent of the traffic limits the speed of these trains. There has been no real improvement at all in commuting capability over the last 20 years from the general public's point of view.

Dr JENSEN—You mentioned the necessity to export freight other than coal from Newcastle and the craziness of sending it down to Sydney to get exported. You mention the chicken and egg situation, but 15-odd years ago you had the egg in BHP; however, you still lost that freight capacity. I am concerned that if you started introducing freight, other than coal, through Newcastle port again it is something that potentially would be doomed to failure without analysis of why the freight other than coal died away with BHP. What would be different this time compared with then?

Mr Coyle—I think some of the answers to that may be in the multipurpose terminal study that was conducted and the bids that were put in there. The proposal did not go ahead and maybe it will not be looked at now for some 20 years, so I take your point. We often do not have the facilities to help the port either. We do not have any container cranes within Newcastle. For example, ships come in and unload steel for OneSteel but there is really no experience in how to handle it or what kind of equipment you need. These are ongoing problems.

I think the fact is that we really have not put it to the test and have not put our best foot forward. But our link to that is also the future development of the region. The regional land management council has received submissions for the development of close to 1,000 hectares of industrial land in Kooragang. I am certainly interested in what is coming out of those submissions in terms of industry development, which again may have a bearing on the future development of the port.

But your point is a valid one, and the fact is that the multipurpose terminal did not get up. Perhaps the reasons for that need to be explored to make sure that we can find a path forward. We have talked about, if you like, a niche handling terminal—a container handling terminal—for particular industries. The question would then be, ‘Is there sufficient volume to make this a commercial reality?’ and, linked to that, ‘How will it help us develop the manufacturing industry in the region?’

Dr JENSEN—Let us assume you get these niche port-handling facilities up. The question the chair asked right towards the beginning is, I think, a valid one. The issue is one of attractiveness to the companies that are actually going to be using that port facility for their shipping, and also one of companies within the region using the port to export. How are you going to attract both of those groups into using those niche facilities?

Mr Coyle—I think that once again it is a question of industry working more strongly with the shipping and manufacturing industries and working in a better-connected way with the shipping industry as such, with the government being an honest broker in this and helping to find a way forward. The shipping industry is a pretty tough industry to deal with, and they will look after themselves—which is fair enough—at the expense of the Hunter. But I feel that if we can get industry talking and connected, and presenting their case from our point of view and from the interests of the region, then at least we would have a starting point from which to explore whether we can go down this road in the future. The benefits that would flow from that are, as I say, in developing industry, making industry more attractive here, and taking a load off Sydney which it clearly does not need.

Dr JENSEN—The concern I have is that, despite the expression ‘build it and they will come’, I do not think that is actually the case. I guess the question that I have got is that there seems to almost be an element of trying to force this niche market there. In my opinion, if there were a real market imperative for it, it would have been done. Companies in the region would have seen that imperative, seen the economic advantages in doing that and this would have gone ahead a while ago.

Mr Coyle—I understand what you are saying. But I speak to some of these companies and they say, ‘It would make more sense to do it out of Newcastle but the ships don’t come here so we send it to Sydney.’ I guess these companies are really more hard headed than that if there is a dollar to be made out of it. I spoke to one company who said, ‘The minute it leaves our factory it’s handled by our owners in an overseas country, so we actually haven’t looked at that side of it.’ That sounds a bit strange but that is just one of the responses that I had. If we could explore it, maybe we could put it to the test. Maybe if it is not for today then it could be for the longer term if we want to develop this as a manufacturing region. We are not trying to recapture our past glories but, given the transformation that has taken place here, the Hunter has responded very well. But we are reliant on a particular industry. We are very reliant on the coal industry—

and I do not know how long these prices will last—and it is driving so much of our industry at the minute. I have a feeling that there is a need for some more balance in this to support other industries. I know that is tangential to what you are discussing but this appears to be an issue to me.

Ms HALL—I would like to remain on this issue for a little while and then ask you to give us an overview of HunterNet, the role it plays and how it works within the manufacturing industry. I think it is a quite innovative organisation and I think that would be something worth while sharing with the committee. For clarity, 15 per cent of the work force in the Hunter is employed in manufacturing. There are a number of manufacturing industries that are located in the Hunter. It is not about getting people to come to the region; it is about having facilities that those manufacturers that are already located here can use—is that correct?

Mr Coyle—That is correct.

Ms HALL—What percentage or proportion of Australia's GDP is manufacturing that actually comes from the Hunter?

Mr Coyle—The Hunter area accounts for about 3½ per cent of Australia's manufacturing GDP.

Ms HALL—So you have surveyed your members to ascertain whether or not they would use a multipurpose terminal if one were there?

Mr Coyle—Yes. People say upfront, 'Yes, certainly we'd use it,' which is the response one would expect. SMEs are not so much involved with filling up containers. It is the big companies who are the people who would use the volume. SMEs are very anxious to have an efficient system so product does not have to be transhipped and they can get it either onto air freight or into a container here. As I said, if it saves two or three days, that is important to them. I think we would generate a strong level of support. We do not see the days of this town making iron and steel coming back again, but that is not the direction in which we are going. It is really towards smarter and niche types of products. This week we had 20 postgraduate engineers from India come to talk to various people around the region. These are postgrads in all kinds of manufacturing agendas. When we see what they can do and the interest that they have in this region in bringing ideas and seeing our manufacturing, we are prepared to use our position to attract global investment in manufacturing. We think that is a real issue.

Ms HALL—What are the current bottlenecks for your members? Would you like to expand a little on those?

Mr Coyle—Yes. Certainly skills shortages—and this is not an item for the agenda here—is the No. 1 issue right at this time. The Hunter feels a little disadvantaged compared to some areas of New South Wales, which is an ongoing thing. We feel that there are some challenges with other parts of Australia in terms of support for the manufacturing industry. It has not been that highly regarded and perhaps it is not seen as an attractive industry by some authorities.

Ms HALL—Would you like to expand on the challenges?

Mr Coyle—We face the issue of attracting manufacturing investment to the Hunter. We are concerned about supplies of electricity, which is a real issue down the track. We see that the large aluminium industry cannot commit to expansion because of a concern about electricity supplies. Water is not an issue here, but we compete with other states, particularly Queensland, in trying to attract and hold industry here. We do win some. We have had some good wins with Jetstar, and the state government has supported those programs quite strongly, but in terms of a general manufacturing policy and support we feel that we could do better. As far as HunterNet is concerned, it has been around for some 15 years. It represents small to medium enterprises in the manufacturing industry. It came together with the demise of BHP and our shipbuilding industry. Research has been carried out to show that the Hunter is a great place for networking. It is not so good for exporting, but it is great for networking and for people actually helping each other.

HunterNet has been to Gladstone. The Gladstone Engineering Alliance has been set up as a model on HunterNet, as has the Mackay Area Industry Network and also IC3 in the Illawarra. So we are more than happy to talk about what we do. It is really about companies helping each other. At the end of the day, it is as simple as that. So it is a good place for help.

CHAIR—How do the industries deal with the transport aspect? We got a report on your organisation about where it is disadvantaged as a result of the inadequacy of freight or the inefficiency of the wharf system or the lack of conductivity to the main arterial road and rail systems. Could we bring it back to that focus, because that is where we can help you.

Mr Coyle—Hopefully we talked about the need for the container facility and the niche facilities there. We see that that could be a boon and an aid to manufacturing, and we are prepared to assist maybe the ACC in forming a group to pursue that target. The second issue is the intermodal hub in the Thornton-Beresfield area, which would aid distribution of production from the region. It would also aid the port in assembling cargo for shipment and not doing it at the port where it maybe does not have the facilities.

Ms HALL—I was going to move on to the intermodal hub and intermodal hubs generally within the area. Would you like to comment on that?

