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**HOUSE OF
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STANDING COMMITTEE ON TRANSPORT AND REGIONAL
SERVICES

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WOLLONGONG

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HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON TRANSPORT AND REGIONAL SERVICES

Wednesday, 1 February 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 9.10 am

CHAIR (Mr Neville)—I declare open this public hearing of the House of Representatives Standing Committee on Transport and Regional Services in its inquiry into the arterial road and rail systems of Australia, the networks and their interface with the ports. This is the 15th public hearing of this inquiry and is part of an extensive program of public hearings and visits designed to gather information from people directly involved with the major issues. Today the committee will hear from a number of witnesses from the coal export industry, Professor Laird of the University of Wollongong, the Railway Technical Society of Australasia, the Maritime Union of Australia and the Southern Councils Group, representing those areas south of Port Kembla.

The committee received a submission yesterday—from Port Kembla Coal Terminal Ltd—that is yet to be taken onto the record. We have not allocated a number to it yet, but I ask that one of my colleagues move that we authorise it for publication.

Ms BIRD—I so move.

CHAIR—There being no objection, it is so ordered.

[9.12 am]

GRIMSON, Mr Keith, General Manager, Processing and Logistics, BHP Billiton Illawarra Coal

TYRRELL, Ms Wendy, General Manager, Sustainable Development and External Affairs, BHP Billiton Illawarra Coal

CHAIR—I welcome our first witnesses. I inform you that these are hearings of the federal parliament and warrant the same respect as would attend to the House of Representatives itself. It is my duty to caution all witnesses that the giving of false or misleading evidence is a serious matter and may be considered a contempt of the parliament. Having said that, you are most welcome. I invite you to give an overview of your submission or to make an opening statement.

Ms Tyrrell—Thank you very much on behalf of Illawarra Coal for the opportunity to make a submission and speak to the inquiry. I would like to start by telling you a little about our organisation, its history, its reason for being and its future, focusing on the transport of coal through the ports, the road and the rail interface—and my remarks will build on the committee's visit yesterday.

The history of Illawarra Coal began in the early part of the 20th century, when the Port Kembla steelworks was established by the Hoskins brothers. The fledgling steel industry, by design and good fortune, was located near both coking coal of the highest quality and harbour facilities. Initially, coal was delivered directly from the coal mines located on the escarpment to a centralised coal-washing facility within the Port Kembla steelworks for use in the local production of steel. Illawarra Coal remains the supplier of over 90 per cent of coking coal to the Port Kembla steelworks.

The first port for coal shipments was established in the 1880s to transport coal produced from the Mount Kembla mine. The Port Kembla coal loader commenced operations in 1964 and has been upgraded several times since. The Port Kembla coal terminal is one of the first examples of privatisation in New South Wales. Once run by the Maritime Services Board, in 1990 it was leased by a consortium of coal companies and is operated by Illawarra Coal by agreement on behalf of the coal companies. It is recognised as one of the great success stories of the Wollongong area and is central to Australia's overseas earning capacity.

Over the next 80 to 90 years the coal closest to the steelworks was extracted and mining moved westward. In some cases the initial rail system was replaced by road transport. Illawarra Coal now consists of four longwall mines, two serviced by rail and two serviced by road. Appin and West Cliff mines utilise a central coal storage and processing facility located on the West Cliff mine site—that is where we visited yesterday—some 40 kilometres north-west of Wollongong. Coal is transported by road from West Cliff to the Port Kembla steelworks. The Dendrobium and Delta mines are serviced by rail links to a centralised coal storage and processing facility which is located within the Port Kembla steelworks, where you also visited yesterday. In the case of Delta mine, a combination of State Rail and Illawarra Coal owned rail lines are used. For Dendrobium the rail line is 100 per cent owned by Illawarra Coal. This rail

line was established in the 1800s originally for the transport of coal from the Mount Kembla mine. The rail line has been upgraded over many years to its current modern standard.

Illawarra Coal produces about seven million tonnes of premium quality coking coal and one million tonnes of energy coal per annum. Approximately three million tonnes of coking coal are supplied to the BlueScope Port Kembla steelworks, another one million tonnes are shipped to the Whyalla steelworks owned by OneSteel and the remaining three million tonnes plus are being exported around the world. Two hundred and fifty thousand tonnes of coking coal are also supplied annually to the locally based Illawarra Coke Company, and that is approximately 90 per cent of that company's raw material supply. As the committee may be aware, Illawarra Coal, BlueScope and OneSteel were once part of the same company. These three separate entities, each shareholder owned, have retained a solid business relationship since the demerger.

It is worth noting that Australia's steel industry relies heavily on Illawarra Coal for the supply of process-critical hard coking coal. In the case of the Port Kembla steelworks, the premium quality of the coal resource combined with the freight advantage that is intrinsic to the close proximity of our coal mines are key strategic advantages that BlueScope enjoys over its worldwide competitors, enabling Australian steel production to remain competitive worldwide. Likewise, with the Whyalla steelworks, the lower freight rate achieved by back-loading coal and iron ore over a relatively short distance provides OneSteel with a competitive advantage.

Illawarra Coal contributes to the state and national economies. It brings to this region in excess of 2,000 direct jobs, more than 3,000 indirect jobs and local expenditure which exceeded \$285 million in the year ending June 2005. Almost \$485 million was spent in the Australian economy by Illawarra Coal on goods and services in the same year. Earnings before interest and tax for the 2005 year for Illawarra Coal were \$117 million. Illawarra Coal paid more than \$78 million in local, state and federal taxes. We are active supporters of the local community, last year spending about half a million dollars in our local communities. This represents a substantial proportion of community funding. This is what you would expect from an organisation that plans to be working in this area for 30, 40, 50 or more years.

Following a period of more than 20 years of decline in the coking coal business, BHP Billiton is in a phase of reinvestment in Illawarra Coal. The reinvestment totals almost half a billion dollars and is one of the largest investments seen in this region for many years. The investment is occurring in new mines—and I will talk a little more about this—and processing facilities. With this investment comes the need to ensure that supporting infrastructure, including road, rail and ports, is efficient and cost-effective for the long term.

I will now give you some details of our road, rail and port interactions, talking about both our current and future needs. The Dendrobium mine was approved and commenced construction in 2001, with full longwall production commencing in 2005. Dendrobium was the first new mine to be introduced to the Illawarra region in more than 20 years. It represents more than \$300 million in investment for BHP Billiton. The Dendrobium mine has 30 years or more of reserves. It is linked to a purpose-built washery within the Port Kembla steelworks by a five kilometre rail line which is fully owned by Illawarra Coal. After processing at the Port Kembla steelworks, the coal is then stored in adjacent stockpiles before being transported the short distance to the Port Kembla coal terminal by truck. It is hard to imagine how this link could be improved commercially.

A condition of consent for the Dendrobium mine is the imposition of a curfew on operating hours for this rail link. The curfew currently limits rail transport to between the hours of 6 am and 11 pm. As far as we are aware, this is the only rail line in New South Wales to have such a curfew imposed. In any case, the curfew requires that we increase movements outside the curfew hours and results in suboptimal use of the infrastructure, including locomotives and railway wagons, which lie idle during the curfew hours. As a result, the cost of transport of coal from the mine to the processing works is elevated. To give you an idea of that, the lost revenue associated with the curfew is in the order of \$A100 million.

The movement of clean coking and energy coal to the Port Kembla coal terminal has impacts on other port movements. By the imposition of curfews on some coal movements, these coal movements become concentrated, which can affect coal deliveries by other coal producers as receival facilities become congested at peak times.

For completeness, I ask the committee to note that the waste material from the processing of the raw coal, termed 'coal wash', is loaded onto trucks that have previously delivered clean coal to the Port Kembla steelworks or the coal terminal for the return journey to our West Cliff mine, where it is emplaced. This assists in maximising the efficiency of the truck fleet, in that 30 per cent of the truck fleet is utilised in both directions rather than having the trucks returning empty to the mine.

For West Cliff, coal is delivered to the Port Kembla coal terminal between the hours of 7 am and 6 pm. Delivery by road transport is currently prohibited outside these hours as a result of a curfew imposed in 1982 under State Environmental Planning Policy No. 7, implemented when the new facilities at the Port Kembla coal terminal commenced operations. This policy was introduced to control the activities of the high number of mines with road hauled coal operating at that time and also to encourage the use of rail facilities. Since then, however, more than 80 per cent of these mines have closed, yet the curfews remain in place. Delivery occurs outside of the Port Kembla coal terminal hours to the BlueScope steelworks.

Illawarra Coal believes that the SEPP 7 curfew suboptimises the road transport fleet and generates a greater than necessary impact on the community and industry by concentrating transport during the non-curfew hours. Our figures indicate that the start-and-stop nature of the operations at the coal terminal imposed by the curfew creates increased traffic movements at the least convenient times to the community. At 6.30 am it is necessary for all road haulage to be diverted to the terminal and, likewise, at 5.30 pm we revert, with all vehicles directed to the Port Kembla steelworks. Noise studies undertaken indicate that there would be no measurable impact on residents from noise or traffic movements specifically associated with coal movements should we be allowed to deliver coal during the night-time curfew hours.

The Illawarra Coal business is committed to responsible environmental management and to reducing impacts associated with its operations. It asks the committee, however, to recognise that the curfews in place do reduce the effectiveness of transport operations and therefore the ability to utilise the port infrastructure to its capability.

Another impediment which we believe has adverse impacts on the community and financial impacts on our business is the existing gross vehicle mass limit applying to our road transport fleet. The vast majority of our trucks are a B-double configuration, operating on roads

designated for their use, and have a gross vehicle mass limit of 62.5 tonnes. Other specified B-double routes have weight limits of 68 tonnes, operating under the mass limits accreditation program. As the committee would appreciate, this has obvious impacts, primarily in increasing the number of trucks required to move a certain freight load. Also, the trucks are operating at less than their designed and optimum capacity.

Over the last 10 years the safety and operability of B-double vehicles has improved substantially. Modern trucks have much more efficient braking systems, tyres and suspension and quieter engines and bodies. Other enhancements include GPS tracking, accurate loading facilities designed to correctly spread the weight of the cargo over the vehicles' axles, antisplash designs and more efficient gross vehicle mass-to-weight ratios. We have professional drivers operating on roads equipped with passing lanes and noise barriers. Stringent safety programs are in operation which include fatigue management, professional driver training and auditing standards, the TruckSafe accreditation scheme, proactive maintenance programs and BHP Billiton's fatal risk control protocols, which are leading edge industry best practice harm reduction standards. If the coal trucks were allowed to operate at the same weight limit as on other roads, that has the potential to benefit both the community and our business.

I would now like to address the committee on the issue of our future road and rail needs. The current business plan for Illawarra Coal sees us expanding our production capacity equal to 14 million tonnes by the year 2011. Such expansion is necessary to ensure our competitiveness and to enable continuity of hard coking coal supply to the Port Kembla and Whyalla steelworks, Illawarra coke works, Zinifex and our expanding the export market. The Dendrobium rail line has sufficient capacity for our current production, and we have no plans for the expansion of Dendrobium in the short term. If this were to occur, it would require additional trains with possibly more wagons per movement and possibly a relaxation of the existing curfew.

Our plans provide for the expansion of the West Cliff facility. This expansion will increase the road based movements from West Cliff to the Port Kembla Coal Terminal, albeit that being a relatively small proportion of traffic on the roads from West Cliff to the terminal. In 2003 the volume of our coal freight passing through the freight corridor was approximately one per cent of the total volume of traffic captured by RTA data. If we achieve our expansion plans, our total volume of traffic will grow. However, we would expect that at the same time traffic in the Wollongong region will also increase. We would ask the committee to consider the need to provide a safe and efficient transport route from our West Cliff facility to the Port Kembla region now and into the future. In our discussions with the coal terminal management, we understand there are concerns about the terminal's ability to handle such an increase in road movements and the impact this may have on the terminal's rail movements. An area of particular interest to the community has been the Maldon-Dombarton rail link. As our Delta and Dendrobium mines are located on the coastal plain, there is no benefit or connection to the Maldon-Dombarton rail link.

At our West Cliff washery we have at least 15 years of serviceable life from the facility. We have no plans to develop other mine sites or new mines within this time frame. Beyond this time, the continued operation of our mines will be dependent upon our ability to transport the coal from these new mining areas. The options available are to connect the workings by underground conveyors, generally an impractical solution, or to build a new service facility to service these workings. A new service facility, the most likely option, would require a new transport route to the Port Kembla region. This may be via rail, including the Maldon-Dombarton rail link or by

road. It is worth noting that to the west and north of our existing facility at West Cliff there are no B-double rated or approved roadways. Therefore, the longer term life of our mines will be dependent upon new service transport routes being available. The decision on a new mine site or underground link will be dependent upon the cost and practicality of these options. If we do build a new washery, it may be in a location that could be linked to the Maldon-Dombarton rail link. Naturally, the viability of this option would depend on the construction cost of a spur line from the rail link to the mine site, the surrounding geographical features and impacts on conservation and water catchment areas and the native flora and fauna. The complexity of studies required to determine the viability of any such link would take some time and money and would always be subject to intense scrutiny and debate from regulatory and community bodies.

Finally, the Delta mine is now a small mine with a relatively short life of between one and four years. We do not foresee any need to change the current use of our privately owned and state owned rail system for transport from Delta. In recent years we have worked closely with the Rail Access Corporation and Pacific National to improve access to the rail line to ensure optimal efficiency of coal transport on the section of line that also carries passenger rail traffic so as to minimise the impacts on passenger rail traffic.

CHAIR—I am concerned that your opening statement is going on a bit and we will not have any time for questions. Have you got much more to go?

Ms Tyrrell—I am just concluding. In conclusion, we ask the committee to consider our role as a key component of the Australian steel industry through the supply of hard coke and coal. We operate in a business environment of intense competition within Australia and overseas. The inequitable application of gross vehicle mass limits and curfews on our operation increases our costs and makes it harder for us to compete with businesses which do not have these restrictions imposed on them. We must continue to grow and to reduce our costs to remain competitive. To do this we need state-of-the-art equipment, flexibility in our operating environment and benchmarked levels of road transport infrastructure to support our needs and the needs of the community. We do not foresee in the near to medium future any need for an increase in rail facilities to service our existing or future operations. That would be for the longer term.

On behalf of Illawarra Coal, I would like to thank the committee for the opportunity to make this presentation. We can make further statistics available to support our application if that would be helpful for the committee, and we would like to table our submission.

CHAIR—Thank you for that and thank you also for facilitating our inspections yesterday and accompanying us on those inspections. There are two things that I would like to examine. We are talking about the arterial road and rail systems of this country, their connectivity with the ports and how they affect the ports. I think that needs to be our first priority in this inquiry, but we take into account the road systems and the rules imposed on you in this area and we need to explore that as well.

Let us talk about this train line from west of the range. To what extent would that increase throughput for Illawarra Coal and generally? Illawarra Coal, of course, has some set shareholders but, obviously, if a line were put west of the range it would have impacts for other coal companies. Can you tell us what negotiations you have had and what the likely boost is to the economy here in terms of tonnages and effects if that rail link were to be put in place?

Mr Grimson—The expansion of our operations is always commercially linked. In the near future—and we are talking about the next 15 years—we have no plans to be linked to a rail link. If a rail link were available and it provided a cheaper freight rate to the Port Kembla region, it would enhance our investment opportunities by reducing our overall costs.

CHAIR—I can see that. What I am trying to get to is whether, in your discussions with your partners and potential operators of coal mines west of the range, you have worked out a scenario. I understand the raw economics of it: you are not going to do it if it does not work. But there is a bit of chicken and egg in this, isn't there? Unless you are part of making your own future, so to speak, no government is going to move on it. The government is not going to wait until everyone does some sort of corroboree around this issue; the government wants some proactive information on how many potential mines there are, whether Illawarra Coal has mines of its own there, whether there are other potential partners and whether that will create an economic train line, rather than take the reverse approach of 'when it becomes economical, we will look at it'. If you do that, it will never happen.

Yesterday in our inspections people spoke about this as being a viable prospective addition to the infrastructure of this area. We need to report back to the government on this issue. I want to get the flavour of how much work you have done on it and what the potential is to lift the GDP and the throughput of the port and so on. Just give us the flavour of that. What sort of coal is it? All that sort of thing.

Mr Grimson—Firstly, to respond directly to one of your questions, as far as I am aware we have had no discussions between the local coal companies on the advantages and the impact that the Maldon-Dombarton rail link would provide.

CHAIR—None at all?

Mr Grimson—In recent times, yes.

CHAIR—Have you talked to ARTC or the State Rail Authority?

Mr Grimson—As far as I am aware, no. To go further, as far as I am aware there is no local coal body, such as you would see in the Hunter Valley, where these sorts of issues can be tabled, discussed and brought to the attention of committees like this.

Ms Tyrrell—It is also fair to say that we have had some preliminary discussion with state government at a senior level. We put forward to them that it may be a viable proposition for the future and that we are keen to see the Maldon-Dombarton link proceed. It is also worth adding that, as the coal resources that we are currently extracting become exhausted, we will need to move to the north-west. As Keith said, that is a 10- to 15-year time frame, and that is when we would be looking at the viability of utilising the—

CHAIR—But we as committee have to look beyond just one or two companies'—and I do not say this in a pejorative sense—current comfortable arrangements. We have to say to the government that this could be viable given a certain scenario. If the Commonwealth and the state were to seed fund that with \$25 million each—I am talking off the top of my head here—then there would be investment from the existing coal companies, or ARTC or whoever, in making

that happen. So it has not really progressed beyond some preliminary high-level talks with the state government?

Ms Tyrrell—It is at a preliminary stage.

CHAIR—The other thing that concerns me—and we will explore this later with the port authority—is that in the great scheme of coal ports, and while this is a very efficient and well-run port, it is quite small on a Mackay-Gladstone-Newcastle scenario. Obviously, with all the mines we have talked about, it has the potential to be much more. Can you tell me what your plans are? Or could I put this to you: would you be prepared, before we wrap up our inquiry in about three months time, to call a meeting of the players and give us the flavour of what we should be recommending? What we have been talking about in the last two days is all pretty amorphous. I want to try to pin it down to something.

Ms Tyrrell—We would certainly be happy to have a further discussion about it.

CHAIR—In the Hunter they have a supply chain committee that takes in miners, Queensland Rail, Pacific National, the port authority and the Chamber of Commerce. There is a whole production-line chain of people who do cooperative strategic planning. To make a project like this happen, Port Kembla, or the Illawarra area, has to adopt a similar attitude. I want to throw to my colleagues now, but I have just one question about these curfews—particularly the road one, but both curfews that we have talked about. What is the attitude of Wollongong City Council? Are they neutral in the matter? Do they support what the previous state government did? Or do they have an open mind? Because surely the starting point to getting this lifted is local support for having it lifted.

Ms Tyrrell—It may be useful for the Port Kembla Coal Terminal to also speak about that. We have had some very constructive discussions with the council. We have received good support. There is always concern about the impact on the community, and we would need to ensure that that is carefully managed.

CHAIR—It seems to me, however, if you are operating at one per cent of the freight task or traffic flow on those roads, to spread that one per cent over a greater number of hours might actually be more of an advantage than a disadvantage in terms of (a) freeing up peak hour times and (b) spreading the concentration of traffic over a 24-hour period.

Ms Tyrrell—That is our view, certainly, and we have had support for that in our discussions with the external stakeholders.

CHAIR—I see.

Mr GIBBONS—You said that you will have to expand your operations west once the current mining operations are exhausted. I know this might be a little oblique, but I think it is good to get it on the public record. What is your anticipation of the overall life expectancy of the coal-bearing regions in which you have a sphere of interest? In other words, what is the likely length of time that the operation will be required to be here providing what it does to this community?

Mr Grimson—Our plans go out for 30 years, but there is 100 years of life in the local reserves. It gets beyond my horizon.

Mr GIBBONS—That is all the more reason why there should be a strategic plan for developing those areas further out.

Mr Grimson—I would like to take the opportunity to address one of the points raised by Mr Neville. Our ability to expand the local coal-mining operation depends on whether the Maldon-Dombarton or roadways are provided west of the escarpment. From our position—we are coming at it from a different angle—if we are not provided that infrastructure we do not have a business. So even if we said we were just going to hold our operation at the current level, that business may well not be there in 15 years or so if that transport link is not provided. In terms of expanding the local coal industry, the same could be said. There is no link to allow the industry to expand. As you say, it is the chicken and the egg. People and companies need quite a long time frame to invest in coalmines nowadays. I guess you are looking at somewhere between \$500 million and \$1 billion for a new coalmine, and that is perhaps a five- or 10-year time frame on investment. It requires a joint effort between government and private companies, working together to develop both the rail link and the mines at the same time.

CHAIR—In today's world, having looked at what is happening in Central Queensland, for example, I think the company has to take a more proactive role. That is not said with any criticism; it is just an observation. Do any of your constituent companies or affiliated companies have sites west of the range?

Mr Grimson—We certainly have leases to the north and west of our existing workings, and there is coal that stretches out to Gunnedah. I am not sure I am answering your question.

CHAIR—It is okay. I will not pursue it any further.

Ms BIRD—Thanks very much, Wendy and Keith. It is good that Illawarra Coal has appeared, so this is a bit of an unfair question but it reflects the fact that we need to get a full picture of the coal-mining industry and its link to the port. Could you outline for us who the other coal producers in the area are and what transport links they are using into the port? There are two questions, so I will give them both to you and you can handle them as you like. I am conscious of the fact that, as with the reopening of Dendrobium, when you reopen or expand coal mining there is always a whole lot of community concern around that. Certainly in the western areas that we are talking about for potential growth there is often concern expressed about the movement of that coal. If expanded or new coal markets are created up there, the communities up there would get concerned about the movement of the coal down to the port.

So I would like you to indicate what sorts of transport links the other coal producers in the area are using, if you are aware of that and if there is a public record of potential expansion for those. And, specifically, what inhibitions occur for you with transport? I mean not just the physical, financial costs but the reality, the impact of that on communities and the ability for you to set up a financially maximised operation as opposed to—as you are saying with Dendrobium—making a whole lot of concessions because of that.

Mr Grimson—I think it would be more appropriate for the coal terminal to answer that question. That would carry much more weight.

Ms BIRD—The first question? Yes, that is fine. Could you just address the second.

Mr Grimson—Could you repeat the question for me please?

Ms BIRD—Obviously you have plans on the board for the expansion of and the creation of new coalmines—they are not on this side of the escarpment; they are on the other side—and you have talked about the fact that with new infrastructure like a Maldon-Dombarton link there are business and financial incentives to be involved in that. But I am conscious that there is also a reality incentive—that is, it is much easier to get those expansions and new mines in place if communities are confident about the movement of that coal. So I am interested for the committee to hear from you about what the truck movements from those new things would actually be, beyond coming down to the escarpment. We saw from the escarpment down yesterday, but there are communities beyond that that would be impacted. Could you give us just a bit of an outline about what that would involve and whether you would anticipate difficulties about increased truck movements along those roads.

Mr Grimson—Of course it is dependent on where we locate that mine site. If the Maldon-Dombarton were available and we had a spur line that we built—it is a long bow to draw, but I would think that the community would be much more amenable to that option and there would be much less opposition. I do not like to comment on how the community might view that. In terms of the use of road transport and the communities that would be impacted—and I ask Ms Tyrrell to keep me honest here—I think only the Appin community would be impacted.

Ms Tyrrell—Again, it depends where the location is.

Ms BIRD—Which roads would you use?

Mr Grimson—It would probably be a new road, as it would probably be a new rail link. You could say that it would not pass through the Appin community. Preferably, you would have it outside community areas.

Ms BIRD—Yes, I am not thinking so much of people in houses; I am thinking about people driving, moving about, on roads with coal trucks.

Ms Tyrrell—It is difficult for us to answer that question in a quantitative way. I think it is fair to say that we understand that the community is primarily concerned about safety impacts. Second to that is noise, and then thirdly it is dust—I think in that order. So whatever we did for the long term would obviously need to take those considerations into account.

Ms BIRD—What I actually want to know is this: you are saying a new road, so you are fundamentally saying that you will not develop these new mines unless you build a road or the government builds a road? Or, if nobody builds a road or rail link, will you go ahead, and where will the trucks go then? That is what I am trying to get a picture of: what those options are.

Mr Grimson—That comes back to a commercial business decision. We recognise that we have a responsibility to provide the infrastructure we require for a coalmine. I do not believe we could build the Maldon-Dombarton and justify a new coalmine. It is a long bow again, but we could probably build a spur line and justify the business, and we could probably contribute to a portion of a road. But I do not believe that we could fully fund either of those options.

Ms BIRD—So if neither of those options happens—I want to get down to the bottom line—and you decide to proceed, what happens?

Ms Tyrrell—It would have the potential to impact on a decision about whether we would proceed or not.

Ms BIRD—So it actually will come to that point? If there is not the additional infrastructure in either road or rail, it puts the viability of those new opportunities at risk?

Mr Grimson—That is correct.

Ms Tyrrell—Yes, and it would need to be part of the decision making about whether investment did proceed.

Ms BIRD—That is the high-quality coking coal you would be bringing from there?

Ms Tyrrell—That is correct.

Dr JENSEN—Thanks very much for the advice that you have given. Regarding capacity, there is excess capacity that can be taken up; the port authorities indicated that yesterday. Would you have the capacity to meet increased production?

Mr Grimson—Our current plan, as Ms Tyrrell mentioned, would see us going to 14 million tonnes. We certainly have that capacity available to us. That would require some investment, which we are well down the track to making.

Dr JENSEN—As you have seen, the ambit of our inquiry is roads, rails and the connectivity to ports. We have a situation here in which what you have is almost not an issue of the road and rail infrastructure being a problem but of policy being a problem in terms of curfews. For instance, it strikes me that you could probably increase your capacity by a third simply by removing curfews.

Mr Grimson—In some areas that is correct. The Dendrobium mine has about a quarter of additional capacity that would be available to us. There is not so much of a restriction in terms of the curfews on our mines west of the escarpment. I take your point: yes, it is policy at the moment in the short term. But in the 15-year horizon, which is the sort of horizon for the federal government, we have a bigger issue: it is not policy then, it is infrastructure.

Dr JENSEN—Something that Ms Tyrrell raised is the issue of road safety with coal trucks moving along the roads. With the curfew that you currently have, you are having very heavy coal truck movement right in peak periods in which you are going to have other motorists who are also on the roads. Not only is there an economic problem there but a road safety problem,

because you will increase your traffic density, particularly with the mix of trucks and cars. Would you care to comment on the impact that you have seen? I am not trying to make a pun with the word 'impact', but do you find that there are more accidents than you would expect in those periods?

Mr Grimson—As far as I can recall, we have had no accidents where a coal truck has been at fault.

Dr JENSEN—That was not what I was asking about. Whether the coal truck or the motorist is at fault, road safety outcomes are road safety outcomes. I am interested in whether the curfew is hurting road safety outcomes, even if it is not the coal industry's fault. What I am trying to find out is if this policy is a negative factor in terms of road safety.

Mr Grimson—It does increase the risk of a road accident. Our driver is that, whilst there is a commercial element to it, we believe that we could reduce our impact on the community substantially by having those curfews removed. But the same could also be said for the gross vehicle mass limit.

Dr JENSEN—I was going to get on to that next. With the gross vehicle mass limit, do your trucks have road-friendly suspensions?

Mr Grimson—Yes. That has been introduced over several generations of trucks and has been improved over that period. The impact of the trucks today is much less than the impact of the trucks of 10 years ago.

Dr JENSEN—So the current gross vehicle mass limits were drafted at the time when these road safety suspensions would not have been taken into account. Is that correct?

Mr Grimson—I would not comment. I do not have that knowledge.

Dr JENSEN—That would be useful to know.

Mr McARTHUR—Could I raise two issues. Firstly, we talked about the ability of the company to extract the coal underground. For the record, would you describe that process to the committee? Secondly, could you comment on the local problem of subsidence after underground mining?

Mr Grimson—The coal measures, as we call them, in this area stretch from about 40 kilometres south of us through to Newcastle, underneath Sydney, and to the west of us to Gunnedah. An analogy for it is a saucer with its edge cut off by the coastline. You can appreciate that a huge amount of coal reserves is within that area. A little bit of its history is that initially, these were thought to be the only coking coal reserves in Australia. The original AIS leases were for the prime coking coal within this region.

Our mining methods are based on world benchmarks. They are as efficient as we can make them; they need to be for us to compete. The extraction method is by what we call 'longwall'. We block out an area of coal between 200 and 300 metres wide, by between two and four kilometres long. Between two million and four million tonnes of coal is blocked out by

roadways underground. The longwall unit then moves through the strata extracting the coal, allowing the roof to fall behind the unit. The analogy I use is that the coal seam is the cream within the cake and that we are taking a strip of that cream out, with the roof falling behind us. The coal is loaded onto conveyer belts and, by other means, is brought to the surface. The surface can be anything between three and 10 kilometres from the point of extraction.

Mr McARTHUR—Thank you. Yesterday’s tour of inspection of the port gave one the impression that you were a victim of history. If you had a greenfields site now, what would you do to improve the access to the port from the mines? Would you put in a railway? Would you improve the roads or the whole Port Kembla infrastructure?

Mr Grimson—I think we would look at the most cost-effective proposal that had the least impact on the community and the greatest potential for expansion. We are always being forced to grow. I am now on a bit of a soapbox.

Mr McARTHUR—What has been the major impediment to the historical build-up of the steel works, the coal mining and the rail and road? The whole lot seems to have developed over 100 years. I am just wondering what the big impediments facing Port Kembla and your mining operation are.

Mr Grimson—I think it is historical and topographical in that it is not easy to put a railway between here and our rail lines. I would be confident in saying that if we had a rail line between here and our West Cliff mine it would be much cheaper and have much less impact on the community. It has to go from here, through that mountain, to West Cliff. That is a very expensive option. The next-best option for a rail line is to take it through Maldon-Dombarton.

Ms HALL—I noticed in your presentation that a noise study had been done in relation to curfews. Has there been any traffic study done on the area?

Ms Tyrrell—There have been traffic studies done. In 2003, a study—which Keith may have mentioned—identified that the coal related truck transport was less than one per cent of the total traffic and approximately 20 per cent of the heavy traffic.

Ms HALL—Moving on from that, you said that you have a curfew between 7 am and 7 pm. Is that right? That is when you can operate. The curfew is outside that time.

Ms Tyrrell—Is that to Port Kembla coal terminal?

Ms HALL—Yes.

Ms Tyrrell—It is between seven and six.

Ms HALL—It was put that if you could extend the time that you operate it would spread out the traffic. So you would not envisage increasing the number of loads you were taking? You would just envisage operating at the same level?

Mr Grimson—Total tonnage would remain the same. We would use fewer trucks and the movements would be much more evenly spread.

Ms HALL—So that would not do anything to moving the port towards operating at a greater capacity, would it?

Mr Grimson—I would defer to the port, but I believe that it would improve the port's capacity. It is operating less optimally at the moment because there is peak loading on the port, as there is on the traffic.

Ms HALL—So, basically, your mines are operating at capacity.

Ms Tyrrell—We do have potential to expand our operations as well.

CHAIR—Thank you very much for your evidence and, once again, thank you for facilitating our visit yesterday. We trust we can come back to you for more information if we require it.

[10.01 am]

BRANNON, Mr John Robert, General Manager, Port Kembla Coal Terminal Ltd

MURPHY, Ms Debra Kim, Business Improvement and External Affairs Manager, Port Kembla Coal Terminal Ltd

CHAIR—Although the committee will not require you to give evidence under oath, we should advise you that these are formal 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 could lead to a contempt of the parliament. Having said that, you are most welcome. In view of the fact that we had such a thorough briefing yesterday, I would like you to shorten your opening statement. We want to examine the questions. We have a very good idea of your general operations, so you do not have to repeat information about that. Do you have an opening statement?