Mr Coyle—Intermodal hubs are seen as a great way of vertically integrating the functions of freight forwarding and using smart technology to expedite freight efficiently. To link that facility at Thornton-Beresfield with the rail line would appear to be an optimum that we should consider in our longer term planning. That area has grown really well and it is smart technology. There are some terrific companies out there. We believe that is a great base for driving manufacturing, but to do so we need something like a hub. I am not talking about tomorrow; I am talking about planning for it down the track. So, as that industry in that area grows, this facility will emerge to support the production and the distribution of products in that region.

Ms HALL—This has been identified in the draft Lower Hunter regional strategy, hasn't it?

Mr Coyle—It has. I am sure that will be talked about later on by the Business Chamber.

Ms HALL—Could the committee get a copy of that, along with the multipurpose terminal study. That would be useful as well.

Mr Coyle—I could certainly get the Lower Hunter strategy.

CHAIR—Spinning off the strategy that you have just spoken about, have any dedicated studies been done on an intermodal hub? If so, could we have them?

Mr Coyle—I think the closest is through the Lower Hunter strategy document. With the chamber, I can certainly get copies of the multipurpose terminal study to the committee.

Mr McARTHUR—Regarding your proposition to develop some container capacity, I note that Sydney has 1.6 million containers and there are 12,000 at Newcastle. This really flies in the face of the evidence that this committee, and I personally, have seen where, in fact, container ports are being concentrated where the infrastructure exists. It seems to me that most of the containers that come into Melbourne go to Adelaide using the rail network. Melbourne is under a bit of pressure because of the deepening of the port. There is a trend in Australia and worldwide to make bigger container ports rather than smaller ones, so I am a bit surprised that your submission, as I read it, advocates a small container port at Newcastle. Would you comment on that worldwide trend and the fact that you are going against it?

Mr Coyle—I am certainly no expert on ports and numbers of containers. Melbourne has over two million containers, I believe, which is a lot more than Sydney. I could not comment from any experience I have of port sizes; I am not familiar with these studies. To me the issue seems to be one of efficiency and handling production locally at our port, which we have the facilities for. There is a very big land area and the wharves are still there, so to me it would be a question of building on the assets that we have to increase and improve productivity and support local industry.

Mr McARTHUR—But surely you will not be able to receive any more containers. It just does not work to have a small container port, be it in Geelong, Newcastle or Adelaide.

Mr Coyle—With respect, I do not know that the 160,000 containers we are talking about is a basis for supporting a facility or not.

Ms BIRD—To clarify, is it not the state government's intention to move significant containerised export to this area once the Sydney facility reaches capacity, which is not expected to be too far away?

Mr Coyle—That is correct, but I understand that, with the shelving of the multipurpose terminal facility, that has now been put back by maybe 20 years, and there was some development for Port Kembla for car handling and those types of things.

Mr McARTHUR—Why would you develop a multipurpose terminal when, in fact, the concentration—as you have demonstrated in Newcastle—is really for bulk commodities to improve that facility and, in the container port, to improve the infrastructure to have a high throughput? It just goes against the whole trend.

Mr Coyle—Maybe the other side of that argument is that the facilities in Sydney would have to be expanded through rail and road support for Port Botany.

Mr McARTHUR—That is exactly what we want to hear. What we want to know is how you get the containers to the port side and to the ship. The argument that we hear from a number of the operators is that the rail and road network is not sufficient to actually get to the port side. Surely your argument for Newcastle is that you cannot get good access to Sydney.

Mr Coyle—That is certainly part of the argument. In the longer term, access to Sydney would get worse as the F3 clogs up and the rail system reaches capacity. So I suppose it then becomes an issue of—

Mr McARTHUR—What would you say about the rail access to Sydney for containers out of this manufacturing region?

Mr Coyle—I would think that there is a capacity issue and I do not know when that will hit. But, given the fact that the rail facility from Newcastle to Sydney has not really been developed for a long time, it must be approaching capacity. If it is, then that could have a negative impact on the ability of this region to export the produce that arrives here or travels through here.

CHAIR—We are talking about a general port facility here. Is that in the planning stages?

Mr Coyle—It is suggested that the multipurpose terminal could be located on the old BHP site. That was put forward as—

CHAIR—Are you saying that that has been shelved for 20 years?

Mr Coyle—Yes.

CHAIR—What would you do with general cargo then?

Mr Coyle—There is general cargo here: grain, woodchip and steel, for instance. And container ships do come here on a fairly regular basis. You can see them bringing coal wagons from China and all kinds of things as they go through the port to Asia. Also, I think a container ship will start out from here to travel to New Zealand shortly. There are plenty of ships coming in and out, but we are saying that the attraction would be to specialise this to support local industry or maybe pick up some of the cargo that goes to Sydney.

CHAIR—Who runs the multi-use facility? Does the port authority run that?

Mr Coyle—The port authority has responsibility for that.

Ms HALL—If you could make one recommendation to this committee about what we should look at in relation to transport infrastructure, what would that recommendation be?

Mr Coyle—To take the longer term point of view, we would seek some federal government support to look at the issue of a niche containerisation facility here in Newcastle and to help get industry together to examine the proposal as to whether it has merit and can stand up economically.

CHAIR—Mr Coyle, thank you and your organisation for its submission. We trust we can come back to you if we need to.

Mr Coyle—Certainly. Thank you for the opportunity to talk to the committee today.

[11.52 am]

PEDERSEN, Mr Ian, Director, Hunter Business Chamber

THORNTON, Mr Glenn, Chief Executive Officer, Hunter Business Chamber

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

Mr Thornton—The chamber is Australia's largest regional business representative organisation. We represent around 1,200 companies throughout the Hunter region and they collectively employ about 90,000. About a third of the region's work force is represented through our membership. With me today we have one of the directors of the Hunter Business Chamber, Ian Pedersen.

CHAIR—Mr Pedersen, do you have any comments to make on the capacity in which you appear?

Mr Thornton—I am a professional engineer. I have been involved with infrastructure and a whole range of issues throughout the engineering world for quite some years.

CHAIR—We are not going to ask you to give evidence on oath, but I ask you to remember that these are hearings of the federal parliament and that they warrant the same respect as proceedings of the House. It is customary to remind all witnesses that the giving of false or misleading evidence is a serious matter and can be considered a contempt of the parliament. Are you going to lead, Mr Thornton?

Mr Thornton—Yes, if I could.

CHAIR—Could you give us a five- to seven-minute overview of your submission? By the way, it is a very good submission. What I like about it is you cut to the chase as to what you want and where you want it. I would like to spend the time with you exploring why you made those recommendations, how much study you have done on them and what their impact might be. When I read your submission, I was going to ask whether we could have the original colour maps. I note you have just provided them. We will not need to accept those as an exhibit because they are already in the submission. Thank you for the colour documents. If you could give the committee that overview, we would be most grateful.

Mr Thornton—Thank you. Quite often it is a lot easier to explain the concept of the principles that we are talking about through visual aids rather than through words. Adding the maps certainly helps with that. The business chamber sees the port of Newcastle as a critical piece of infrastructure not only for New South Wales but for the whole of the eastern seaboard of Australia. The infrastructure for transport is particularly important in that it will help with the efficient functioning of the port. We are now seeing Sydney growing to a point where it is choking on its own growth. We are the second-largest region in New South Wales. Really, we are on the outskirts of that area with a population of five million. We have the facilities here to be

able to service not only Sydney, from the outside in, but also a good part of New South Wales, in particular northern New South Wales. We have dealt with our submission on that basis.

The last speaker talked about servicing containers out of the port of Newcastle. It has been shown that 80 per cent of all containers go within 40 kilometres of the port of Sydney, which also means that 20 per cent do not go within 40 kilometres. So we are talking about 600,000 containers per annum that go further than those 40 kilometres. We have to deal with getting out through the middle of Sydney to service that market. We see the port of Newcastle as being able to service that market more efficiently than what is currently happening within Sydney. I will now ask Ian Pedersen, as the director of the chamber, to talk. As a bit of background, Ian is the managing director of Pedersen Engineering. He has been the Australian Professional Engineer of the Year. He is past national president of Engineers Australia, former president of the regional chamber and was on the Prime Minister's BHP task force when that was going through—so Ian has been involved in quite a number of related projects.