Ms Murphy—Yes, we do. We would just like to clarify a couple of the key points. First of all, I would like to thank the committee for taking the time and interest to come and visit yesterday. Essentially, the key points that we would like to outline are the economic imperative and the coal terminal's role as a major export service provider, an overview of the coal-mining industry and growth potential for the future, the efficient maximisation of infrastructure to the coal terminal, road and rail networks and their connectivity to the coal terminal, and future freight strategies. They are the key points that we would like to outline briefly.

The coal terminal plays a vital role in enabling the mining industry in the southern and western coalfields to realise export opportunities. Over 90 per cent of throughput at the coal terminal is destined for export markets, and the economic benefits created by the mining industry in these regions are significant. Based on our current 10 million tonne per annum coal throughput, it is estimated that nearly \$1 billion per annum of economic benefit is generated, as well as thousands of direct and indirect jobs. Furthermore, the multiplier effects from the mining industry are substantial, especially in the transport, logistics and related services sector. The key point is that the coal terminal provides crucial infrastructure to enable significant economic benefits to be realised for the Australian economy.

Mr Brannon—I have a prepared statement. I am not going to read through it; I am going to pick the eyes out of it. So I apologise for the disjointed nature of it.

CHAIR—I am not trying to hurry you. I want to allow my colleagues time to talk to you.

Mr Brannon—Certainly. One of the key points that I would like to make this morning is that currently the world's seaborne coal trade is very strong. There is continued high demand for both coking coal and steaming coal globally. The principal drivers, as the committee is probably aware, are the economies of China and, more recently, India. The confidence in the coal industry is evidenced by the significant expansion and development plans by mines in the southern and western coalfields, whose exports are serviced by Port Kembla Coal Terminal, which I will refer to as PKCT. In the southern coalfields we have seen new mines come on stream over the last 12

to 18 months—notably Tahmoor North and Dendrobium mines—and some older mines have reopened. What used to be called the South Bulli mine for many years has now been reopened by a company by the name of Gujarat NRE, an Indian company. But there is even more potential than that for growth. BHP Billiton has spoken already about projects which are at various stages of feasibility and pre-feasibility, which may result in the injection of half a billion dollars of investment into this economy.

From PKCT's perspective, we are about ensuring that, if that growth is available and if that expenditure is available, PKCT is able to facilitate the coal throughput. PKCT is in fact unique in comparison with all of the other Australian coal terminals, coal-loading facilities. The standing committee will no doubt have heard evidence and received submissions from other coal-loading facilities up and down the eastern seaboard indicating that they are currently at capacity and in the process of expanding. PKCT, by contrast, has excess capacity. We are currently operating at around 10 million tonnes per annum. Our capacity is 18 million tonnes per annum, so we are operating at around 55 per cent of our stated capacity. The combination of this latent capacity, the strong levels of business confidence in the mining sector and a healthy international market place us ideally in a position for growth.

This is where the relationship between road, rail and the connectivity with ports is important for us not only now, for our current operations, but certainly for the future. I believe that—and obviously it is the nature of the committee's work around infrastructure—it really is the medium to longer term that we are talking about. I guess I focus my remarks more on the medium to longer term for that reason.

As you are aware, we operate at PKCT 24 hours, seven days per week. We receive around 35 per cent of our coal by road, and 65 per cent comes by rail. I would like to address some issues around road haulage first. We are currently unable to maximise the efficiency of our road receival facility, due to the operation of what Ms Tyrrell referred to as state environmental planning policy No. 7, or SEPP 7, which restricts public road receivals from 7 am to 6 pm Monday to Saturday, with no deliveries permissible on Sundays and public holidays. In practice what that means is that we are closed for road receivals more often than we are open.

There have been significant improvements over the past decade in road networks which facilitate the transport of coal from local mines to PKCT. We have seen the implementation of noise barriers and jersey barriers, and widened roads. We have seen additional lanes on Mount Ousley, the main thoroughfare, and we have seen other road safety improvements, the combination of which has seen an improvement in safety and a reduction in the environmental impacts of road haulage of coal. In addition, the transport companies have invested in safer, quieter vehicles which carry larger payloads and therefore reduce the number of cycles required to deliver their throughput to the port.

Notwithstanding those improvements in safety, the restrictions remain in place. We are only using our road receival facility 39 per cent of the available time. What that does is force the coal deliveries to come to PKCT during the hours in which they are going to interact with commuters. So we have an 11-hour window in which we have to bring our coal in, and in that 11 hours we have the morning and the evening peak commuter periods.

Turning to rail infrastructure, there are obviously a number of important but competing rail needs in coal transport. The most significant, of course, is the coexistence of passenger movements through the Sydney metropolitan region and the haulage of coal. Coal from the Lithgow region, which represents around 40 per cent of PKCT's throughput, travels down the Blue Mountains and makes its way through outer suburban Sydney before joining the Sydney-Illawarra line to complete its journey to the port. Of course, coal trains cannot run at peak commuter travel times and curfews are imposed during both the morning and the evening. The impact of these curfews is to reduce the available receipt time at Port Kembla by nine hours on any given day—so we have a 15-hour window of opportunity. I have discussed this with the rail providers and these details come from them. The combined impact of the restrictions on both public road receipts and our rail curfews is that PKCT's overall receipts capability is restricted to 55 per cent of available time.

These are the issues we face today when we have a coal throughput of around 10 million tonnes per annum—operating at around half capacity—and with the port of Port Kembla in the infancy of its growth and diversification plans. There is a real prospect that the growth of trade from Port Kembla, be it in coal or other products, may not be realised if we cannot improve our receipts capability. The view of Port Kembla Coal Terminal is that the development of a rail freight corridor, facilitating movement of coal and other products from the base of the Blue Mountains to the port of Port Kembla and having a minimal impact on passenger traffic in Sydney, is now required. Over the past 20 years there have been numerous studies undertaken around the prospect of a rail freight corridor for this route or parts thereof. A major theme of these studies has been the completion of the Maldon-Dombarton rail link, which Ms Tyrrell referred to earlier.

Rather than take you through the detail myself, I refer the committee to submission No. 116 to this inquiry, by PG Laird of the University of Wollongong, appendix D of which contains a chronology of the studies, reviews and deliberations concerning Maldon-Dombarton. I do note that in the Laird submission PKCT is reported as holding the view in 1992 that the Maldon-Dombarton link should not be completed. Page 17 of the submission states:

Instead, the PKCT EIS suggested ongoing high levels of road haulage of coal ...

Our position today is one of support for the Maldon-Dombarton rail link. It is no longer an either/or situation. PKCT needs access to increased road and rail receipt capability if it is to provide an efficient service to its customers and, importantly, realise its growth potential. The report of the New South Wales Legislative Council Standing Committee on State Development in its inquiry into port infrastructure in New South Wales was released in June 2005 and, to my knowledge, is the most current publication to have considered these freight issues. The committee made two relevant commendations, 12 and 13, and I would refer the committee to both. I will focus only on recommendation 13:

That the NSW Government consider the feasibility of expanding rail infrastructure into Port Kembla, including consideration of the Maldon to Dombarton line, in conjunction with the AusLink program.

PKCT supports these recommendations and argues that there is a strong case for completion of the Maldon-Dombarton rail link.

In short, for PKCT to operate an efficient coal terminal we need to ensure that the connectivity between the road and rail networks complements our ability to deliver fast ship-turnaround times. This will only be achieved if the transport infrastructure delivers our coal in a timely and cost-effective manner. Currently, our road and rail receipt restrictions cause inefficiencies. Combined, they pose a serious threat to our ability to capture the benefits of growth which are currently available.

I would summarise as follows. PKCT is in a unique position among Australian coal-loading facilities. We have excess capacity. It is in the interests of both regional and national economies that we utilise this spare capacity. Fortunately, we are currently facing an environment of growth. However, we will only be in a position to grasp this opportunity if we are able to move the coal efficiently into the port. It is critical, therefore, that we create more capacity in both the road and rail systems which service the port of Port Kembla. I thank the committee for allowing me the time to speak to you this morning.

CHAIR—Just cutting to the chase of this rail extension, have you spoken to either the State Rail Authority or the ARTC about it?

Mr Brannon—I have had preliminary and informal discussions with ARTC. I have had more—

CHAIR—What is their attitude? Could you convey that?

Mr Brannon—It is probably inappropriate for me to comment on their attitude other than to say that they would favourably consider the right solution to deal with growth in Port Kembla.

CHAIR—Was there anything implicit in that in terms of the federal government providing seed funding?

Mr Brannon—That was not specifically discussed.

CHAIR—Of the constituent companies that make up your board, do some of them have coal deposits west of the escarpment?

Mr Brannon—The companies that make up Port Kembla Coal Terminal's board are Centennial Coal, Xstrata Coal, BHP Billiton, Excel Mining and Austral Coal. Gujarat NRE is a customer now but not a board member. Xstrata Coal and Centennial Coal both operate the majority of their mines out of the Lithgow region. The other companies I have mentioned predominantly have their operations in the Illawarra region. So we have roughly four million tonnes currently coming down from the Lithgow region to PKCT.

CHAIR—That is coming by train?

Mr Brannon—That is coming by train.

CHAIR—You say you have 18 million tonnes of export capacity and you were pointing out to us yesterday a loading facility at the far end of your current stockpile that could be utilised. What would that take it up to? Would you need another loader to go beyond that?

Mr Brannon—We would be able to increase our capacity beyond 20 million tonnes if we were to redevelop what was called the old coal loader or currently our bulk products berth. Whilst I have not looked at plans beyond 20, I have certainly seen ranges of 20 to 22 million tonnes that could be achieved by upgrading the facility if required.

CHAIR—Would that require an additional loader?

Mr Brannon—It would require the refurbishment of the existing or a new loader, yes. When I say a new loader, I mean a new loading machine but using the existing berth capacity that is at the port at the moment.

Ms BIRD—I just want to explore the access from Lithgow into the port. My understanding is that it comes by rail. Is that the stuff that is coming through Sydney that is competing with the commuter rail movements and is therefore limited?

Mr Brannon—That is correct.

Ms BIRD—One of the things that obviously prompts this sort of inquiry is the importance of the reliability of coal supply to the international market for coal producers and their ability to get that out. Obviously on occasions some of the ports have a major problem. If there were to be a major problem, say, at the Newcastle port, at the moment could those coal supplies access Port Kembla if that looked like drawing out and affecting meeting contracts? If they did, would that mean coming through Sydney? Further, would the Maldon-Dombarton link improve the capacity for that? I may be completely off; I may not be. I am just wondering whether those fields would be able to access through there if they needed to.

Mr Brannon—I will answer that question in two ways. There have been some significant capacity issues around the coal terminal in Newcastle over the recent years. Port Kembla Coal Terminal did receive some coal from the Newcastle area during that period of time. So when demurrage costs were at their highest in Newcastle some coal did come through to Port Kembla. When the coal and, indeed, any other coal that was to come to Port Kembla from Newcastle came to Port Kembla, yes, it would come through the Sydney network. The Maldon-Dombarton line would be an advantage, but it would only be an advantage if we took a broader view of freight transport from, say, the base of the Blue Mountains so that the coal could skirt around Sydney rather than having to join the Sydney-Illawarra rail line.

Ms BIRD—I notice that in your submission you make reference to the fact that PKCT is interested in a logistics group. That is something that struck me as being particularly useful for this region. I am just wondering what your thinking is on that and how that might progress.

Ms Murphy—On that note, we proposed in our submission that we have a coordinated Illawarra freight strategy or some type of group that really takes a long-term perspective, because I think that is what we have been lacking, particularly from the Illawarra side and from the potential growth in and around the industrial precinct of Port Kembla. That would most likely involve all three levels of government working with industry, and I think it could only provide us with a win-win situation that would enable us to maximise the economic benefits to the country by looking, overall and on balance, at what the whole industrial precinct of Port Kembla requires.

Ms BIRD—I think that certainly will complement what the chair was saying about the value to this committee of those sorts of organisations that we have found in other places.

Ms HALL—I think I probably should have directed the question I asked the previous witness towards you. If there were an increase in the number of vehicle movements—if the curfew were removed during that key period—do you see that leading to an increase in the number of vehicles supplying coal to the port? Given that you are operating at 56 per cent of capacity at the moment, would you be able to increase the amount of coal that you were shipping out of the port if you received more vehicle movements, and do you envisage that that would occur?

Mr Brannon—Ultimately the decision to produce coal will be taken by the mines themselves. PKCT clearly is a service industry to the mines, so it would be inappropriate for me to say that, because we had more capacity, it would force the mines to produce more. However, with knowledge of the mines' current expansion and growth plans, yes, I can say that if we had a greater receivals capability it would enable us to put more coal through the port. Or, to put it another way, if we do not do something about our receivals capability, we may be in a position of constraining the coal companies from achieving their growth plans.

Ms HALL—You currently handle 12 million tonnes—

Mr Brannon—Approximately 10 million tonnes.

Ms HALL—Do you have a plan where you project out what your tonnage rate will be—say, a 10-, 20- or 30-year plan? What growth do you envisage in the port over that period of time, both in relation to coal and in relation to the new multipurpose terminal that you are going to build in your port?

Mr Brannon—I probably should clarify up front that my responsibilities extend only to the coal terminal. Again, my answer has to be qualified by saying that the throughput that we have at the terminal is subject to the coalmining companies' decisions on production. Therefore, I go on the estimates that we seek from them. We are looking currently at estimates which range—and I look now beyond 2020—anywhere from 16 million tonnes up to 22 million tonnes. All of those estimates are going to be subject to the prevailing economic conditions at the time that the production is to come on stream. There is no question that unless it is profitable to do so the coal companies will not expand production. Those estimates have been made in today's market. What will happen come 2020 remains yet to be seen.

Ms HALL—So you see your maximum capacity level at 22?

Mr Brannon—Currently those are the predictions that have been made to us. I see that, if those predictions were to increase, we would then look for ways to increase our capacity to handle those tonnes, which we would be able to do.

Ms HALL—Do you see the growth of the port in other areas in any way conflicting with your operations?

Mr Brannon—Yes, I do. Take those raw numbers—let us say the 16 million tonnes of growth, which is the bottom of the forecast that I have just given. If you ask, 'Where is that 16

million tonnes going to come from?’ or, more particularly, ‘How is it going to get into the port?’ you find that that 16 million tonnes will put extreme pressure on our rail receipt capability. And that is without any other product on a train between Port Kembla and anywhere else. So, yes, I am concerned about the ability for Port Kembla’s new businesses to grow alongside the coal business.

Ms HALL—And what message would you give to the committee about what we need to do to resolve that conflict?

Mr Brannon—From the road perspective, in terms of road haulage of coal, as I said in my introductory remarks, we are open for fewer hours than we are closed in terms of our road receipt capability. That is an inefficient use of a capital asset. In the case of rail, I think we are looking at a freight corridor that separates freight from passenger movements from the base of the Blue Mountains through to Port Kembla. There has been a range of proposals as to how you might do that, and it is probably not appropriate for me to speculate on which is the right one. Suffice it to say that I think there needs to be a freight solution which does not interfere with passenger movements in Sydney but which enables freight to move freely between Port Kembla and the outskirts of Sydney.

Ms HALL—So a strong message to the committee is that you need that rail corridor?

Mr Brannon—Yes.

Dr JENSEN—You mentioned that your current capacity is 18 million tonnes but you only actually process 10 million tonnes. Once again, as with the previous witnesses, it strikes me that there is an immediate solution to this. The previous witnesses have indicated that they have the capacity to produce more of their product. So you have the capacity to process and export it and they have the process to produce it. Obviously, the bottleneck appears to be in getting it from the mine to the port. It would appear to me that it is the policy decisions that have been made about curfews and so on that are affecting your business. It strikes me, for instance, that just about all these capacities—the 18 million and 10 million—could be removed if you removed the curfews and the road haulage limits. Would that be your view?

Mr Brannon—I would agree with that, yes.