A PowerPoint presentation was then given—

Mr Pedersen—I would like to work through the presentation you have in front of you and talk to the principle of what the business chamber and business community are about. The first slide is taken from the New South Wales government's representation to this committee. It shows a significant issue. It shows where the freight comes to and from within New South Wales. It is important to note that a lot of the freight comes into Kembla or Newcastle. We see that the coal basins out west of the Great Dividing Range are going to expand. We also see grain, and there are other products that can be done. So we have a basis for saying that the New South Wales government sees that it is important that Newcastle is a centre for transport infrastructure.

This next slide is the actual concept that was developed by BHP Billiton, or BHP as it was then, for the development of a multipurpose terminal. The construction of this multipurpose terminal—not the industrial estate that went with it—was valued at about \$280 million. It needed very little rail infrastructure to increase it. It had four trains a day, which serviced 350,000 boxes per annum. The capacity of this facility will be able to grow to one million boxes per annum at a time down the track. This particular project went by the way when BHP stepped out of property development and ownership of a range of different things, but it was by using those principles that Newcastle Port Corporation went forward with its privately funded project. I think it is important to realise that the state government imposed on the port of Newcastle the fact that it had to be a privately funded project. That is different from a public-private partnership. It meant that the developers of the port, the two tenderers, had to fully finance it themselves. It is a well-known fact that infrastructure needs support of government to enable it to start to operate.

CHAIR—Did they also have to do the industrial park?

Mr Pedersen—No. In fact, if the state government had given the total parcel to the developer, they could have used the industrial park as an income stream to develop port-related industry that supported the container terminal. But they did not; they stuck purely to a port.

CHAIR—Chicken and egg stuff.

Mr Pedersen—Absolutely. It is a case of what leads first, as you can see. The next slide shows where the rail linkages are from the whole of New South Wales to Port Botany. We are talking about trying to go from one million boxes per annum at the moment to three million boxes per annum and having to drag all of these boxes through five million people in Sydney. You can see the traffic routes. The rail routes come into the port of Newcastle or they go south to Kembla. If you are in Dubbo, it is easier to get to the port of Newcastle. In fact, to get to the port in Sydney, you have to come through Newcastle or go down to Cootamundra and back up through Goulburn to Port Botany. You can see the benefit of the Newcastle port and the container terminal that was proposed for here. It would have been an asset to the whole of regional New South Wales, particularly the north.

There are two squares on that particular diagram. One is between Merrygoen and Gulgong, and one is between Muswellbrook and Werris Creek. I will talk to these two projects in relation to the next slide. This is a pictorial slide, but what it shows are the missing links for transport infrastructure in New South Wales. Particularly to get to Sydney or, more importantly, to get to the port of Newcastle, there is a missing link called Merrygoen to Gulgong. Those 70 kilometres of rail track are missing. To get from Dubbo to Newcastle, they come down to Merrygoen, they push back up to Binnaway, and they then rehook and come around, down through Werris Creek, into Newcastle. It is very costly for business, particularly in regional New South Wales, where you are trying to be sustainable to give communities west of the range an opportunity to develop industry and a whole range of things but also to get their grain products and everything to the markets.

This piece of infrastructure, we understand, could be in the order of \$50 million, \$60 million or \$70 million—but that is just what we understand. Certainly it is worth looking at. That piece of rail infrastructure would open from Parkes all the way around through to Newcastle. From the chambers of commerce in Dubbo and also in Orange—and everywhere through the north-west—people have been to us at the business chamber to say: ‘We want to do business with Newcastle and do it through Newcastle.’

CHAIR—When you say \$60 million or \$70 million, is that just the link? We have heard in previous evidence about the light nature of the track. Does that also include the upgrade of the track?

Mr Pedersen—That is the part I am not sure about. We are working on statements that we have heard. That is our understanding. The formation is there; it needs to be compacted and improved and the track laid. That is a key piece of transport infrastructure to get the trucks off the Golden Highway.

CHAIR—What is the nature of that infrastructure from Gulgong up to Merrygoen? Is it across mountains? Is it tunnel stuff? Describe it.

Mr Pedersen—I believe it is just through valleys. There are not many hills there.

CHAIR—Just a straight link.

Mr Pedersen—It is basically a straight link. Once again I am talking from a technically uninformed perspective, only going on what has been advised to me.

CHAIR—Have there been any studies done on that?

Mr Pedersen—I do not know.

CHAIR—If you could find out and make them available, the committee would be grateful.

Mr Pedersen—Certainly.

CHAIR—Yours was a very provocative submission. We would like to explore it; that is why I am asking.

Mr Pedersen—That is understood. I now move on to the second circle shown on the map, around Willow Tree, Murrurundi and Scone. This is what we call the Ardglen tunnel. At the moment, the trains that come from anywhere west of the Great Dividing Range have to come into Willow Tree. They put two locators on the back. They can take 40-unit trains. They push the train up over the hill and use the back locators to brake it going down. It would be a six-kilometre tunnel. About \$180 million or \$200 million—in that order—has already been offered by the private sector to construct it. It would save 750,000 litres of fuel per annum. It would take a good half-hour or hour out of travel times. It opens up a whole part of north-western New South Wales to the port of Newcastle.

The tunnel is not built. It is the opinion of the business chamber—and particularly of those at Tamworth and those places in the north—that they will start doing business and trade and sending their commodities through to Brisbane and to Gladstone. So from a point from, say, north of Dubbo right through to Queensland, the state of New South Wales will lose an opportunity to go through to that area. That tunnel is a key piece of infrastructure that we believe is necessary for the development of the whole of the transport. It takes so many trucks off the road because you can get things onto a train. The train becomes efficient. For a business, it is cost effective. It is about being cost effective.

Ms HALL—Currently, is that a project that the ARTC—

Mr Pedersen—They may well be looking at it. We have been to ARTC.

Ms HALL—It is a question.

Mr Pedersen—We went to the state government five years ago with the people from Business Gunnedah and Tamworth. We have also spoken to ARTC about developing the tunnel, because it is smarter—

Ms HALL—And what have ARTC said?

Mr Pedersen—ARTC have said: ‘Yes, we’re quite keen on the idea; we’ll look into it.’

Ms HALL—So there is no proposal, no time line.

Mr Pedersen—Not that we know of.

Mr Thornton—A million dollars have been allocated to a study into the Ardglen tunnel. John Anderson announced last year that there is a study of that.

Ms HALL—Has the study progressed?

Mr Thornton—It is not finalised but it is progressing, as I understand it.

Mr Pedersen—If I move to the next page—

CHAIR—Before you move off those two, is your submission to the committee that the federal government should be looking to seed fund or part fund those to accelerate them?

Mr Pedersen—I think that would be a very good solution, because I believe governments need to be able to help enable industry and business to operate. Seed funding such projects or underwriting the projects built by the private sector, who could then charge freight on a per axle passing over the line basis, would be a very good way to go.

Mr Thornton—I think it is important to note that the price of coal is now so strong that a lot of the mines in the Gunnedah basin that were previously not viable are now becoming viable. Therefore, you are creating an employment base as well as good exports for Australia.

Mr Pedersen—I will move to the next slide. It shows the F3 extension. This project has been on the business chamber and the business community's agenda for a long time. It currently has some funding allocated to it by the federal and state governments, but this piece of road infrastructure is something that the whole region and north-western and western New South Wales want put in place. It takes out the urban parts of Maitland right through Lochinvar and all of those parts in the valley to give us a freeway, which is very important. We have promoted getting this project constructed to government at different levels. We seriously ask that the funding for this project be accelerated and that the federal government encourage the state government to make it a higher priority than what they currently have made it. It is an important project. It has been going for some time. I believe that costings probably need revisiting, but it is a very important project.

CHAIR—What is the benchmark figure on it?

Mr Pedersen—\$385 million.