Dr JENSEN—That is the immediate thing—

Mr Brannon—Having said that, though, by removing the curfews in the case of rail you would have an interaction of coal trucks and passenger movements through Sydney. So whilst it would be an optimal decision for Port Kembla Coal Terminal, it would be a suboptimal one for the New South Wales—

Dr JENSEN—I am thinking here about the Dendrobium—

Ms BIRD—It is important in this discussion to clarify and put on the record that between Wollongong and Sydney is the largest commuter corridor in Australia. So you are not talking about small movements that you are impacting upon.

Dr JENSEN—I was thinking of such things as, for instance, and as has been mentioned, the Dendrobium trains moving through at night and so on.

Mr Brannon—The Dendrobium trains are a slightly different issue from the rail issues that I have been referring to insofar as the Dendrobium trains travel from the Dendrobium Mine direct into Port Kembla Steelworks as opposed to running to Port Kembla Coal Terminal. The product is washed there and then trucked to Port Kembla Coal Terminal, where it is exported.

Dr JENSEN—So, to make a brief summation of the issue with the roads, the predominant issue is the weight capacity and the curfews. It is not as though there is an immediate necessity to build new infrastructure. Would that be correct?

Mr Brannon—From Port Kembla Coal Terminal's perspective, that would be correct.

Dr JENSEN—Moving on to the Maldon to Dombarton rail link, in your submission you view that as a critical infrastructure development for the future. But Illawarra Coal have stated that they are not sure of the economic case for it; they would have to investigate that further. There have been no real discussions between coal producers about that Maldon to Dombarton link. If there were an economic imperative for that rail link, at the very least there would have been discussions about, and some modelling of, potential economic benefits. How do you explain that differing view?

Mr Brannon—The explanation is that, firstly, we are looking at a longer term coal forecast before the Maldon-Dombarton link would be economically viable. We are talking about forecasts that may come into play anywhere between 2010, 2015 and 2020. I am not sure exactly when that will happen. Secondly, the major beneficiaries of the Maldon-Dombarton link would be the western district coal producers, such as Centennial Coal and Xstrata coal, whose operations are in the Lithgow area. So I can understand why the BHP Billiton representatives have not been involved in discussions around that, because their current operations are not in an area that would benefit from Maldon-Dombarton. With the current logistics chain, to start looking at that would actually be a cost impost on them. So I can understand why BHP Billiton has not been involved.

Having said that, Port Kembla Coal Terminal has a very effective group of coal shippers and transport providers which meets weekly and looks at logistics chain issues. So there have been informal discussions around these sorts of things going on for some time. I have met with the rail operators. In the discussions I have had with the rail operators I have put very clearly to them, 'Would this be of benefit to you? Would you use the Maldon-Dombarton link? Would it be something that would be an economically viable thing to do?' The short answer is yes, but it is all volume dependent. So you need to look not only at the coal terminal's growth plans but also at the port's growth plans and put the two together and then make an assessment of whether or not there is an economic viability there.

Dr JENSEN—So in your projections when is that Maldon to Dombarton rail link economically viable?

Mr Brannon—If I look at it just from a coal terminal perspective in terms of coal growth, when we reach numbers of 16 to 22 million tonnes per annum I can see clearly that we will need

an additional rail transport mechanism, because we cannot try and fight with commuter travel in Sydney. Commuter transport has to take priority—there is no question in my mind about that—but equally, if coal trains are going to fight with commuters to try and get to the ports, just on some rough numbers, we have probably got around 2½ hours of available time for growth. Currently we have got 24 hours in the day. For some cleaning and maintenance we are probably down to 22. We lose nine hours due to the curfews, which takes us down to 13, and around 10½ hours due to current train arrivals. So that leaves us with around 2½ hours for growth. And it takes us an hour and a half to unload a train. So that is basically 1-point-something trains per day to unload if we get growth out of the western district. Clearly we are competing for that train with the port corporation and the growth that is happening in the general cargo-handling facility.

Mr McARTHUR—Thank you for your inspection yesterday. We found it very interesting and worth while. Could I just raise the issue of unloading the ships at the other end. The committee have observed the operations here and at Newcastle. There is enormous pressure by the shippers to move the coal from the coalfield to the port and then onto the ship. I notice from your presentation that you can put a Panamax ship in 22 hours and a Cape ship in 32 hours, yet when they get to the end of the journey, you were telling me yesterday, it takes seven to eight days to unload the ship. Do you see any possibilities of improving the unloading procedures? You have even got it here. You were saying yesterday that the iron ore takes five days to unload at our own port. This committee are looking at improving the efficiencies in Australia, but at the other end they seem almost historic. Could you comment on that.

Mr Brannon—It is difficult for me to comment on that because it is an area which is beyond my expertise. Whilst I am aware of the time that it does take to unload a vessel, my level of expertise probably does not go much further than that. So it would probably be my preference not to comment on that.

Mr McARTHUR—But you are in a position where the shippers are putting enormous pressure on you as coal loaders to get the ship into the port and out again—you had that demurrage problem in Newcastle—and yet, at the other end, they are wasting days and days in just unloading the ship. It seems an inequity in the whole shipping process.

Mr Brannon—Certainly there is a difference. Whether it is an inequity probably comes down to whether or not you regard the technology being used at the other end—that is, the ship-unloading process—as the best available. If it is the best available, whilst there would be pressure on the unloading facilities to do better, just as there is pressure on us, it would be hard to argue that the difference in the actual days could be used against the loading terminals.

Mr McARTHUR—In your judgment, will the bucket procedure be the normal method of unloading for the foreseeable future?

Mr Brannon—Yes.

Mr McARTHUR—I just think we ought to get a perspective in this inquiry. You are talking about hours here and they are talking about days, or almost weeks.

Mr Brannon—That is correct.

Mr McARTHUR—I would like to get it on the record that the perspective ought to be a bit clearer. Thank you.

Ms HALL—Do you have any thoughts on whether adopting a similar model to the Hunter Valley Coal Chain would improve efficiency and your ability in the Illawarra?

Mr Brannon—My understanding is that the Hunter Valley Coal Chain has been an extremely effective group. The issue that that group had was similar to the one we think we may have in the future. As I understand it—and I should be very careful and say I am not an expert on the coal chains through Newcastle—the issue there was getting the coal to the port. Going back a few years, they had a greater capacity to load vessels than to receive coal, and the coal chain group worked on the increasing the receival capability of the port. My understanding is that it was a very effective group. I would probably support the view—as I support Ms Murphy’s comments—that, as we proceed to a point where we are capacity constrained, a task force looking at freight overall for the Illawarra community, and perhaps with a particular focus on the coal chain, would be a worthwhile exercise.

CHAIR—We thank you for your evidence. We trust that we can get back to you if we need any further information.

Proceedings suspended from 10.39 am to 10.53 am

HONAN, Mr Andrew, Chairman, Government Relations Subcommittee, Railway Technical Society of Australasia

MICHELL, Mr Max, Member, Government Relations Subcommittee, Railway Technical Society of Australasia

CHAIR—Welcome. Before we caution you, I would like to welcome our colleague the member for Throsby, Jennie George. Jennie, you are most welcome. We have been hosted by your colleague Sharon Bird, and we realise that part of the infrastructure that we have been talking about today is in your electorate. We are gratified that you have seen this as important enough to come and share some time with us. So, on behalf of the committee, welcome to the hearing.

Mr Michell and Mr Honan, we will not be requiring you to give evidence on oath, but I have to remind you that these are formal proceedings of the federal parliament. Consequently, they warrant the same respect as proceedings of the House itself. It is customary to remind witnesses that the giving of false or misleading evidence is a serious matter and could be considered a contempt of the parliament. Having said that, you are most welcome. Do you have any comments on the capacity in which you appear?

Mr Michell—I am a self-employed rail operations specialist.

CHAIR—Mr Honan, could you give us a five- to seven-minute opening statement, and then we would like to break into questions.

Mr Honan—Firstly, I would like to thank the committee for allowing us this opportunity to appear in front of it. Australia's infrastructure is not keeping up with its development. The OECD reported in 2004, supported by comments from the Reserve Bank of Australia, that serious bottlenecks are likely to occur and economic growth could be constrained due to inadequate infrastructure. In 1970, seven per cent of GDP was spent on infrastructure. That figure is now 3.6 per cent. Rail infrastructure in particular suffers from poor funding. Engineers Australia's 2005 Infrastructure Report Card reports that rail has an underinvestment of about \$8.06 billion. The RTSA welcomes previous recommendations from *Tracking Australia* for \$2 billion over 10 years from 2001.

Main line rail deviations continue to be of significant importance in reducing transit times, improving asset utilisation, lifting quality of service and generally improving productivity. The call for government to invest in rail track is, in the main part, driven by ongoing government investment in roads. There has been and continues to be a long-term deficit in rail infrastructure funding compared with roads.

The RTSA commends the AusLink initiative as a good start. However, ramping up of advanced planning as well as specific recognition of the marginal nature and vulnerability of regional rail lines—as AusLink does with regional roads—is warranted. This would strengthen AusLink. Although rail is generally recognised in AusLink, regional rail lines operate at a different scale to that of main line interstate operations. As a first step, AusLink should restore

the \$400 million regional strategic transport initiative. We understand that elements such as the Eyre Peninsula narrow-gauge rehabilitation and the Heywood to Mount Gambier gauge standardisation were part of this initiative.

AusLink should also bring together the demand-side elements of the grains logistics chain to coordinate transport services. The RTSA strongly supports aggregation and coordination of grain storage in order to deliver productivity gains in the grains logistics chain. A strengthening of demand for rail services for grain also offers the prospect of increased scope for local passenger services that can reconnect regional centres and communities in new ways.

However, access pricing and maintenance cost recovery between the modes of rail and road have been and continue to be of concern for RTSA, as they are for local councils. Road-pricing structures for classes of heavy vehicles that do not reflect cost recovery create behaviour and mode choice that undermine rail and good transport outcomes. The same choices effectively shift costs from what has hitherto been a state based rail system to a local based road system, the burden of road maintenance falling on local councils. Not only that, but the RTSA believes that these short-run marginal costs for road are much higher than they are for rail. As the task increases, these maintenance costs become even more burdensome. The Industry Commission in 1991 reported evidence of this cost shifting with the closure of the Wilmington-Gladstone line in South Australia.

The RTSA supports wider measures to improve logistics chains' productivity, including multimodal transport and frameworks that allow firm-level efficiencies to flow. For example, we see scope for productivity improvements in rail maintenance regimes, fit-for-purpose infrastructure and rail operations. Road transport has much to offer in flexibility and quality of servicing in aggregating farm production to up-farm silos. Rail transport has particular strengths, with very high capacity line haulage to match emerging grain variety requirements with increasing ship capacity at restricted portside terminals. The grain logistics process needs to play to the economic, environmental and social strengths of each mode for the particular link within the chain.

As seen in Britain and New Zealand, it is not sufficient for governments to privatise rail without understanding the condition of the infrastructure, the nature of the transport competition and the wider impacts on community. Privatising rail lines to maximise the sale price can lead to false economies. It is pleasing to note that both ARTC and RailCorp, as state owned corporations, are relieved of the obligation of producing shareholder dividends whilst undergoing a recapitalisation phase.

It is interesting to compare the viability of regional lines in Western Australia to those in Victoria, South Australia, New South Wales and Tasmania. Clearly, private operations in Tasmania and Victoria struggle to meet industry expectations. South Australia's arrangements can best be described as fledgling, but require further support to take hold.

The situation in Western Australia is interesting in that the WA government, whilst wanting to divest itself of Westrail in the early 1990s, committed funds to track upgrades that reduced maintenance costs and placed the sector on a sound footing. Westrail was able to respond by outsourcing maintenance and delivering firm-level efficiencies, enabling the sale of Westrail as a vertically integrated concern. At the same time, the grains industry, including Westrail, CBH,

AWB and the Western Australian government, were keen to rationalise grain movements, removing uneconomical road and rail transport. The result was a consolidation of storage facilities, with improved features such as high outloading facilities, and some closures of rail lines. Today, there is a capital fund contributed to by all parties, the purpose of which is to streamline the whole logistics chain.

CHAIR—I suppose it is fair to say, from reading your submission, that it ranges a lot more widely than just the immediate problems of the Illawarra and New South Wales lines. You look holistically at the whole transport network. However, seeing as we are in the Illawarra, have you done any work on the Maldon to Dombarton link? If so, do you have any comment on it? Do you have any figures?

Mr Michell—We have not done any work on it, partly because, given that it is voluntary work that we do, it is a question of where do you start. More particularly, it has not really raised its head since it was sort of cut off sometime back in the 1990s. I suspect Philip Laird may know more about it than us, since he lives in the area and probably picks up more of the local advice. However, it does seem to me that there are two things about that. One is that it enables freight from the Sydney area, particularly the western part of Sydney, to get to the Illawarra without interfering with passenger trains on the Illawarra line, which is half of the problem. The other is going over the Blue Mountains and through the western suburbs of Sydney. In the longer term I think that needs to be dealt with as well, at least from somewhere like Penrith or Emu Plains, so that you actually take freight over the Blue Mountains and out of the metropolitan area of Sydney entirely. Quite how you would do it I do not know; I do not know Sydney well enough to know how realistic that is and what sorts of costs would be involved.

CHAIR—You mention the failure of rail in Tasmania and South Australia on the basis that the maintenance was not up to scratch or allowance made for it at the time of handover to private ownership. What is your comment on the other states?

Mr Honan—It is variable. It is an interesting case study, really. If you look at Western Australia, which provided an injection of funds before they sold, or privatised, their operations, you see that it has worked out reasonably well. I am not too sure whether in fact the road pricing will ultimately undermine that, but it has certainly put it on a sounder footing than in the problematic states of Victoria and Tasmania. On New South Wales I think the jury is out. It is still a state based system; it has a common-carrier arrangement with Pacific National. So it is variable across the states. You could look at different models on how this might play out; we would certainly see the movements in Western Australia as being positive. In fact, in some of the short line operations in the US and Canada, they also have positive models to look at.

Mr Michell—My comment on this is more of a stand back view. I have a difficulty with privatisation of rail infrastructure; I am not too concerned about the above rail part. For a start, it is essentially a monopoly. It is a bit like the gas pipelines and water supply pipes and things like that. Essentially, everybody has to be able to get at those if you are going to make the system work at a competitive level. The second thing is that the infrastructure is essentially fairly underutilised on most Australian rail networks, other than in the major mineral areas such as the Hunter Valley, the Queensland coal fields and the major interstate routes, where there is a modicum of through traffic, as well as regional traffic, that uses them. It is very unlikely that there will ever be enough money in the traffic that runs on, say, grain lines in New South Wales

or regional lines in Victoria, to actually pay to keep those up at a reasonable standard. When you consider that the privatised company's first obligation is to the shareholders, you realise it is a double jeopardy situation. There is a book that Philip Laird has at the moment, which I have just finished reading, by a commentator in Britain, about what he regards as the disaster of privatisation in Britain. There are some very interesting comments in that about the privatisation of the rail track in Britain, which, of course, was a financial disaster and is now being untangled by renationalising that part of it. I think there are some lessons in that for us, albeit it would take a lot more than just one day or even half an hour to talk them through.

CHAIR—I was thinking that we might call you back to Canberra some time, if that is possible.

Mr Michell—That is fine.

CHAIR—In the meantime, what is your comment on the ARTC model?

Mr Michell—I should say that I have done some work for them, so maybe I am biased.

CHAIR—You have declared that interest. What is your critical opinion?

Mr Michell—I believe it is a model that is working quite well because its core business is rail track and its core goal, given that it is basically relieved of the obligation of feeding the shareholder with dividends, is to increase the amount of traffic on rail to improve the total financial wellbeing of the system over which they have control. In the Australian idiom it is actually quite a good model. I also feel that, to some extent, it may be an exportable model. In other words, we may have come up with something here which is a bit different to what the Swedes have done, certainly different to what Britain has done, and which seems to be working; and it is working on a lightly trafficked rail network. To that extent we may in fact have some lessons here that we could export. I am not sure we could charge for it, but I think the idea certainly has application elsewhere.

CHAIR—One of the dilemmas we took evidence of in Victoria is that virtually all the train lines in Victoria go out from Melbourne, Geelong or Portland. They spray out like a fan, with each line almost having its own dedicated corridor. How do we maintain a modicum, or the essential ones, of those? Another thing we noticed, which you might like to comment on, was that with the ones crossing the border, especially in the north-west of Victoria going into New South Wales and vice versa and in north-west Victoria going into South Australia, the lines that failed seemed to fail first with the cross-border lines in that corner. Broadly, what model should government be looking at to maintain those grain lines, in addition to the grain lines in western New South Wales and western Queensland? In your view, should that be a national responsibility or should the states have an ARTC model to maintain their lines themselves? What is your feeling about all of that?

Mr Michell—The first comment I would make is that with the regional lines, which are predominantly grain lines in this country, if you have an owner whose sole requirement is being profitable, or at least surviving, you do not capture all the benefits that those lines bring. The comment that Andrew made before about the transfer from state based rail systems to council based road systems when you close a rail line has, I think, a lot of merit in it.

The rail company—whatever it is; whether it be privately or government owned—does not capture all of those benefits. There are a lot of externalities that should come into it. My feeling is that the model needs to recognise that in some way, either by implicit subsidy or, preferably, by the governing authority which best captures that benefit being the financially responsible body for it.

There is a model in New South Wales. In that model the lines that are not part of the lease that ARTC has, but which are outside the electrified area around Sydney where the CityRail-RailCorp thing is dominant, are actually maintained and managed by ARTC on a fee-for-service basis to the New South Wales government. So the New South Wales government is responsible for saying, 'Do this, don't do that,' but the actual work is done by an organisation which has developed quite an efficient way of doing things and is not beholden to anyone in terms of, say, employment levels or anything like that. It is there for efficiency.

I think there is a lot of merit in that for the state based systems. The Tasmanian issue is probably one that lends itself to this. There you have a rail system that is fairly run-down. The state has no expertise in rail whatsoever now—it is 25 or 30 years since it last did. So you really want somebody who knows what they are doing there, but on a fee-for-service basis. And I think there are some elements of that seeming to come out of this current thing, if Pacific National can ever work out what they want to do.

CHAIR—Is the inference of your submission that, in cases like Tasmania—and you talk about the Eyre Peninsula, and Heywood to Mount Gambier—the Commonwealth should seed-fund those projects?

Mr Michell—I think the Commonwealth should have a role in contributing something. I would not like to suggest how much, and it certainly should not be the lot because these lines do have a regional connotation where the benefits are regional—regional to a state, regional to an area—but still within the state domain. So I think there may be some sort of—

CHAIR—To bring them up to a certain level first, before this other thing will cut in?

Mr Michell—That is probably the way I would see it. The Commonwealth would take on the role—which is not one that is inherently, I think, a federal responsibility; in fact I would say it is almost certainly not—of bringing these rail lines, where they are justified, back to a civilised standard that can be kept in perpetuity. The state would then take on the responsibility of picking up the externalities and regional benefits, paying for the railway that way.

Mr Honan—I think that we would also like to see a stronger community focus or stronger demand side on the rail lines. We believe that the initiatives taken by the Australian Wheat Board and GrainCorp in having the export logistics task force, as I think it is called, have a lot of merit. I think we need to get closer to the customers and provide that service. Where you have a body that manages rail track for the sake of running trains, that body has to be more closely linked in with the customer. So we would like to see a tighter alignment of the track owner and the fit-for-purpose infrastructure, the maintenance regimes—all those things required for the infrastructure in order that the rail services are provided for the customer.

CHAIR—When we were in the green triangle at Portland, and we were talking about the cross-border line to Penola to take minerals and timber and so on, this Heywood to Mount Gambier thing did not come up. Admittedly, we were a bit further east than might otherwise have been the case, and we will be going to South Australia, but what is your comment on this Heywood to Mount Gambier thing? To single that one out, what is its intrinsic value?

Mr Michell—I have quite strong views on this. I know the area reasonably well, having travelled through it when the railway was open and having been in the area a few times since as I lived in Adelaide until a year ago. My feeling is that, if you ignore state boundaries—and in that area they are almost an accident; it is not like the Murray River, for instance—there is a fairly fertile area in the south-eastern corner of South Australia, and in south-west Victoria, for that matter. The only port between Adelaide and Geelong of any worth, in effect, is in that area. It seems to me that to some extent there is a natural alliance between all of those things, but because of the state boundary—

CHAIR—Are you talking about Portland?

Mr Michell—Yes. Because of the state boundary, there has been this ‘not in my backyard’ approach, where South Australia was very much more interested in feeding Mount Gambier traffic to Port Adelaide, even though it was over a very difficult railway through the Mount Lofty Ranges and so on. Equally, for Pinnaroo, Victoria was much more interested in feeding traffic to Geelong than letting it go to Port Adelaide. This is part of the broader problem of what I would loosely describe as the ‘parish-pump effect’, where the governance authority wants to keep it all in its backyard.

My feeling is that that area, particularly given the extent of the blue gum plantations for chipping, is actually going to generate very substantial volumes of traffic into the port. Woodchip is a high-cubic commodity—it is not a tonnage thing—which is very easily handled on rail, providing the railway can be revived. That is a big ‘if’, because it has been out of use for 10 or 12 years now and I would suggest that it is deteriorating quite rapidly. But the substance of all of that railway is quite good. It is not like it is a little tin-pot branch line that needs re-railing and all the rest; the rail itself is okay and, in the main, the bridges are okay. It is more a matter of sleepers, foundations and so on.

Mr McARTHUR—Are you talking about the Wolseley line?

Mr Michell—Yes.

CHAIR—On that point, I might pass to Mr McArthur because he knows the area.

Mr Michell—I thought he might!

Mr McARTHUR—I was going to raise the issue of the funding of the ARTC, which does relate to this. Mr Honan said that the ARTC should get close to the customer. In view of the Thatcherite disaster around rail infrastructure, how does the ARTC attract funding in the political context? Given that road funding generates enormous political pressure at the local level whereas some of the important rail lines have difficulty in attracting \$200 million or \$300

million, how do you think the ARTC could develop a better profile and a public argument to support good infrastructure capital funding?

Mr Michell—I have a view that it is a bit ‘beginning and end’ and you do not look at the middle too much. In other words, if the ARTC can take control of bits of railway—and those bits of railway not only turn up in an improved condition for their required standard but the traffic over them is increasing, particularly if it is increasing at a faster rate than the underlying growth in freight traffic—then I think you can say that what they are doing is successful. And because it is successful, it is more likely to attract funding from whatever source than something where you say, ‘They’ve just spent \$1 billion, but I can’t actually find anything that has changed.’

Mr McARTHUR—Can you give us some examples of that?

Mr Michell—I think the east-west is probably the best example, where, at the end of AN’s tenure, the railway was in very good shape—and that is one reason why AN were out of business financially—but the traffic over that route had dropped to something of the order of 65 per cent market share from about 75 per cent in the late eighties. ARTC got on the scene and the first thing they did was deal with how to maintain track in some fundamental categories, and I am sure they presented the five basics of track maintenance, which I think are: rail, sleepers, ballast, foundation and drainage. They also then worked very hard to get more traffic on that route by providing efficient crossing loops—that was a fairly simple thing to do, but nevertheless they did it—and by encouraging use of the corridor. In the figures that the ARTC have now, the land transport market share is just over 80 per cent, which is a pretty remarkable result, I think, for rail on a continental haul like that. For instance, the Americans get nothing of that sort, although they do not have much traffic from one side of their country to the other; there is much more interior development there.

On the north-south corridor, with no ARTC involvement until very recently, the market share is probably averaging about 15 per cent between Brisbane, Sydney and Melbourne, albeit it is a little higher on the Melbourne-Brisbane and Sydney-Brisbane corridors than it is on the Sydney-Melbourne corridor. I think the result that would be appealing for future investment would be for that share to go up over time with the current tranche of investment. I think there are very few other ways you can judge it.

One other way is politically. You know politics better than I do, but I would think that an organisation that concentrates on what it is doing and does it well is going to be much more appealing for funding than an organisation that seems to be lost and not know where it is going. I think that was very much the impression the state rail systems gave, however well they were really performing. There is also the fact that proper quantification on a broad base basis is now able to be done because ARTC do not have state or parochial boundaries to deal with, and that is always an issue. The further you stand back from something, the better your justification, I think.

Mr McARTHUR—Do you have a couple of other examples, apart from the east-west example, of ARTC doing a good job that you would like to report to us?

Mr Michell—It is one that I had quite a bit to do with. For instance, within a year of taking the lease in New South Wales they developed a comprehensive strategy for the Hunter Valley. As you are probably aware, the forecasts for coal traffic growth in that area are quite phenomenal.

They are talking of figures within, I think, about eight years of up to 150 million tonnes as against the current 90-odd million. The railway and the work that ARTC did in pulling together a strategic plan that looked at the whole Hunter Valley, right through to Narrabri and up to Ulan, which is the extent of the coal fields, are a key part of that. They came up with a comprehensive and scheduled set of proposals that will enhance capacity as the demand grows.

In fact, the way it is set up, you can enhance your capacity as the demand grows. In other words, if the coal business slows down, as it may well do—it will not stop, but it certainly can slow down from its current extremely bullish situation—you can slow down this program or you can take advantage, of course, of the breathing space and get ahead anyway, which would be my preference. They have developed a comprehensive plan, and it was interesting for me to hear the coal people say: ‘We’ve never previously seen a plan that dealt with the whole valley. They always dealt with Muswellbrook, Drayton or some other place but did not fit it into a comprehensive framework.’

Mr McARTHUR—In terms of replacing the rail, the ballast and the sleepers in an organised fashion?

Mr Michell—That is certainly part of it, but that is underlying it. It is more to do with the capital works involved. For instance, the current services are limited to a headway between coal trains of about 15 minutes because of the signalling in two places. When we looked at it we found that by speeding up the coal trains on the approach to the two places, because they are on grades, and by changing the signalling on the grades, you can reduce the headway to 10 minutes. Think about 85 or 90 million tonnes at a 15-minute headway. If you take a third out of that, which means you add a third on to your capacity, all of a sudden it goes up to about 120 or 130 million tonnes by virtually doing nothing. It is not quite doing nothing, because there are all sorts of safety cases and things tied up with it, but it is small money. It is probably \$5 or \$10 million and you have that much capacity increase.

But then you find the junctions from the various coal mines start to become a problem because with that frequency of coal trains—in both directions, of course, because you have to have the empties going back—they start interfering with each other at the junctions. So then you have to do something with the junctions to maintain this capacity you have now created. It was that sort of logic that went right through the Hunter Valley. There is a bit of duplication—there are crossing loops beyond Muswellbrook, signalling improvements, bidirectional signalling so the maintenance people can get on one track while the trains continue to run on the other and all these sorts of things. It was a very comprehensive but in my view very good planning exercise because it took a global view, a big view, and dealt with the whole coal industry in that area.

Mr Honan—I would like to make a quick comment about the ARTC taking over from the New South Wales government on the branch lines. I think that, if you look at ARTC, I am not altogether sure whether they want to take over the branch lines from the New South Wales state government.

CHAIR—That prompted my question: is there need for a separate body?

Mr Honan—I think so. I think they are a different scale. If you look at the branch lines, they are very marginal. The Rail Technical Society has a strong view. We believe in a rail-wheel

interface, which means that, basically, at a very local level, from a technical engineering point of view, rail and wheel will operate as one system. You get efficiencies at a firm level if you have an integrated approach. We certainly agree with and support open access regimes, where there is evidence that those open access regimes work. But, if you look at the branch lines, they are very marginal. If you look at how DOTARS works or how the funding for roads works, they have a regional roads program and then they have other different programs. I think what we would support is looking at them in a different light. They do need infrastructure upgrading. We do need to look at the market demand for all services in these areas and work with the grain handlers, but I think that the upshot of it is that you do need a different approach to it all.

CHAIR—One of your recommendations is the re-establishment of a regional rail fund—is that correct?

Mr Honan—Correct—certainly to facilitate the initiatives from the Australian Wheat Board and GrainCorp in terms of working together to find optimal solutions to transport services, just as the Hunter Valley Coal Chain Logistics Team does and in fact as the WA model does as well. So we see a stronger focus on the customer and on providing services for the customer, not for the sake of just rail services.

Dr JENSEN—Thank you very much for your evidence. Something that has struck me through this inquiry has been the issue of costing of road transport versus rail transport. For instance, the railways state that roads are not actually paying fair dollar for their damage to the roads and the cost of infrastructure and so on. The Trucking Association, on the other hand, say that they pay more than fair dollar. I guess from my view we need to take a hard assessment of which lines are potentially profitable with real costing. The question is: how do we cost it in a realistic market sense? If we do not, we are going to have the same sort of inquiry in 20 years time and we are not going to have sorted anything out.

Mr Honan—I think that is really a fundamental issue. The cross-subsidies within the heavy vehicle classes are a problem. We believe that the short-run marginal costs for rail are a lot less than they are for road. If we had a capital injection on infrastructure that brought the infrastructure up on the branch lines then we could compete on a sounder footing in those areas. We are not denying the quality of service for road in certain particular areas. We just think that there is a fundamental imbalance or bias towards the roads sector. In terms of funding, we would advocate distance charging on heavy vehicles. We have made a number of submissions on that part. The issue with rail is that we have to pay our access charges, pay the cost of capital, pay the return on capital and pay the short-run marginal costs. When you look at the trucking or road industry, it is just an apportionment of diesel fuel excise that comes back into road funding. So there is an inequity in the whole regime.

Mr Michell—I think there is another issue too. With rail you have to have the rail track before you can run a train, quite obviously. Even if there is a bit of rail missing you are in serious trouble. If a rail line closes and there is a series of regional roads that are mostly unsealed, you can still run trucks on them, but they will not last very long in that form. The actual ability to run a truck is to a large extent not dictated by the current condition of roads, but the condition of roads is dictated by the trucks. With rail it is the other way around. Until you have the track, you cannot run the trains, and the running of the trains is dictated by the track that you have. There is a bit of a catch-22 there.

Recently Australia's best truck driver—I think that is how he was labelled—took people with him on his truck. Somewhere or other the comment was made that it was a lovely journey on the highway but the shoulders were much too narrow for trucks to pass. I ask you: if trucks keep going up there and the shoulders are widened, whose responsibility is that? It is very much to do with this incremental improvement thing. The Hume Highway does not have a foot of concrete under it for the cars that we drive. It is for the trucks that weigh eight tonnes per axle. So there is a real problem. I think the actual problem is associated with the fact that road users overall, including the eight or 12 million cars in Australia, pay for the road costs in whatever way they are assessed, but the allocation is wrong. It is the light end of the market, the private cars and small trucks, that are cross-subsidising the relatively few very heavy trucks that are the major cost factor in most highway construction and maintenance. That is the sum we have to get right. The equitable distribution in modes has to be done because in the end you could label it loosely as being in the national interest. Somewhere or other we are losing money at the moment or people are paying more than they should because there is this inequity.

Dr JENSEN—That is why I asked the question. I think we need a realistic costing of both, because if you have a de facto subsidy in either way you are unfairly penalising the more efficient industry.

Mr Michell—And you are distorting the market, which is what is really happening now. It will not be easy to do, of course, because the people who run trucks are numerically fairly strong and have a pretty polarised view about trucking, not surprisingly.

Mr Honan—I think there is plenty of evidence with research to quantify the actual costs. I do not think that is the issue; I think it is just an enforcement or pricing regime that reflects the costs of the use.

CHAIR—That was very interesting evidence. Thank you for that. I would like to compliment your association on the interest it takes in these matters, albeit you are voluntary people. We trust that we can come back to you. In fact, I think there might be a case to get you and Professor Laird together later on to get your views and an overview of some of the evidence we receive as well as to test it on you.

[11.33 am]

LAIRD, Dr Philip Glencoe, Private capacity

CHAIR—Welcome. Do you wish to make any additional comments at this stage?

Dr Laird—Yes. Although I am appearing in a private capacity, I wish to acknowledge that I have drawn on the resources of the University of Wollongong and the Rail Cooperative Research Centre.