Mr Thornton—It had started at \$385 million. The last projection was \$720 million, and it is our belief that now the federal and state governments are in discussions as to what the true figure is.

Mr GIBBONS—What sort of classification does it have? Is it a road of national importance? Has AusLink given it a classification?

Mr Thornton—It is certainly within the AusLink papers. Through the AusLink papers, the federal government had committed funding for the \$385 million, but now that there has been a review of the cost of the road I think those discussions have stalled. We understand, through Minister Tripodi from the state government, that the state has committed to 20 per cent of the

funding of that road but, because there has been a significant blow-out, the federal government is reviewing it.

Mr McARTHUR—What is the total project cost?

Mr Thornton—\$720 million at this stage.

Mr McARTHUR—About \$1 billion when you are finished.

Ms HALL—I know that both Joel Fitzgibbon and Bob Baldwin have been promoting the need for that to be built, so you have across-party support for it, haven't you? All we need are the dollars put there.

Mr Thornton—It is certainly a key piece of infrastructure linking the Upper Hunter through to the port.

Ms BIRD—When you say that it is very important, can you clarify how that relates to freight movement and how it complements or competes with what you are proposing for rail upgrading?

Mr Thornton—It certainly complements. The Upper Hunter has a lot of agricultural need for accessing the port. We have population growths that we are discussing at the moment, as well as the need for continued exports of wine, grain et cetera through the port of Newcastle. We have all of those facilities that are using both rail and road access to get through to the port at the moment. In many places, large trucks are having to use single lane roads.

Mr Pedersen—I will move on to the next one, which is a colouring over of an aerial photograph—

Mr McARTHUR—What do you call this road? What is the local name for this proposition?

Mr Pedersen—The F3 extension—the F3 being the freeway from Sydney to Newcastle and the F3 extension is from Seahampton to Branxton.

I apologise for the quality of this slide. The circles show you where the population centres will be. Under the Lower Hunter strategy, this is where the 200,000 or 300,000 people will probably live in 20 or 30 years time. There are two proposals. One is the electrification of the current state rail line to Maitland rather than coming out here to the peninsula. The second, which is the important one, is illustrated by the orange line on the map. The chamber has been asking for some years for a freight rail corridor parallel to the freeway, to take it out of where it currently runs, which is inner city Newcastle and Lake Macquarie. The idea is that we take the freight out of the urban part of Newcastle and Lake Macquarie and put it out around the F3. The corridor can go through Electricity Commission land, and there are rail formations from years ago when the coal industry were operating the underground mines in the area.

We have been asking the state government for many years to determine this corridor. Any development that would occur would occur with the knowledge that this is a freight corridor. But if you are going to increase the volume of product into Sydney and it is coming from north-western New South Wales, you do not want it dragging all the way through the inner parts of

Newcastle. This corridor and the building of that line was costed about four years ago at about \$80 million. All we are saying at the moment is: please put the corridor in place.

We spoke to ARTC, and they would probably have an interest because their lines only come down to where they go off to the coal terminals on Kooragang Island. They would have an interest in that because not mixing the freight with the public transport systems and the like would save a lot of time. We see it as a very important issue that the state government should look at, and we certainly recommend that this committee consider it as part of the ARTC brief about what they should be looking at.

CHAIR—What is the light orange line to the extreme right of the map?

Mr Pedersen—That is where the Sydney trains come from. If you get the electric train from Sydney, you end up at the end of that orange line. What we are saying is that the population is to the west, so do not run the Sydney trains out here to stop just down the road; turn them inland and run the electrification as part of the growth of public transport in the region to where the people are.

CHAIR—On the map there is a circle with a train line going through it. Is that line there at present?

Mr Pedersen—Yes. That is the main line; it is the coal line. That is in the Maitland, Rutherford and Lochinvar area, where we are looking at a large population growth.

CHAIR—Is that duplicated?

Mr Pedersen—Yes. It is duplicated and in some cases it has four tracks.

CHAIR—Is it electrified?

Mr Pedersen—No. The electrification comes up, turns right and goes out to that orange line on the map. We have a diesel train that runs up the Hunter Valley.

CHAIR—What would it cost to electrify that?

Mr Pedersen—I do not know.

CHAIR—What is your proposition?

Mr Pedersen—My proposition is that we start to grow the electrification in stages. The chamber has recently proposed that we electrify the line as far as the university, which is the same length as that orange line. We believe that just electrifying a short section could probably be done for under \$10 million. You should start to grow your public transport system for where you are going to be in 30 years time, because infrastructure is about 20-, 30- and 50-year horizons, not five-year horizons. Our proposition is: let's start growing the electrification to where the people are to get the service for the community.

Mr Thornton—Could I also point out that the Fassifern to Hexham corridor that we are talking about, illustrated by the orange line on the map, would take the access to the port out of the residential areas. It would take the line through open space that is currently available, and that could then hook up to the main northern lines and then to the port from there.

CHAIR—Which port are we talking about?

Mr Thornton—The port of Newcastle.

CHAIR—Where is Newcastle on the map?

Mr Thornton—At the end of the orange line to the far right.

CHAIR—The large orange line, surely, would divert that traffic down towards Sydney.

Mr Pedersen—If that is the projection of what the state government want to do by increasing Port Botany instead of Newcastle from one million boxes to three million. I believe the people in the Hunter would hope that we would not have to run the extra two million—or whatever the number might be—boxes down through the centre of the urban parts of Newcastle. Where the short orange line on that map turns to the right, if you run vertically up the page you run into about where the new coal terminal, the NCIG project and the BHP site are located. There is a point there—and it is a bit hard to show—where the current multipurpose terminal, if it were to be staged or built in Newcastle, would be located.

CHAIR—What is the estimated cost of going straight ahead there? You really have three projects there: an \$80 million deviation for freight, electrification of the yellow behind black section through the circles, and then you are saying that if you go straight ahead to the little kink in the river—

Mr Pedersen—No, sorry, we do not go through there at all.

CHAIR—Where do we go?

Mr Pedersen—I am just demonstrating where that is located. There is currently rail that comes into that area, which is the Carrington coal loader at BHP OneSteel—

CHAIR—Just explain this to me: if you were bringing freight down from north-western New South Wales, it would come down through the oblong and the full circle there. It would turn right into that orange thing, and then, when it got down to the main black line where it joins it further south, it would backtrack into Newcastle—

Mr Pedersen—No. What happens is that if it goes that far it keeps going to Sydney. If it is freight coming to the port of Newcastle, it comes through the oblong and the circle, passes that intersection point, comes down until where the Hunter River winds there, and then it just swings into the left through the current industrial area straight into the port to the silos, to the coal terminal or to the MPT.

CHAIR—Let us say that the state government committed to the redevelopment of the BHP site—the multipurpose port—and that it had a container facility that could take, for argument's sake, half a million boxes, would that deviation then be necessary, or is it necessary as well?

Mr Pedersen—It is necessary as well, because the opportunity is to get the freight that has got to go to Sydney, depending on where it is going, out of the current inner city Newcastle and Lake Macquarie residential areas.

CHAIR—Got you. Do you want to take us on to the next slide?

Mr Pedersen—The next slide is really back to where I started. It shows you again how all of the goods and products from New South Wales tend to come to Newcastle and Port Kembla and then have to work out how they can get up into Sydney through a city of five million people. So again it is just demonstrating what we understand to be the regional freight movements. The concern we have is that, if the Murrurundi tunnel is not in place, any freight or anything that is west of the Great Dividing Range is going to end up in Gladstone or Brisbane. The loss of opportunity for business, employment and everything else that you get in Newcastle and the Hunter Valley is going to be severely affected.

Ms HALL—Thank you very much for the very good presentation. I think you have really highlighted the needs in the area. Is the message that you are trying to get across to the committee that the Hunter could actually relieve the pressures on Sydney, provide a much more efficient operation for freight within the state, and that this would have enormous benefits for the nation as a whole? Is that your premise?