CHAIR—Thank you. The committee will not be asking you to give evidence on oath but I do advise you that these hearings are formal proceedings of the parliament and consequently they warrant the same respect as proceedings of the House itself. The giving of false and misleading evidence is a serious matter and can be considered a contempt of the parliament. Having said that, you are most welcome. You have been a great contributor to this committee over the years and we welcome your evidence. Would you like to give us a short overview so that we can maximise the time of discussion.

Dr Laird—Thank you. I welcome you and the other members of the committee—including the local member—to Wollongong. Your taking the trouble to come to this part of the world is much appreciated. Many changes in Australia's railways have taken place since 1998, with the committee's definitive report *Tracking Australia*. Many of these changes were for the better, but there were some unintended consequences along the line. That included a running down of the condition of the lower density lines in at least four states. A further consequence was a slowdown in the momentum of gauge standardisation, particularly in Victoria and South Australia. There has also been undue delay in upgrading main-line interstate track, and here the ARTC's current scope of work is very welcome. Over the next four years, they will invest over \$1 billion, but there will not be one kilometre of track straightening in this program of works—hopefully in the next one—and it is in total about half of what the committee recommended in 1998, that being \$2.75 billion by 2011.

As I said, at this stage we have five constraints on either private investment or public investment in railways. The first one is state and ports—the state based regulators are putting undue limits or constraints on the rate of return from capital invested. The second one is the access undertakings for the interstate track access, which do not or are not able to generate enough income for major upgrades to upgrade the track to get the true efficiencies, which I will refer to when I talk about the US class 1 railroads in a minute. The third constraint is that private investment is hindered by low-cost recovery from trucks operating on public roads. The fourth one is limited public investment, and the fifth one is the undue delay by certain state governments—it hits Queensland as well as here—in land acquisition and environmental impact assessment for main-line upgrades. I refer the committee to Caboolture-Landsborough, where a group of pineapple farmers have virtually held half a million people living north of there to putting up with the most congested single-track section of railway in Australia.

One exception to the delays in acquiring land is right here. We already have the land to complete the Maldon-Dombarton rail link, and we have done the environmental impact

assessment along with a lot of other work in the 1980s. It could tie in with a new Menangle-Mittagong route that was canvassed briefly in the ARTC track audit of 2001. I would like to tender a sketch map.

CHAIR—Would someone like to move that we take in the map as an exhibit?

Ms HALL—I so move.

CHAIR—There being no objections, it is so ordered.

Dr Laird—The case for and against completion of this railway at this stage was covered very fairly in the June 2005 report on port infrastructure in New South Wales by the New South Wales Legislative Council Standing Committee on State Development. Unfortunately, though, the New South Wales government in its December response did not take a positive view of completing the railway, but I believe now that five factors are relevant. Firstly, there is the growing rail congestion in the Sydney metropolitan area. Nine-hour curfews adversely impact on the efficiency of the operation. Secondly, there is the planned expansion of Port Kembla. Thirdly, there is the fact that that rail line is half completed already. It does not take that much in the scheme of things to finish it. The fourth point, which I think the New South Wales government overlooked, is the slight but non-zero risk of potential failure of the Waterfall-Thirroul line. Keeping that going is a real geotechnical challenge to the engineers, and to a lesser extent there is a similar risk on the Moss Vale-Dombarton section.

But it is not only the Maldon-Dombarton line on which the New South Wales government takes a negative view. We also have a proposal for a Melbourne-Parkes-Brisbane inland route. The New South Wales government last April said, 'We're just not interested.' That attitude had not changed by the AusRAIL Plus conference last November. You would think that if New South Wales did not want the inland route it would be out there making a case for the improvement of the existing coastal route, including a new high-speed passenger line—a not very fast but moderately fast Hornsby-Gosford line—to free up the very congested short north line for freight trains. But we do not even seem to be getting that from the New South Wales government.

Turning to other states, we have been through the exercise of rail privatisation and so has New Zealand. In their considered view, even with mass distance charging for heavy trucks, which gave the private rail freight operator half a chance, they had to take the track back and invest about \$200 million to make it viable. That model of the New Zealand Railways Corporation owning the track—and in fact it is run by a man called David George, who used to work for Queensland Rail—I commend to the committee. I have mentioned that we are a long way from Canadian and United States' class 1 railway standards. There they have working up to 286,000-pound wagons moving at 60 miles an hour. That is, 32-tonne axle loads moving at 100 kilometres per hour. I have been there; I have seen them. If any members of the committee get a chance to go over and see real railroading by private companies with vision making a go of it—be they big class 1 operators like Canadian Pacific or Canadian National or the short line operators—then take it. But what do we have here? Despite the best efforts of ARTC, we have 23-tonne axle loads limited to 80 kilometres an hour or 21 tonnes limited to 115 kilometres an hour. In short, there are significant speed-weight restrictions on our main lines, except in the Pilbara and Hunter Valley.

In summary, because our rail freight is not as efficient as it could or should be, we have to over-rely on road transport. I will give to the committee one view. The Bureau of Transport Economics in 1988 came up with an estimated hidden subsidy to road freight operations of \$1.3 billion. I still think it is about that amount per year. Add other externalities. For road crashes add about \$700 million a year for the involvement of articulated trucks—not for being the cause of but involvement—in road accidents. Add \$600 million a year in environmental costs and you have \$2.5 billion a year in external costs. Sure, rail has external costs. I would estimate that, including the iron ore, at most it is \$50 million a year for the cost of rail freight accidents, and at most \$260 million in environmental costs, including greenhouse at \$25 a tonne, as I did for road. We owe it to ourselves to improve the situation of a still-fragmented rail system rendered inefficient by underinvestment. The end of cheap oil and rail's superior energy and fuel efficiency, I submit, is an incentive to act quickly.

CHAIR—Thank you, Professor. As always, you have been very succinct. As we are in the Illawarra I would like to start with this area first. Could you explain to us the significance of the Maldon to Dombarton line, which is to run with the southern line around Wilton and then down to Dombarton. And what is the significance of the Menangle to Mittagong deviation? Could you give us the flavour of the likely cost, what the advantages are and what other impacts it might have.

Dr Laird—Firstly, on the Maldon to Dombarton estimate of cost completion, I would need to defer to others. At a 1993 commission of inquiry by the New South Wales government it was in the order of \$100 million. If you wanted electric locomotives and AC traction it would be more. I do not know today's costs.

The benefits: we can do without it for existing traffic but if we want to grow the port we really have to improve the road and rail infrastructure to the port. You have very severe constraints on the road going into Sydney and every, say, 100 car carriers we put on it will impact mostly around Sutherland. Some of them will go out to Western Sydney on the delightful Appin to Campbelltown two-lane road. The benefits relate to not only coal but also other freight—getting it off a very congested and increasingly congested Sutherland to Hurstville line, which is only two tracks and you have commuters feeding in from Cronulla into Sutherland. Eventually you will have to start triplicating some of that: initially Hurstville to Mortdale and then up to Sutherland.

It makes a lot of sense to get it out of Sydney. With the Granville flyover that was built in the 1990s and opened about nine years ago you can now bring coal trains from Lithgow. You do not have to bring them past Lidcombe or Tempe; you can actually turn them around west of Parramatta and put them on the main south line, which will be augmented under the ARTC program of work for the South Sydney freight project. In a way it would tie in with that.

CHAIR—What about the upgrading of the Mittagong to the Menangle line?

Dr Laird—This was canvassed by the ARTC track audit and I think they took a stab in the dark.

CHAIR—What is your comment?

Dr Laird—I think we should be looking at it. It is long overdue in my book. Thirty years ago the Department of Main Roads was building the current section of the Campbelltown to Mittagong Hume Highway. The railways looked at putting a line on the side of that new freeway under construction then but they did not proceed with it. The late Bill Wentworth in 1991 fronted up to the Industry Commission's inquiry into rail reform and said that we should be looking at this. Fifteen years later we should be looking at it again.

CHAIR—You are still not quite answering the question. I want to find out what it does. Does it improve the Sydney to Melbourne efficiency? I want to know why you have picked that piece of track in particular.

Dr Laird—Firstly, it ties in with Maldon to Dombarton. You would only have to do Dombarton to Wilton. Secondly, it would cut off from memory—Max Michell can correct me if I am wrong—at least 20 minutes for the freight trains going between Menangle and Mittagong. Thirdly, it would provide a much better access for rail commuters from the Southern Highlands into Sydney. There would be significant savings in transit time, fuel and a little in the brake work for the freight trains and there would be vastly reduced rail maintenance. It would knock off well over 23 kilometres of circuitous track that completes many circles one way and the other. It stands with two other major deviations on the main south line but this one ties in very neatly with Maldon to Dombarton and indeed they could share a kilometre of track together in the Wilton area.

Ms HALL—Thank you very much for your presentation. Could you tell me what you perceive to be the economic costs to the Illawarra of investing in road over rail transport to service this area and the economic advantages in investing in rail over road in servicing the port. I know you were here for our earlier submissions. I refer to servicing the port and other areas in the Illawarra.

Dr Laird—Thank you for the question. Looking to the future, I would have to take it on notice. Looking in the past 30 years, this town paid a very high price for overreliance on road haulage of coal. One of the costs was no fewer than 27 lives lost in nine years in accidents reportedly involving coal trucks.

Ms HALL—Which nine years?

Dr Laird—From the late seventies to the mid-eighties. That included the two horrendous Mount Ousley accidents of May 1979 which claimed six lives. There is the noise and the impact. Thirty years ago we used to have coal trucks coming down Corrimal Street and some going back Keira Street. That retarded the growth of this town's central business district for decades. In fact it is still stunted now for an area of this size. To fix the problem it took well over \$250 million of investment in roads. That included a northern distributor going out, the augmentation of the Mount Ousley Road, the trunk road to Picton and the road from Bulli past to Appin. It was probably more like more than \$300 million. As mentioned by the previous speakers, it is much better now than it used to be. One of the reasons it is much better is that it is only 3½ million tonnes instead of the six million tonnes, or worse, that we used to have. We do not want to go back to those days, thanks. To have completed the Maldon-Dombarton line, I would have to stab at a guess of the cost. The original cost estimate was much less than the \$300 million we spent on augmenting roads used by coal trucks, motorists and other trucks. On the other hand, many of

the motorists would probably have preferred the better roads. So there are other beneficiaries as well.

Dr JENSEN—Thank you, Dr Laird, for a very interesting submission. I would like to get to the issue of costs. I notice that you have externality measures of costings of road versus rail in cents per net tonne kilometre. There are two things here. One: I would really like to see a full costing, including internalised costs, because this would give a better idea of the relative benefits of road and rail. I guess part of the problem is issues such as not having direct access to port handling facilities with rail—you actually have to unload it and put it onto road. That is another cost that needs to be considered in certain instances. So I know it is not an easy answer. The other one is: on the externality measures, how do you come up with costings for things like noise pollution?

Dr Laird—Taking the second question first, the noise is an area where more research by the Bureau of Transport and Regional Economics is warranted. Basically that goes back to a circa 1980 Californian study which was picked up by the interstate commission during the 1980s. It was recycled, as it were, by the BTE in the 1990s and picked up again by the ARTC Track audit consultants Booz Allen Hamilton. By way of contrast, the estimates for air pollution are fresh out from the bureau's 2005 study.

Dr JENSEN—I can understand how you would measure air pollution in terms of additional health costs—the fact that people have to go to hospital with respiratory and other problems. How do you do it for noise pollution? What methodology was used?

Dr Laird—I could not answer that.

Dr JENSEN—I have to say that, with those ones, I am sceptical, to say the least. I appreciate that it is not your study; it was a study that was done elsewhere.

Dr Laird—It is 25 years old now.

Dr JENSEN—Moving to the issue of a complete costing of road versus rail, I think this is a critical issue that needs to be addressed. How do we do that? Do you have any figures on complete costings? As I said, I acknowledge that there are confounding factors. Could you take that on notice?

Dr Laird—Yes. I can say that Pacific National tried to grapple with the numbers for the east coast and published them in the February 2005 report called *The future for freight*. At the end of the day, they were, as am I, reliant on the estimates of others for unit costs, like noise. Can I just add on the issue of noise that when the road safety improved with the coal trucks—which was a real blessing—the noise became a concern. As road safety improved, noise came to the forefront as the local issue, as I recall it, in the 1990s. That was in part mitigated by noise barriers, but only in part.

Ms BIRD—I want to focus locally and explore with you a concept that is coming up consistently. One of the challenges the committee is facing is that within capital metropolitan areas there are now much more mobile populations. There has been a massive increase in commuter movement, and not always in predictable patterns because of the workplace changing

and people working a whole range of different hours. It seems to me from some of the city based evidence that the increasing rate of road usage by commuters is a pressure that is perhaps creating an opportunity for rail to get back into the primary role of freight movement.

What is significant about the link that you refer to is its ability to feed into the relief of the Sydney situation as well—particularly the movement of cars to Port Kembla, which you mention in your report. Could you give us a bit of a picture of how that complements the Sydney situation in providing some relief, particularly out to areas of south-western Sydney such as Liverpool, with its big holding yards and things like that.

Dr Laird—There is no doubt that there is a lot more mobility in Sydney. Very roughly, I think the population went up 10 per cent, the number of houses went up 15 per cent, the number of cars went up 20 per cent, but the kilometres that people drove went up 25 per cent. That has put a lot of pressure on roads and increased road congestion. It has been matched to a lesser extent by a significant increase in rail congestion. In a way we started with Port Kembla. If we go back 30 years, we had a coal loader and a wheat terminal—one at Balmain and one at Rozelle. They have effectively been shifted down here. We have only done half the thing—we are still basically relying on the existing rail infrastructure and a road upgrade. More is needed, particularly if this port is going to reach its full potential.

I would draw your attention to the Mount Manganui port in Tauranga, New Zealand. In the late seventies a new railway line was built with an eight-kilometre tunnel. It made a promising port really shine. To make a port work you have to have a hinterland and good access to it. I think the two go together like a hand in a glove. To make a port really work well, you have to have good rail access to it.

Mr McARTHUR—Could you give us a simple political argument that the locals would accept about why you should construct the Maldon-Dombarton line for \$200 million?

Dr Laird—We need improved rail access to Sydney and beyond from Wollongong. If the state government is not going to construct, as it promised in 1998 to have completed by 2010, an upgraded Waterfall-Thirroul route because it is now discovered to be too hard and too costly just like the Berowra-Warnervale upgrade, then I think they owe us another look at Maldon-Dombarton. I think the state government should at least make a credible case to the federal government for seed AusLink funding to get the thing rolling.

Mr McARTHUR—You have not given me the local politics of it. What I am hearing is that you want to bring the coal and freight down this new line because there is major congestion on the Sydney-Wollongong thoroughfare.

Dr Laird—There is growing congestion on the Illawarra line from Hurstville to Sutherland. Secondly, there is a line which is a challenge to keep going from Waterfall to Thirroul.

Mr McARTHUR—You are not convincing me as an outsider in very simple terms why any government should spend \$200 million.

Dr Laird—I do not think it would cost \$200 million to build.

Mr McARTHUR—What I am hearing and what I have read is that the congestion of the road and rail commuter network north-south, from Sydney to here, is such that you need another line to bring in the freight traffic, and that line is the Maldon-Dombarton. That is what I am hearing; I may be wrong.

Ms BIRD—And to take out the cars.

Dr Laird—And also the steel. Two steel trains leave Port Kembla each day—one goes to Perth and one goes to Brisbane. They are taken up to Sydney. The grades going up on the Moss Vale-Unanderra line are too steep. It would be much better if they could be taken up through Unanderra to Wilton and then turn south there rather than having to go through Sydney. Another small thing is that, if this line does give out—particularly the Waterfall-Thirroul section—it would be nice to know that we had another rail outlet to the area. It is a bit like when we have bushfires: we have limited road access out of the area, but at least we have more than one.

The other thing that I think could and should be looked at is securing a corridor from St Marys to Glenlee. This was raised in the late eighties or early nineties, and I would be happy to write a supplementary submission on that. This is a cut-off from near Campbelltown to near Penrith. The least we could be doing with these is protecting the corridors for future use. I am not saying we have to build it now, but we could at least have another look.