Mr Pedersen—It certainly is the premise. The big issue for Sydney is that it is going to cost about a billion dollars to fix the infrastructure in Sydney to use the rail network. The road network is not good. If you develop Newcastle port now, it would take the pressure off Sydney to allow them, in normal cash flow circumstances, to get their infrastructure right. It does not stop Sydney expanding to three million, it slows its growth, but what it does is that it takes the pressure off Sydney to get its infrastructure in place. It certainly is important.

Ms HALL—Did you mention intermodal hubs in your submission?

Mr Pedersen—No.

Ms HALL—The other question I would like to ask you is: if you had one message, one recommendation, for the committee, what would it be?

Mr Pedersen—The recommendation is that the economic wellbeing of a nation, the health of its people and its capacity to compete on a local level in world markets and even nationally relies on its ability to promote and develop its own world-class infrastructure. The infrastructure in place helps the economy grow. It helps the welfare of the people. We carry five projects in our bag, if I could put it that way. Each project is important because of what it offers the particular people in that area. The Murrurundi tunnel is so important to the people of the north-west. The people in Dubbo need that road link. The F3 is important to get trucks off the roads and to get a freeway system that is going to improve the transport of goods and services. The MPT is important because of the employment it creates and the environmental pressure it will take off

Sydney in the next five to 10 years so Sydney can get its act together and develop properly. Then there is the Fassifern-Hexham line, which takes out the heavy freight transport that currently comes up through Lake Macquarie and Newcastle residential areas.

Mr Thornton—We can see the ships out here. The port is being underutilised, in our opinion. We are the largest exporter of coal in the world. Most of the ships come in empty, we fill them with coal and then off they go but there is plenty of opportunity there. We have the BHP site that is available to be used. Under the state's three-port policy at the moment, it will be 2025—another two decades away—before we are even thinking about fully utilising prime harbourside industrial land as well as the facilities and the expertise that has been built up in such a wonderful port. We have the expertise here. We have proven time and time again that we can export coal better than any other port in the world. We are just saying that we should use that expertise and the natural assets that are there to really create growth, not only for this region but for Australia and the rest of New South Wales.

CHAIR—That is \$380 million, isn't it, for the redevelopment of the port—for the multipurpose port?

Mr Thornton—The figures are different depending on who you talk to. I have not heard \$380 million .

CHAIR—I thought one of you two said it.

Mr Pedersen—We said \$280 million to do three berths—one for general cargo and two for containers—with four rail sidings.

CHAIR—And all the clean-up and development back to where the industrial estate starts—is that the idea?

Mr Pedersen—Yes. Just capping the site with coal-washer reject and concrete environmentally contains what is in that site, which is the strategy of the EPA.

CHAIR—Wasn't this promised at the time when the steel mill closed down?

Mr Pedersen—Yes.

CHAIR—It hasn't progressed?

Mr Pedersen—No, partly because of the issue I stated before—a privately funded project versus a public-private partnership. The private sector could not sustain in the short term the cash flows required to be able to pay their debt in developing the facility.

CHAIR—Is there an alternative ownership model—perhaps the port authority ownership or something like that?

Mr Pedersen—You would have to ask them about that matter.

Mr GIBBONS—For the three projects, has all the preliminary work been done? Have routes been identified and properties that need to be purchased identified? Is all of that study going? All you need is the agreement on the funding between the Commonwealth and the state? Is that the case?

Mr Pedersen—We understand that that is the case. There is a bit of minor work to be done in a couple of areas in property acquisitions, but that is about it.

Mr GIBBONS—With regard to the tunnel project, have all the studies been done and has all the environmental stuff been done or is it still just an idea?

Mr Pedersen—The feasibility study undertaken by Concrete Constructions about five years ago did all the initial feasibility and said: ‘This will work on about five million tonnes of coal per annum to go through the tunnel.’ There has to be some cooperation with the New South Wales government, regulators and the like at each side of the tunnel and a willingness to get on and do it. It probably needs to step to the feasibility stage, which, as Glenn pointed out, is what the former Deputy Prime Minister, John Anderson, indicated with his million dollar study.

Mr Thornton—On the question on the F3, we have written to Warren Truss and to Minister Tripodi to find out where it is up to. We have received a letter back from Warren Truss saying, ‘We still have not been notified of the New South Wales government’s sign-off of the AusLink and therefore the commitment,’ but it has been indicated by the New South Wales government that they have agreed to that funding. So it is a matter that is toing and froing between the New South Wales government and the federal government.

Ms BIRD—There is one thing that I would like to explore with you. Part of the big challenge for us is that there is a competing decision. Should we just say, ‘Everything is going to go to Sydney,’ and then work on how we can better facilitate the movement of it into Sydney? Certainly I felt that when the Australian shipowners presented to us they were saying to us, ‘We don’t want to go anywhere else but major capital cities,’ despite what the customer might actually want. So they are a little bit driven by their own agenda. Another option is to develop the other port facilities and look at how to link those—and therefore perhaps create a situation where the shipowners just have to service where that demand is.

The only concern that I have with your submission is that it is a bit of both. I can understand the realism of that sort of approach, but if you had to bite the bullet and pick between priorities, for the best interest of your region, is the option of improving access to Sydney higher or lower than the opportunities to develop the growth here?

Mr Pedersen—What do you mean by ‘improving access to Sydney’?

Ms BIRD—In terms of your identified corridor and getting stuff down. Or would you see that as a secondary thing to developing here?

Mr Pedersen—I would see that as a secondary thing. Once you leave the Lower Hunter you run into the problems of the old steam train rail formations getting out of the Hawkesbury into Sydney and you cannot get freight into Sydney by train—so it is on the road. There are all these sorts of issues. The Hunter Business Chamber’s position is: ‘What is best for our members and

the people of the Hunter?’ As I said before, there is an equal priority on some issues. A point that I would make on the multipurpose terminal is that a staged development could happen if, for example, the state government stepped in and said, ‘We’ll build the general cargo berth now and fund it and then we will get an operator to come and do it.’ If you have enough product here a ship would come. So you slowly over 10 years start to grow the business. I think that would be a clever way to go for the multipurpose terminal—otherwise that BHP site will sit fallow for 30 years.

Mr Thornton—On that point, I think we are talking about the time frame. Will it be needed next year or will it be needed in 2025? At the moment everybody is saying: ‘You will definitely need it in 2025 because we can’t pour any more dirt into Botany Bay. It will absolutely reach its capacity and therefore we have to go somewhere else—and that somewhere else is Newcastle.’ Even with the Fassifern to Hexham corridor that we are talking about, we need to be planning now for that future growth because, in 20 years time, we will not be able to come back and say: ‘We should have set that corridor aside back then. We knew it was coming but we didn’t do it.’

Dr JENSEN—I have a couple of questions. First of all, Mr Thornton, you mentioned the empty ships out there and you seemed to be alluding to there being a problem with them being empty coming in. The question I have is: given that they are fairly specialised sorts of vessels, what do you see that they could be bringing in before taking the coal back out?

Mr Thornton—They are all bulk cargo ships. So it is just a matter of opening them up and pouring whatever into them. The point I was trying to make is that there is the potential for loading and unloading as well as just loading. That is really the basis of what the port does at the moment. We just wait for empty ships to come in and then we fill them up and off they go, as opposed to using the facilities that are there for additional ship movements, which the port corporation says that it can handle quite easily. We should be using not only the shipping movements but also the land and the facilities that we have here. A lot of the rail infrastructure is already in place through one of the legacies of BHP being on that site.

Dr JENSEN—Mr Pedersen, I think you have answered the question that I was going to ask as far as the multipurpose facility is concerned. I do not know if you were here when I asked the previous witnesses about the issue of getting people to use the facility. You have mentioned the issue of public and private sector funding. The question that I asked them, and which I will ask you as well, is: if the economic imperative was really there, wouldn’t something have been done about it at this stage, and if not, why not? If it is not the case, how do we generate the interest in parties that would be using the facility in terms of getting it up and running so we do not have something that we fund and, a few years down the track, have it just die?