If we need the environmental impact assessment from the eighties redone then let us get it done now so that, if the demand does pick up, we are in a position to complete the link quickly. And if the demand really keeps on going and we do need St Marys-Glenlee, then at least we have a rail corridor there rather than having it built. In the same way, let us reserve this Menangle-Mittagong rail corridor now—and between Breadalbane and Yass, Bowning and North Cootamundra, and other sites like Hexham to Stroud Road and the North Coast line. Let us preserve the corridors now, rather than run up against the situation that the Queensland government has, where the Queensland state minister Paul Lucas wants to straighten and duplicate track from Caboolture to Landsborough, but getting hold of that land becomes more and more difficult every year.

Let us not close off future options. The last we have seen of oil at \$60 a barrel was this year. It keeps on going up and up—\$100 and \$200 a barrel. At least we can have the corridors preserved now so that we can fall back on a method of land transport that is three times more efficient than heavy trucks and that has the opportunity for electrification, so we can use our own coal to move the goods. There is an urgency about it that was not there, say, two years ago.

ACTING CHAIR (Mr Gibbons)—On that note, I thank Dr Laird for his contribution and thank witnesses for all the other contributions that we have had this morning.

Proceedings suspended from 12.07 pm to 12.46 pm

PULLEN, Mr Gregory John, Economic Development Manager, Southern Councils Group

RUSSELL, Mr Barry, Chairman, PHocus Campaign Working Group, Southern Councils Group

SCARLETT, Mrs Lesley Helen, Executive Officer, Southern Councils Group

CHAIR—Welcome. Which councils are you speaking for?

Mrs Scarlett—Southern Councils Group represents the councils of Wollongong, Shellharbour, Kiama, Shoalhaven, Eurobodalla, Bega Valley and Wingecarribee.

CHAIR—We will not ask you to give evidence on oath. But I remind you that these are proceedings of the federal parliament, which warrant the same respect as proceedings of the House itself. It is customary to remind witnesses that the giving of false or misleading evidence is a serious matter and could be considered a contempt of the parliament. Having said that, you are most welcome. Ms Scarlett, would you like to give us a five- to seven-minute overview of your submission?

Mrs Scarlett—Certainly. First of all, Southern Councils Group, as I said, represents seven councils from Wollongong to the Victorian border. I am the group's executive officer and have been for a considerable number of years now—too many to count. I am a well brought up public servant. My father was a senior public servant, I am a public servant and my daughter is a public servant. I have a very strong sense of the rights and responsibilities of the three levels of government. I have worked for state, federal and local government both here and overseas. Barry Russell chairs and Greg Pullen is a member of PHocus, which is an affiliation of other organisations that Southern Councils Group convened when they saw there were some pressing transport needs on the Princess Highway.

Southern Councils Group has a very long history of involvement of working together. It was formerly the Illawarra Region of Councils, and we are celebrating our 30th year of cooperation amongst councils in this region. In that capacity, most recently working with PHocus but in other capacities, Southern Councils Group has been involved in a number of regional transport studies over the years. This goes right back to 1986, when the regional transport study looked at the Caloola Pass options for east-west links out of the region. We have worked with WESROC in our capacity as IROC on the study into the feasibility of the St Mary's-Port Kembla rail link. That report was released in December 1994. We have more recently—

CHAIR—Just for clarification, is that the one we have been talking about today: the Maldon to Dombarton?

Mrs Scarlett—Maldon-Dombarton was proposed and was the uncompleted rail link. The St Marys-Port Kembla study looked at the entire corridor that Maldon-Dombarton falls within. We have recently seen the completion of the Princess Highway economic report. That was released after we made our submission to the committee. It was released in September 2005. That was undertaken through PHocus and our partners in that. I would like to note we also had prepared a

brief as the T team. One of our subcommittees works with the Wollongong, Shell Harbour and Kiama councils. It works with regional state agencies and a number of regional organisations and representatives of the port and various industry groups on transport issues. It prepared a brief to have a freight study undertaken within the region. We were unable to secure separate financial rights to produce that study ourselves, and it was subsequently taken on board by the Department of Planning—at that time the Department of Planning, Infrastructure and Natural Development—via the state government. The study was undertaken and completed in October 2005. Unfortunately, that report is private and confidential to the Department of Planning. So although the Southern Councils Group, through the T team, wrote the brief for the study which was later picked up by the department, we cannot actually table a copy of that report for you.

CHAIR—Not even on a confidential basis?

Mrs Scarlett—I would have to go to the state government and the Department of Planning, which I have not done.

CHAIR—We would like it for colour and background, because there is obviously a big task in this south of Sydney area that needs to be undertaken. If you nominate that it should not be taken into the public record but treated confidentially we could honour that arrangement.

Mrs Scarlett—I would like to check that out with the Department of Planning first, but I would be happy to make those arrangements. Certainly we can talk to some of the information that we supplied to the completion of the report.

CHAIR—If it was under your authorship you could give us identical information in another paper.

Mrs Scarlett—We would happy to give you some of the information we supplied to its development.

Ms HALL—What is the name of the study?

Mrs Scarlett—It is the *Illawarra and South Coast New South Wales freight study: final report for the Department of Planning, October 2005*. It was prepared by Strategic Design and Development, SD&D.

Ms HALL—Will it be released?

Mrs Scarlett—No. I asked the state government recently, and they said all of the background papers to the regional plan preparation would not necessarily be released; it is at the minister's discretion. They would form the basis of the regional plan which is being developed at the moment. The other major partner that Southern Councils Group works with in terms of local government in particular is SEATS. There is a bit of a diagram which shows how they all fit together. We have Southern Councils Group sitting here. The T team is a subcommittee of Southern Councils Group. We work with SEATS, which covers councils both this side of the Victorian border and the Victorian side of the border, and we have worked, as I said, on some of these reports with WSROC, the Western Sydney Regional Organisation of Councils. So local government in this picture probably can display a very long history of working together.

I do not want to speak too much to the network role, the connectivity to ports and the greater efficiencies perspectives of your inquiry, but I do want to touch on the role of the three levels of government. I am going to leave those three other aspects for Barry and Greg, who have more technical knowledge than I do. Our submission talks about the role of the three levels of government, and I am sure the port would too if they were able to be here today. As I said, I have a very well developed sense of whose responsibilities are whose and where finance comes from, from which levels of government et cetera—but our communities do not. Our communities feel that they pay taxes, that the money goes through to governments, that they get outputs at the other end and that they are not quite sure where it all comes from. The things that we are really stressing are the needs for planning, for financing, for construction, and for maintaining and improving the road and rail networks that serve our ports. I think all three levels of government have a good long history of looking at planning, financing and constructing. I am not so sure that we give a long enough lead time to maintaining and improving our networks. Our submission notes that global and community expectations of what our networks should supply are increasing all the time.

CHAIR—I do not want to interrupt your presentation—and I will be provocative—but our observation over the last two days is that, while the networks you are talking about might be in place, there seems to be a huge gap between them and what happens on the ground as a result of liaison with industry, industry with port and port with rail and so on. It seems a bit disjointed; that is our observation. Did you say that within your group Mr Russell chairs a group that has contacts with industry?

Mrs Scarlett—Yes.

Mr Russell—Under PHocus, we are represented within industry.

CHAIR—I would like to comment on that, because this area obviously has a huge potential and I do not use that word in the normal political spin sense. It is a real potential, but it is not coming through. I said to the other witnesses that, in terms of, for example, Mackay, Gladstone, Newcastle, and given all the coalmines that are potentially available on this side and the other side of the escarpment, I would have thought that the Port Kembla-Wollongong area would be further ahead of where it is now. That is not said with any criticism, but there seems to be a disjointed appreciation of the holistic approach to planning.

Mrs Scarlett—I would agree with that. One of the findings that we would most like to see is the preparation of a regional freight transport plan. I would agree with it to the extent that we are all very conscious and aware ourselves within the region of some of the blockages, but we feel that there has been a lack of appreciation by state and federal governments of the significance of those blockages to our own economy and the national, global, interstate and state economies. Some of those problems are to do with regulatory frameworks such as the SEPP 7 restrictions on movements into the port. Some of them are to do with—I am sure the port would say—for example, shipping's preference for visiting fewer ports when they visit Australia. We would say that certainly that is a consideration for those shipping companies. But in terms of the way that imposes on our social and community values and on our environmental problems within Sydney's ports et cetera, perhaps it is something that the regulatory frameworks need to revisit. Perhaps we should not be giving the concession to the overseas shipping companies but giving it

to our own communities and making sure our regulatory framework allows those ships to visit more ports in order to spread the burden of our communities.

CHAIR—Can I take you back to our terms of reference. We have to advise the government on the arterial road and rail links, and obviously the Princes Highway is an arterial road link as are some of the roads in this area. It does not specify they have to be national or state highways but they have to be arterial roads. Obviously, there are some very important rail corridors here as well. We have to tell the government how these arterial road and rail systems are functioning but with particular reference to the connectivity to the ports and how those ports are operating, especially how well they are handling bulk commodities and also whether there is a case for freight hubs. Freight hubs in an inland sense, west of the range were mentioned. However, Newcastle put the proposition that there was a freight hub needed on the coastal plain behind Newcastle, which I imagine we would accept in the spirit of the terms of reference. I ask you to bring your case back into that business.

I suppose we have to sort out the role of government with the state and local authorities, but we would like to hear your views on those road and rail corridors and any impediments to the port and the handling of bulk commodities that you can see. I think there will be avenues like AusLink and other measures whereby the government can inject funds. We need to hear your arguments on that, rather than on the theory of how government might approach it. Is that okay?

Mrs Scarlett—Yes. As I said, I really only wanted to touch on that myself and leave the rest of it to Barry and to Greg to bring forward. We can give you a lot of detailed information that we provided to the development of this freight study.

CHAIR—Good. That would be very helpful.

Mrs Scarlett—It details some very specific reasons why the retention of some of those corridors in the future—though they may not be required right at this instance—and the ability to take pressure off some of the other connections would be valuable. I will hand over to Barry, if that is okay.

Mr Russell—I think you have hit on a very important issue that Southern Councils Group has identified—that there is a large void in freight and transport planning within this region. I just assume that, if it is within this region, it is probably throughout the state and throughout Australia. There seems to be a gap in the understanding of what the region requires to really enable it to develop to its full economic capacity. That is one of the reasons why Southern Councils Group joined with its partners and initially commenced focusing on the Princes Highway. Seeing that there is no rail connection south of Nowra, the Princes Highway, in a north-south direction, is vital infrastructure. Imports and exports, where we are taking product and adding value through our local industries, are relying so much on the Princes Highway.

CHAIR—Are you finding impediments on the Princes Highway?

Mr Russell—Yes, we are. Whilst we went ahead and commissioned this report through NRMA—

CHAIR—I will just ask another question. Are they actually blockages like these curfews we have been hearing about, or are they efficiency problems caused by the highway not being up to scratch?

Mr Russell—We have two aspects there. One is that you have the efficiency problem and the additional cost to industry that the lack of a suitable highway is bringing. The B-doubles, for example, cannot go any further south than Nowra. They cannot progress down the highway to Victoria, ultimately. That is one of the issues which we are advocating for. The B-double transport—

CHAIR—Is there an axle load problem?

Mr Russell—needs to be delivered so you can reduce your cost of freighting product in and manufacturing goods out.

Mr Pullen—You asked whether it was an axle load problem. No, it is physical configuration of an alignment. There are two or three bridges that cannot handle B-double approaches, except if they go to the other side of the road, and in the main street of Bega you cannot turn a B-double in a northerly direction. You can turn it in a southerly direction but not a northerly direction.

Mr Russell—That is one of the key issues. The second key issue is that in a number of locations on the highway there is no alternative route. If there is a motor vehicle accident, we have a history of the highway being closed to transport for 17 or 20 hours at a time by major accidents at, say, Kiama or further south. Just to the north of Shoalhaven, there is a lightweight road which can cater for lighter vehicles, but the principle is that the heavy transports have to sit and wait for the highway to be reopened. Part of this study is to work out the economic impact that those delays, frustrations and costs are having on the local industry within the South Coast region.

What we are doing is saying that we need to have, through this, a series of works carried out on the Princes Highway to overcome these impediments—to have a road network which suits the needs of the community currently for this connectivity type of issue. We are recognising that AusLink has links between Sydney and Port Kembla and then from Sale to Melbourne. We see the need for an expansion of the AusLink program to encapsulate the Princes Highway, taking it further to the south—ultimately to Sale. That is what we are arguing for. Also, because of the road ownership and responsibility debate, we are saying that this problem is so enormous that it is not one for the state government in isolation or the federal government to find a solution to. What we are really saying is that we need to bring governments together. That is what we are advocating. We think that local government has a part to play in this and we need to have a three-tier government solution delivered for the Princes Highway, to build those connectivity issues which we have been talking about.

CHAIR—I cannot remember the detail of your submission, but have you outlined the sectors and the costs associated with those sectors?

Mr Russell—I am sorry; I have to apologise that we have not done that. I think that is one of the enormous frustrations that we have been facing as an organisation, together with our partners. What we have found is that, when we have approached the Roads and Traffic Authority

for advice as to where their 10-year or five-year strategic plan for the upgrading of the Princes Highway is, we are advised that this is what is in the currently funded annual works program.

CHAIR—With great respect, go around them. You have some well-known and well-resourced councils there. There are teams of engineers in just about every local authority that you have mentioned. Why wouldn't you set up an alternative system and put your own costs on them? I think you have to build your own case.

Mr Russell—We have been building our own case, and that is what we are advocating. We are advocating a partnership between the state government and the federal government to work in unison to jointly fund and to cooperate in the development of a strategic plan for the upgrading of the Princes Highway. I can give you an example. We had a call in the Shoalhaven from our local member about 18 months ago: could we give some estimates of costs of upgrading the Princes Highway between, say, Gerringong and Kiama down to the Jervis Bay turn-off, and what is needed? We approached the RTA and said, 'We've got to produce these numbers urgently; can you help us?' We were welcomed with silence. This is what we did as an engineering organisation within Shoalhaven City Council. I allocated the resources and put together a funding program to duplicate the highways between Nowra and the Jervis Bay turn-off. It is about 15 kilometres. We said that the estimated cost was \$32 million—'Here is the series of works needed to generate four lanes of traffic through to the Jervis Bay turn-off by 2010.' Within about 10 days of that submission being handed in, we had advice that there was a \$15 million allocation from the federal government to the upgrading of the Princes Highway. That was announced in about May last year, and we have seen a small start on work in terms of that project. Probably about half a million dollars has been spent.

CHAIR—Is that money going to the strategic problems you talked about, like the main street of Bega and the crook bridges?

Mr Russell—No. There is \$15 million between Nowra and the Jervis Bay turn-off, but also \$5 million for a joint project on the Pambula River bridge further to the south. So, in terms of resolving some of these problems, it is of assistance. Why it could not have been allocated to more strategic areas of the highway was that we appreciated that there is very little forward planning survey design. I remember an engineer from the RTA telling me a number of years ago: 'In the old days, it used to take us five years to build a \$20 million or \$30 million road project. We used to plan for 12 months and build for four years.' What we are doing now is planning for three years and building for two years. So it is still taking the five years to deliver a project. Part of what we advocate is that we need the strategic plan for the Princes Highway, we need to identify where the projects are and we need to have a joint funding arrangement between the state government and the federal government so that we can advance these projects to work through the planning phase now, so that when the cash comes for the actual construction work we can move in immediately and start to deliver the outcome, not start a three-year planning process.

CHAIR—Did you want to say something, Mr Pullen, at this stage?

Mr Pullen—I want to talk about the industry liaison. If you want to specifically talk about that, part of my notes are to do with the actual liaison with industry and industry needs.

CHAIR—Are you familiar with the Hunter Valley Coal Chain?

Mr Pullen—No, I am not familiar with that.

CHAIR—I am not trying to offer gratuitous advice but, on the basis of what we have heard here and what we heard in Newcastle, why not in conjunction with your local federal members see if you cannot trigger that in this area and use your group of southern councils as the catalyst to pull industry together and bring all these players together? All those councils have plenty of muscle between them—a lot of muscle.