Mr Pedersen—You have to have the infrastructure to be able to park the vessel to load the vessel. That is the first thing you have to have. You can either stage it or you can do it as a total project. At the moment, all roads lead to Rome, being in Sydney. That is why everyone goes to Sydney. If you have enough critical mass, they can say: ‘Great. We can now come to Newcastle, because we can have a ship that specifically comes through.’ It might do Melbourne and Newcastle and back to Asia, or Brisbane and Newcastle. A two-port call, I understand, is their favoured thing. They probably prefer one stop: ‘In and out, and let’s get out of here.’ So you have to have the infrastructure or the facility to do it. I think that is the key to the whole thing. As soon as you have that piece of infrastructure that can load and unload containers, bulk cargo

and break cargo—whatever you like to do—you will find growth. Sure, there is a shortfall, but very quickly there will be enough of a critical mass to be able to bring in container vessels or vessels that would want to load to take their product up into Asia or wherever they might be going. Aluminium is an example. A lot of the aluminium goes to Sydney at the moment.

Mr Thornton—I think it is point of distribution of employment as well. If you have all of the infrastructure within Sydney then if you were thinking about building a manufacturing plant that will need to use that infrastructure you would build it as close to it as possible. The chamber has examples of the Hunter economic zone having companies saying to them: ‘We will be more than happy to come to your area to establish manufacturing facilities as soon as there is an MPT that is up and running.’ So it is chicken and egg type of stuff.

CHAIR—Thank you. Will we see these sights this afternoon on the inspection trip, including the BHP site?

Ms HALL—I do not think so. We will drive past the BHP site.

CHAIR—Right. I think it is important that we try to see those. Thanks very much, that was a very good submission. Thank you for the coloured documentation. I suspect we might need to speak to you again, but I am not sure of that. Thanks once again.

[12.36 pm]

ALMOND, Mr Mike, Member, Hunter Area Consultative Committee

CONNELL, Mr Geoff, Public Officer, Hunter Area Consultative Committee

O'BRIEN, Dr John, Chairman, Hunter Area Consultative Committee

WILLIS, Mr William, Executive Officer, Hunter Area Consultative Committee

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

Mr Almond—I operate a transport company that operates with intermodal rail facilities in both Newcastle and the central west of New South Wales.

CHAIR—While the committee will not be requiring you to give evidence under oath, I have to remind you that these are formal hearings of the federal parliament. Consequently, they warrant the same respect as proceedings of the House itself. It is customary to advise 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 here. Would you like to give us an overview of your submission. Is there new material in the document you have provided today?

Dr O'Brien—There is some new material. William might explain it to you.

CHAIR—There being no objection, the committee has resolved to accept this document as a supplementary submission. Please begin.

Dr O'Brien—I thank the committee for the opportunity to talk to it today. It has been of great concern to the ACC that we get some planning into some of the infrastructure needs, particularly in this region. As you are probably aware, the ACC is a committee set up and funded by the federal government. I have been the chair of the committee for approximately two years. I have endeavoured to enlist, and already have, on that committee some community leaders who have expertise in various areas, and we have tried to look at the issues of infrastructure in a very rapidly changing environment in the Hunter Valley. We have also liaised with other ACCs that are around us in the north-west and in the central part of New South Wales.

I will quickly go through some of the issues that we see. Our main concern really is to get the arms of government to work together to dedicate corridors that are needed into the future. Some of these corridors may not be needed for five to 15 years but, if they are not at least marked on maps, we are of the opinion that the community in general and particularly developers will struggle to know where rail lines are going to go and where major roads are going to go.

There seems to be limited infrastructure planning being done in this region. Recently, the state government produced a Lower Hunter regional study, but it was rather inadequate. There were

broad lines on maps, but there was no dedication of resources or willingness to finally dedicate some of these areas. The linkages need to be built between the port of Newcastle, which is one of three major ports in New South Wales, and the other two ports that are also servicing the highest density of population in Australia. This port needs to have linkages which enable the free flow of goods into and out of the port.

As an example—and you have probably heard this before—some of the areas that have been identified are places like the Ardglen Tunnel to link the north-west through to this port and the F3 road link. But there are other areas that we see as opportunities for a forward-looking government to mark on maps, if not to do some of the infrastructure work, like the Maryvale to Gulgong rail link. There is a high-grade coal line that goes right through to Gulgong from here, bringing coal from Ulan. Back at the turn of the last century there was a rail line between Gulgong and Maryvale proposed. Some of the earthworks are still evident there. If that line were to be built as a link and a rail bypass were to be put around the town of Dubbo, we believe this would give us a very strategic link from the central-west of New South Wales through to the port of Newcastle.

We see these things as important. You have probably heard it before, but we will say again that the port of Newcastle has quite a significant potential to increase movements of shipping through the port. In our previous submission, which is attached to the document we have given you, we say that we believe that, if you used all the slots available, you could quadruple the amount of bulk freight that is going through this port. The north-south rail line requires efficient access to Sydney, and this could be through the Newcastle area. The other thing—which we believe needs careful thought but which we see as useful—is to put intermodal freight handling terminals out in the west to feed down into the port rather than use very expensive land down here on the coast.

Ms HALL—Can you clarify where you think those intermodal hubs should be?

Dr O'Brien—Perhaps Mike can answer that.

Mr Almond—I declare an interest in Parkes, where Terminals Australia has acquired 300 hectares of land that has been rezoned by the state government through DIPNR. We are proposing a \$400 million development there that will service the north-south and east-west rail corridors. Cootamundra is an area on that rail link that lends itself. I noted earlier a comment about the ship owners telling us where and when they will deliver the freight. I would suggest that we are the customers and, if we develop this port of Newcastle, they will come. My company handles about half a million tonnes of non-coal freight through this port each year.

Getting back to the centre of New South Wales, when we have that rail corridor ultimately between Melbourne, Brisbane and points north, there will be a number of regions but Parkes lends itself simply because it is where the intersection of the north, south, east, west lines cross. There are a couple of submissions for major developments there. You would then have rail linkage from the ports to that central area. When you get single port shore shipping, you will have shipping lines bringing in all the products going to Brisbane and they will come straight by rail. You will have product coming into Melbourne and that will come straight by rail. You will have this major cargo reassembly to deliver freight to the outskirts of the capital cities by rail, and then you will have a road delivery, which is of course rethinking the whole of the Australian

logistics system. We are in discussion with major international companies who are looking at moving their operations out of the capital cities that are currently road serviced and applying that sort of formula. It is a long, slow development.

CHAIR—Thank you. We will let Dr O'Brien finish his opening statement, and then we will go to questions.

Dr O'Brien—One of the key things we would like to see happen is the federal government, if you like, take up the challenge to define where some of these routes will go into the future. All too often, the planning of these routes only occurs once the capital has been programmed. We believe that a government with foresight to the future should be not worrying so much about whether the capital would be there but looking at the need and trying to be like many of our forefathers who put lines on maps or did planning way ahead of time. In our modern society that will give developers and commercial interests at least a clear view of what government and the community think is going to happen into the future, and they can plan around it.

CHAIR—Like Cairns airport, where the placement of that facility stimulated the growth.

Dr O'Brien—Yes. There are many examples where people had great foresight. The people who built Sydney university on the grounds that it had, with the students that it had at that stage, certainly could not have envisaged what growth was there but they had foresight. You can see this in many of the cities in Australia. We think we need to do a bit more of that. You will notice that we have a picture in here of the Fassifern-Hexham rail corridor. That is the colour picture here which previous people were raising with you. It seems to us to be something that is likely to be needed as the population rapidly grows in this region of Australia. The main advantage of this red line that is shown on the map, apart from being some five or six kilometres shorter in distance, is that it takes the large coal trains or the large freight trains out of what is a domestic area where there are level crossings and low-grade lines. It takes it through a shorter route, and it gets all the advantages of noise abatement and shorter travel. It does not hold the trains up and it is not fighting with domestic trains.

CHAIR—As a point of explanation, you said that it takes the coal trains out of it. Isn't the purpose to get the coal trains into the port of Newcastle?

Dr O'Brien—Yes. It still brings them into the port, but it brings them into the port from the south. It brings those trains into the port—

CHAIR—So you go right around in a loop?

Dr O'Brien—Interestingly, it is actually five or six kilometres shorter.

CHAIR—It cannot possibly be. You said that you start from Hexham—

Dr O'Brien—No. You start from the port of Newcastle, where the coal is. Would someone like to describe it?

Mr Connell—I will run you through it, Mr Chair. You start at Fassifern. We are talking in this case of coal coming from the Wyong Central Coast area.

CHAIR—I see.

Mr Connell—It goes north on the red line, up to the Hexham junction—you will see that at the top of the page—and comes back down and takes the next left, which is on to Kooragang Island, where the biggest coal loader is at the moment and a third coal loader is planned.

CHAIR—I understand that.

Ms BIRD—It might be better for commuter trains.

Mr Connell—It avoids the urban area entirely. Alternatively, off the top of this drawing, at Hexham, that is heading up the Hunter Valley to where the main coal source is at the moment.

CHAIR—Got you.

Dr O'Brien—We are not suggesting that the government needs to build that but, with all the development that is going on, someone needs to put the lines on the map. In an earlier written submission that we made to your committee, we suggested that the federal government may be able to tie some of its funding in such a way that it encourages the states, or whomever the relevant owners of that corridor would be, to make those decisions.

CHAIR—Your estimate is \$70 million, is it?

Dr O'Brien—Yes. We do not see our role as working out what the costs of these things are. That coloured photocopy was given to John Anderson on a visit about six or eight months ago, so we are beating the same drum, if you like. We see our role more as being to draw government's attention to the fact that the ACC's charter is to advise government on community situations within this region. That is what we are trying to do here—that is, look at big picture things and say, 'Someone should be looking at this.'

CHAIR—Okay.

Dr O'Brien—That is essentially what we are talking about today.

Mr Willis—I will talk briefly to the document, because Dr O'Brien has already covered most of the key points. With regard to the Fassifern to Hexham proposal, we also made a submission to the Department of Transport and Regional Services, and they forwarded it to the ARTC for comment. They have come back to us and seen that it is an idea that has some merit but it is some way down the track before they would be responding to it in detail. They did have an alternative set of figures, and we are somewhat reluctant to give this an indicative figure because they vary.

CHAIR—What was their alternative figure?

Mr Willis—Their figure was over \$100 million, but that was including a double track, whereas this submission was based on a single track. We submitted a submission back in May last year in which we made a number of recommendations. Effectively, those recommendations were about the need for long-term planning and, as Dr O'Brien mentioned, the need to tie state

government performance, if that is the case, to infrastructure funding. Our concern in the Hunter has always been that there seems to be a lot of studies. The studies get done and then they sit on the shelf. It is the perennial problem. By the time they get around to trying to do something about it, the land has already gone, so it gets very difficult for the private sector to do long-term planning.

I made a note, which is at the beginning of that booklet, on some of the key issues that we see in the Hunter. There are a fairly extensive range of issues. Because of the approval to operate the mines up in the Gunnedah Basin, we think the Ardglen Tunnel is imperative. One of our major concerns from the port of Newcastle is that, if there is not an effective corridor to the north-west and to the west, a lot of freight will end up going up into the Queensland area to Gladstone. We have here a report which talks about the unmet capacity to expand considerably. The Ardglen Tunnel would open the north and north-west up to the port. We are having discussions with the other ACCs in the adjoining areas. They are also very keen to come on board and be part of any comprehensive approach to increase the usefulness of the port.

We have made other submissions there. With regard to the bypass of Dubbo, once again, we have taken a view that the role of the ACC is to build linkages to the other regions and start getting if not a national then at least an interregional approach to issues that we see as being of national significance. We do not want to be accused of being parochial about supporting the Hunter and supporting the port in particular, but we believe that it is a port of national significance, and that is one of the main issues that is driving the ACC to become involved in this project.

The other issue is, as Dr O'Brien mentioned, that we believe that the level of planning that went into the transport infrastructure component of the Lower Hunter Regional Strategy was inadequate. If that is not addressed urgently, we see that a lot of the opportunities that exist to dedicate land corridors will disappear quickly. That is as much as I would like to say, unless you have particular questions that you want to address.

CHAIR—Coming back to the map, there is another train line that cuts across country from just north of Shortland down to Gateshead. What is that line?

Mr Connell—The black line?

CHAIR—Yes.

Mr Connell—That is a freeway route, and it provides us with an interesting example of what we are talking about in terms of dedicating transport corridors. From Bennetts Green through to the Kotara suburban area is known as the western bypass of Charlestown. Jill Hall knows all about this. Interestingly enough, that corridor was put into the Northumberland County Plan in the 1960s and was reserved for that purpose—in fact there is even an eastern route that has been reserved—but it was not constructed until four years ago. It is a stark example of our main contention that, unless these corridors are actually surveyed, identified and reserved, you do not have them when the funds are available to finally build them. It is not complete, by the way. Where it appears to head straight through to the suburb of Jesmond it does not yet do that, but the corridor is there.

CHAIR—You understand that the Commonwealth has a role in this but cannot ipso facto dedicate corridors? That is the role of the local authorities and state governments.

Mr Connell—We understand and acknowledge that, Chair, and that is partly why in our earlier submission, as Dr O'Brien said, we drew attention to the potential for the Commonwealth to link some of its funding arrangements to ensuring that those dedicated corridors occur, because they are of national interest.

Ms BIRD—I mentioned to one of the previous witnesses that in speaking to my own ACC, which is Illawarra, I had raised with them that it appeared to me that the area consultative committees are given a large responsibility and brief to address regional services but not a particularly active one to address transport and that it seemed to me it would be useful for the federal government to expand their responsibilities, role and capacity to support seed-funding programs into the transport part of the portfolio as well. That might take up some of those issues you have been talking about, such as the fractured capacity for long-term planning. I am interested in hearing your response on how your ACC would see that role.

Dr O'Brien—Looking at the history of ACCs, as I understand it they came into being to create employment at a period of time in our history when that was fairly vital. They are spread out right across the whole of Australia. Some of the ACCs operate in declining economies, I suppose, which makes it very difficult to get worthwhile projects. The charter is very loose, or that is my interpretation. I think we are trying to build a group of people who come from the community, who have vision and who can put up things like transport infrastructure. So, off our own bat, we have taken much more interest in the port and in the development of the region—in the development, if you like, of bigger projects. We currently have, I think, in excess of \$10 million in about five projects in front of DOTARS for consideration.

We also see our role—and DOTARS talk about it in this way—as being the eyes and ears for government and making submissions to them. I guess it goes to how we see the committee. Personally, I see the committee we have as being potentially useful to the government. We have people who are in significant positions—for example, the vice-chancellor of the university, people with significant business interests here, the mayor of Newcastle and people from local government—and who have, if you like, a good understanding of some of the state government workings. We try to stay extremely non-political and to make considered submissions. Hence we are here today.

Ms BIRD—I suppose what I am getting at is this. What I am hearing from you is not necessarily a common practice amongst ACCs. The terms are loose, and they do generally go towards job creation and the regional services component. I would be interested to know what programs the projects you have before DOTARS are funded under, because most of the funding programs that you are able to direct and support people to access are not about transport infrastructure.

Dr O'Brien—None of the projects we have going up for funding are related to it.

Ms BIRD—That is my issue. Would you sit equally comfortably with your current role with regional services, and the encouragement and support of funding of programs, and a role directly into transport infrastructure?

Mr Almond—The reason we ended up getting very involved in transport infrastructure is that it is probably one of the most critical aspects of the development of the Hunter Valley. When our chairman was looking across at what we needed to look at, transport infrastructure kept coming at us. It jumped to the top of pile, and I think we delved into that.

Mr Willis—DOTARS through the Regional Partnerships program has now constructed a subcategory to deal with the health issue, the Rural Medical Infrastructure Fund. It will look specifically at delivering health services to regional areas. There may well be the capacity for something that looks at transport. Each of the ACCs we have spoken to on this subject has indicated that transport and linkages to transport are important issues for their regions. In some ways because DOTARS has announced that funding of the north-south rail corridor—and I think Ernst and Young is undertaking that study—there would be a view that it is already funding the transport study. However, I think that study is probably a little bit too broad for some of the specific issues that we are looking at in this project.

Ms BIRD—So is that a yes? You would see the ACCs' role as being beefed up directly in transport?

Mr Willis—Yes.

Ms HALL—One thing that is very interesting is that of all the submissions we have had today yours is probably the only one that has referred to the three levels of government. I am interested for you to respond to this question: (a) how well do the three levels of government work together now; and (b) what steps could be taken to improve that? We hear about industry working together here in the Hunter. We hear about the initiatives with the coal loaders and all organisations working together. What about the levels of government?

Dr O'Brien—I would like to respond to that. One frustration I find is this business of: 'Don't tell me it's a federal problem; it's a state problem,' or, 'It's a local government problem.' It is just part of the turf that we operate in. Having said that, I think we have found that there is a lot of the time a desire to cooperate.

We have the advantage that our ACC has John Tate, who is the Mayor of Newcastle and also the Chairman of the HEDC—so we have a rather unusual situation in this ACC—and that we have a big regional city, so people do want to cooperate sometimes. That is why we are suggesting that the federal government should take some measure in this transportation area to encourage the cooperation of those three levels of government to at least do the planning.

Ms HALL—Have you any idea of how that could be done?

Dr O'Brien—We have made one suggestion of tying some of the funding to performance by those two other tiers of government. I do not have rose-tinted glasses. It is not an easy position. It does need statesmanship. It needs leadership.

Ms HALL—My next question goes to the draft Lower Hunter Regional Strategy. You stated that you thought it was 'very inadequate'. Were those the words you used? I wonder if you could highlight for the committee the areas in which it was inadequate in relation to our terms of reference and state what needs to be done to address those inadequacies and whether or not you

have actually put in anything to the state government to address those inadequacies, given the strategy is only a draft.

Mr Willis—As a brief background, when the Lower Hunter Regional Strategy was being developed, it was being developed in the sense of being inclusive, and a fairly lengthy process took place over several years. There was an expectation that it would have gone into significant detail as to the key issues: population growth, transport, jobs and the services that would be provided. The document, which was released just before Christmas, had a significant number of photographs and broad statements. It did not provide what we believed was any significant detail, beyond saying that the Lower Hunter's population would grow by over 100,000-odd people and that there would be a need for the strategy to accommodate the population growth. But in terms of indicating where the rail links would be and how they would actually provide transport for those people and where the jobs would be, there was a lack of information in the sense of that detail. With regard to transport, it did not deal with things such as the Fassifern-Hexham study—as you have probably heard several times today, that is being seen as one of the key issues for the Lower Hunter—and the F3 links as well. So there are those gaps that people see as being major issues for the Hunter.

Mr Connell—The final emergence of the strategy document may have sitting behind it much more detailed work but what has been published does not, as Will has been saying, go into the details of how infrastructure will be planned and provided. That probably reflected some of the very real planning problems that have emerged in recent times in the Lower Hunter simply because some of those corridors are not already dedicated or have not been planned in the past. There are classic examples. The current F3 connection through to the Pacific Highway at the back of Raymond Terrace is causing major difficulties in trying to find a route at the moment, and not having a route meant that it was not able to be clearly drawn on a Lower Hunter strategy map. But the strategy itself was largely silent on how the transport linkages and corridors would be identified and reserved. It is one thing to identify where population can be located and the demand for population to be located but it is another not to actually put the fundamentals of the infrastructure in. It was a fairly laissez faire approach to it, and the assumption that there may be some market forces that will come into play at this stage from a planning perspective appears to be a bit of an abrogation of what government planning roles are all about: setting guidelines. We have not been back to the state government. It is not in our charter to report back to the state government. We participated in the initial rounds of discussions but prior to the document being finalised it was pulled back and produced out of the state government, not out of the consultative process that had been in play.

Ms HALL—Everyone has the opportunity to offer feedback on the draft. I was wondering whether or not you had done that and, if not, whether you intend to—

Mr Connell—Not as an ACC.

Ms HALL—because of the role that you play in the region. I am seeing 'yes' and 'no'.

Mr Connell—We have not done that as yet.

Mr Willis—To this extent: our feedback has been through organisations such as the Hunter Business Chamber and the Hunter Economic Development Corporation rather than through a formal response.

Ms BIRD—Is there a regional development board or state government equivalent to you here?

Mr Willis—It is effectively the same.

CHAIR—It is a very interesting submission and it is good to know that the ACC takes that depth of interest in its region. I have two very good ACCs in my region; they do similar work. A lot of projects spin off the certainty of road and rail connections, port efficiencies and so forth.

Mr Almond, you might like to make a comment on this. The inquiry is about arterial road and rail systems, their connectivity to the ports, the efficiency of the ports—especially for bulk commodities—and inland hubs. Out of this inquiry, what would your recommendation be to the Commonwealth? Where do you think the priority for the Hunter region lies in that broader context? You touched on it in your earlier remark.

Mr Almond—Certainly getting the port working. We move a lot of freight out of this area to Sydney simply because there is no port service—in particular, a serious container service. There is a bottleneck in development, employment activities. Businesses are developing in the Maitland region. One business that we service exports 20 containers to South Africa a week that have to go either by road or road-rail connections into Sydney. So it is stifling us.

It is unfortunate that, because the service is not there, the perception is that there is no need for it. I sympathise with the difficulty that you must have in sifting through views presented by people with vested interests and coloured reasoning. In simple terms, the rural sector of New South Wales is moving more and more to containerised export freight as the grain industry becomes specialised. We are moving significant amounts of export barley in containers to China and South-East Asia. It is a relatively new trade that could be serviced through this port. I think once you get the port working and then work backwards with the connectivity, particularly the rail network—and I am a road operator, but I am no apologist for supporting rail where it should be the most efficient mode of transport—it will actually work its way back.

Somewhere there has to be a statesman like effort—and it is probably a state government requirement—to spend the first \$100 million or \$150 million just to get it going. From there, market forces will drive it back. The opportunities within rural New South Wales will grow, employment activities will grow and the economy will prosper. It is very important that we get this port working.

CHAIR—What is your understanding of the cost of the multipurpose port?

Mr Almond—To get it running, you are going to need between \$100 million and \$200 million. You are not going to put in \$500 million or \$700 million for an all singing, all dancing port. That will grow progressively. But we must start. We must have something that we can offer the shipping lines, the exporters and the cargo conferences.

CHAIR—That would involve at least one box loader and one general loading facility.

Mr Almond—That is correct, and you would need a couple of berths.

CHAIR—Does that area need to be dredged as well? We have found in this inquiry in Gladstone, Mackay and Melbourne that the demand for resources is creating a lot of pressure for new shipping channels and the like. In the area where BHP was located, is there a need for major dredging?

Mr Almond—I cannot give you an exact, typical answer but the fact that BHP ships were running through their iron ore—they had the channel pretty right, didn't they, Geoff?

Mr Connell—Yes, that is right. Major capital dredging for where the berth sites are proposed is not required, but there would be berth box, or berthing base, dredging, not a major channel. But it is a different issue when it comes to the potential for a third coal loader down the southern channel, the steelworks channel—the Hunter River. That does require capital dredging.

Ms HALL—From the consultative committee's point of view, what is the No. 1 issue for transport and infrastructure for the Hunter in line with our terms of reference?

Dr O'Brien—Our No. 1 priority is to see the arms of government dedicate the routes that are going to be used into the future.

CHAIR—I thank you for your attendance. We trust we can come back to you if we require more information. We will send you a copy of the *Hansard* draft for editorial corrections.

Resolved (on motion 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 1.17 pm