Ms HALL—Can I add to what the chair is saying. The Hunter Region Organisation of Councils is involved. John Tate, who is the Mayor of Newcastle, is a member of that coal chain task force.

Ms BIRD—I would like to hear from Greg. Part of getting an argument up for infrastructure is saying: this is the potential economic business. There is no point building the road if it is not going to service anything. So I would like to hear that.

CHAIR—All right. Mr Pullen, give us a bit of an overview.

Mr Pullen—Just a couple of things. Shoalhaven City Council similarly put in a submission to the committee. Something that I raised with your principal research officer before was the access to ports. We did not include airports in that. We have regional industries throughout our region on the South Coast that relate airfreight into Mascot. Whilst mainly we are talking about seaports, I do not want to lose the fact that the road connectivity into places like Sydney and Melbourne is important for some of our agricultural high-value perishable products. I just make that statement.

With regard to the general issue of connectivity to ports: as long as your road network is good, has good connectivity and is efficient for heavy freight, they will use it. As soon as it does not deliver that, they will find another alternative and go somewhere else that is cheaper. One of the issues that we have concentrated on—more so given that the Southern Councils Group is, from an economic development point of view, I suppose, a little bit dispersed from Wollongong, being in the non-Wollongong part—is that the metropolitan areas are not the be-all and end-all. I know numerically they outweigh regional areas for production and so on and so forth. But a lot of the planning in the network does not allow for inter-regional freight. We talk quite extensively to the port corporation. The port corporation here feel that some of the industry that they need to generate more traffic through the port will not be centred north of Wollongong; it will be centred south of Wollongong.

Why would you centre an industry south of Wollongong if you cannot get the connectivity in from the west or from the south by the road networks? We have been critical—especially at my council and at the SEATS organisation, which I sit on as an executive member—of the fact that the transport planning, both at the state and the federal level, is really metropolitan-centric. Inter-regional and intraregional freight is vital for regional economic performance. You will get regional industries: Bega Cheese is a classic example. It is an industry that did not exist but now employs 500 people—and that will rise to about 1,500 people, based on export out of Bega. Where do their raw materials come from? Only from Tasmania and Victoria. They do not come

from Bega. That is why we fought hard for and successfully got some funding from the federal government for the Pambula Bridge—because if that bridge goes out there is an extra eight-hour freight task to get to Bega, and you could not turn your trucks around in 24 hours.

We have been talking and liaising with industry. A lot of those case examples are in the report that Lesley mentioned with regard to the freight study, because we knew the industries that had the problem. Manildra, which is in the news a lot for other things, is a major producer in Nowra. It is one of the biggest private users of the rail network in this state. It brings full trains in on a daily basis from western New South Wales. It would bring bigger trains in, put more produce through the system and then take it back out of Port Kembla if the ships were available in Port Kembla and there were longer passing loops in the system. One of the other restrictions with regard to freight—

CHAIR—Which line are you talking about with the passing loops?

Mr Pullen—There is also the complication—and I am hearing from SEATS' perspective that there is a similar problem in Melbourne—that a triplication of the railway line between Hurstville and Sutherland would allow a dedicated freight line. At the moment the freight has to compete with the passenger slots and the passenger slots have precedence. So if you tripled that, if the bridge across the Georges River which is now decommissioned could be recommissioned, that would increase the amount of freight that could come into this region from western New South Wales.

CHAIR—That bridge was closed because it was unsafe.

Mr Pullen—It was only a single lane bridge and they duplicated it maybe 25 years ago but it is still sitting there. I am not sure that it is unsafe. Similar bridges of the same era go across the Shoalhaven River and still carry the freight.

CHAIR—I just remember some bridge—

Mr Pullen—I do not know that answer. It is the interregional freight that we are concerned about. We in this region are also worried that we need to get connected to the Princes Highway. If we can bring freight in from Melbourne or from other areas like western New South Wales down to our centres, we can value add and we can then assist Port Kembla to grow and prosper. We need to get across to the Hume Highway corridor?

Mr GIBBONS—Mr Pullen has probably partially answered my question, which is to Mrs Scarlett. Were organisations or stakeholders in the region consulted in the preparation of the study that you provided the brief for? For example, were Illawarra Coal, the Port Kembla Coal Terminal and perhaps BHP themselves all asked to provide input to this study?

Mrs Scarlett—Yes.

Mr GIBBONS—Good. It sounds to me like you are a fair way down the track to achieving a similar system to what they have in the Hunter.

Mrs Scarlett—The outcome of that is that we do need a regional transport plan, but there is significant potential not only to improve freight movement within our own region but also to take pressure off the Hume Highway, Sydney and southern Sydney.

Mr GIBBONS—So that study is not a plan in itself?

Mrs Scarlett—It is not.

Mr GIBBONS—It is all of the argument, if you like, for such a plan to be prepared. Would that be a fair assessment?

Mrs Scarlett—Yes. The executive summary of that still recommends that further work be done by the state government.

CHAIR—On the point Mr Gibbons has made, what is the estimate of the cost of this study?

Mrs Scarlett—I could not answer that off the top of my head. I am not sure that it is in the body of the report.

CHAIR—Do either of you know the cost?

Mr Pullen—The cost of the study or the cost of the upgrade on the roads?

CHAIR—The cost of this study that you need, this master plan.

Mr Russell—I would think it is in the vicinity of \$75,000 to \$100,000. That would be my estimate. Do you think that is right, Gregory?

Mr Pullen—Yes. To develop—we have gone to the next stage—all the costings of the projects, identify the projects that needed work done on them and develop those up to approval stage, we believe that there is probably in the order of \$3 million to \$5 million needed.

Mrs Scarlett—And the highway itself.

Mr Russell—To advance the project.

CHAIR—That is the project?

Mr Russell—No, that is to advance the project through the planning phase.

Mrs Scarlett—For the Princes Highway alone. We are talking about two things. This study calls for a regional transport plan. It also calls for an inter-regional plan and a freight plan—and we are working in the absence of a state freight plan. Separately, through the highway study, we are now seeking to have funds set aside to advance the planning and design of the road projects necessary on the Princes Highway. That, conservatively, is \$3 million to \$5 million.

CHAIR—So you want to have them planning ready for when funding becomes available.

Mrs Scarlett—Definitely.

Ms HALL—Are you tabling a copy of that study for the committee's benefit?

Mrs Scarlett—I am happy to table a copy of the Princes Highway economic study, which was released in September 2005.

CHAIR—Would one of my colleagues like to move that we take that study and enter it into the record as an exhibit?

Ms HALL—I so move.

CHAIR—There being no speakers against, it is so ordered.

Mrs Scarlett—The other thing that I will perhaps mention is that, on 23 December 2005, there was a joint media statement released by the federal minister for transport and the New South Wales state minister for transport. It was entitled 'Ministers unite to accelerate Pacific Highway upgrade.' It talks about the agreement of those two levels of government to work together to do the sorts of planning and design of projects that will be necessary. This is what we have been calling for for the Princes Highway. While we have talked a great deal to the federal government, and we have had very cooperative responses from the federal government and we talk a great deal to the state government and we have had cooperative responses from the state government, there seems to be a little missing link. The joint media release on 23 December regarding the Pacific Highway is the missing link that we have been calling for for some time for the Princes Highway.

CHAIR—So you want a similar focus on the Princes Highway?

Mrs Scarlett—At the moment, we cannot even find out where the state government would prefer to have the highway go for the very short stretch between Kiama and the Shoalhaven River. They are looking at several options still, and have been for the lifetime of my work with the Southern Councils Group, which is 15 years, and they still cannot tell us where the highway will actually go, for us to go out and cost us. If I go down to Victoria and work with our colleagues in SEATS on the Victorian side of the border, they can pull off the shelf reports like this which give the design and costings of all the necessary work on the Princes Highway on the Victorian side of the border. We cannot pull a costed, designed, planned report off a shelf and say, 'This is Gerrigong to Berri; this is Pambula bridge bypass; this is Bega valley bypass.' We do not have the designs and constructions. We do not even have the merest idea of where they are planning to go.

CHAIR—As I said to you before, at least get to the stage of pre-feasibility. I think you just have to use the resources within your own council.

Mrs Scarlett—We do.

CHAIR—It is not good fighting with the state government about it; just get on and do it. Get it to a pre-feasibility study stage and tell the state government what you want at Kiama rather than waiting for someone to tell you.

Mr Russell—But I think, with respect, Mr Chairman, by doing that you are really asking local government to jump in and fill the void, which I believe sits at a state government level. I believe the information is pretty much there within the state government. What our issue is is that we need to get access to it on a sharing basis. That is what we have approached them with. We made our approach to the state minister in November. We then followed up with a meeting with the federal minister's office in December, before this press release came out. So that is something that we have been advocating here for some time: we need \$3 million to \$5 million from the federal government so that we can work with the state government to produce this strategic plan—to identify the projects, to identify time frames and to go through the preliminary design and get these projects on the table—so that, when cash becomes available, we can quickly move to construction.

Ms BIRD—Can I just ask a clarifying question? The previous evidence presented to us by the Railway Technical Society of Australasia indicated their disappointment that \$400 million out of AusLink that was the strategic transport projects money did not proceed. Is that the sort of money you are talking about accessing—that sort of program, where regional areas would access strategic planning money?

Mr Russell—Yes, it is. We see that as a potential funding source. There is a strategic component of AusLink. We understand that councils are going to be invited to make their submissions in terms of that within this month. So that is a funding—

Ms BIRD—That is what you are targeting?

Mr Russell—That is one of the target areas. But we have opened the door through the Prime Minister's office to get an advance on that program. We commenced that in September-October last year.

CHAIR—Let me tell you that the councils in my area are not shy about developing their own strategic plans and taking them to the state government.

Mr Russell—We do that ourselves.

CHAIR—The Gladstone City Council in particular—my colleagues rib me about it. The Gladstone City Council do exceptionally well in funding because they seize the initiative themselves. They are not always popular with the state or the federal government, but they go out and do it, and they argue a cogent case. So, with great respect, I think you have to be a bit more proactive with your own resources.

Mr Pullen—I have one extra point on that issue. Put it this way: of the strategic moneys, of the \$100 million in the first allocation, I think there is something like \$35 million coming to this region.

CHAIR—Good.

Mr Pullen—We have been working the corridors!

Ms BIRD—The interesting thing for me from what you are saying is that we have obviously had a very heavy focus yesterday and this morning on what is really linking the metropolitan part of our region—that is, Wollongong and Port Kembla—to the south-west, to Sydney, and the missing piece is what happens as we go south. So I really appreciate that. If you have a pictorial representation, could I encourage you to table it for the committee, because many of us are travelling outside our areas and it is very good, quite often, to have a map to see what you are talking about.

Mrs Scarlett—You may have already received this map in evidence—that is, the information regarding the port into south-western Sydney and Sydney—

Ms BIRD—Yes.

Mrs Scarlett—but I think that is a very valuable map that the committee should have on hand if you have not already had that tabled.

Ms BIRD—We do not have it with us.

Mrs Scarlett—I think that is a very important map. That is available on Port Kembla's own website. This map is also available on their website. It is a publicly available map which shows the very significant importance of Port Kembla—you can see by the size of the letters! It gives a better picture of the hinterland and the south coast which serve that port. We are talking about a population of the size of Tasmania's living between Wollongong and the Victorian border. We are not talking about a regional road network servicing a small number of people; we are talking about Tasmania and the types of connections that Tasmania has between Launceston and Hobart—and that is just between Wollongong and the border. That is not looking into Wollongong or to Melbourne.

Ms BIRD—My question, which is probably to Mr Pullen, follows on from that. I am conscious that a lot of grain came into Port Kembla from the more inland parts of the south of the state. The missing piece has really been the coastal councils that are on your group, to be honest, such as Shoalhaven, where there is massive growth potential in economic development as economic industrial lands disappear from the northern councils that you are on. But obviously you are saying that that is very limited by the capacity to move that. Are you getting inquiries from industries and businesses that want a place there and that you are losing? That is what I am interested in: the lost cost.

Mr Pullen—Something we have not mentioned today but I will mention now is Main Road 92. You all know about that argument—Mrs Gash has pushed the argument fairly strongly, with the support of our council and the councils on the coast here, for the last 10 years or so. We have secured the money for the road, and I can inform the committee that we are almost in a position to appoint a contractor, after 10 years, to finally start to build it. The announcement of that road, which represents connectivity to the Hume and Monaro highways—and to a lesser extent Canberra, though Canberra is not a major industrial centre—has stimulated a number of inquiries for freight and distribution centres and industry to look at Nowra as an alternative.

With the containerisation announcements at Port Kembla, that now is starting to become an issue. We are looking at our planning issues at Nowra and we are talking to the port. They are

asking us for up to 1,000 hectares of industrial land in the foreseeable future. We have currently zoned in excess of 300 hectares, undeveloped. So we have a capacity to handle this and we can be part of it. However, as I mentioned earlier and in the council's submission—and it is also in the SEATS and Southern Councils Group submissions—it is about that connectivity between the regions. To make Port Kembla more viable, you may have to make the Nowra subregion more viable, which would then have to be connected into the Hume and Monaro corridor. It is those connectivity issues which do not relate to a metropolitan-centric network but which are all-important for support to get those regions up, and running so you can connect and deliver some of these industries, economic benefits, throughput for the ports and export income.

CHAIR—I welcome Councillor Alex Darling, the Mayor of Wollongong to the hearing—he is in the audience. Thank you for the compliment you pay us in attending this hearing. We have been very well treated by your constituent organisations since we have been here, and I hope that our deliberations are helpful to you and to the other councils appearing as witnesses. Ms Bird, do you have more questions?

Ms BIRD—I will not go into detail because I understand that much of that economic argument is identified and presented in the NRMA report that the group submitted.

Mrs Scarlett—In both that report and references to case studies in this report.

Mr Pullen—With quantitative information on tonnages.

CHAIR—I am disturbed by your submission because I can see so much good in it and yet you seem frustrated in being able to get on with it. Is it your view that the federal government should perhaps fund that initial study to get the ball rolling? If so, have you spoken to Minister Truss or Minister Lloyd?

Mr Russell—Yes. Through the chair of the Southern Councils Group, we made direct representation to the Prime Minister on this issue. We subsequently followed that up with a visit to the state minister asking cooperation at state level to try to bring this package together. Also, in early December, we visited Minister Lloyd's office in Canberra. We did not get to meet with the minister, but we were welcomed by a staff representative from DOTARS and the minister's adviser. But there is still more work to be done.

Mrs Scarlett—A follow-up on an actual freight plan is currently resting with the Department of Planning. This confidential report calls for the preparation of a regional freight plan and a state freight plan.

CHAIR—You have obviously got a lot of data together over recent years on this matter. Could you do us a supplementary submission—without breaching your confidentiality with them—on some of the data you put together on what we have been talking about today. We cannot just talk about emotion in a report. We are going to have to talk about data and economic argument. You mentioned an NRMA report—how recent is that?

Mrs Scarlett—September 2005. It is very recent.

CHAIR—Quite current.

Mrs Scarlett—Very current.

Mr Pullen—In that is a lot of the quantitative data. The information that is in the Department of Planning report has a little bit broader scoping than that study, but it has basically got the same sort of information with some case studies.

Ms HALL—Did you provide a submission to the Department of Planning when they were preparing a report? If you provided a submission surely you could rebadge that submission and send that to us as opposed to releasing the document you have in front of you.

Mrs Scarlett—Southern Councils Group did not make an actual submission to the preparation of this. All our member councils were consulted individually, as were a number of other agencies and organisations. But we can certainly, I am sure, come up with something that we can forward to your inquiry.

CHAIR—Yours has been a very interesting submission. It raises a lot of questions with us. We trust we can come back to you if we need to. I would urge you, however, to start taking the initiative within your own resources. There are huge resources in Wollongong City and Shoalhaven City together—that alone. As I said, I have seen councils caught in this sort of bind who have gone out and done it themselves. Gladstone is a case in point. You do not have to just wait for the state government—or the federal government, for that matter. Just get on with it. Then you have a case to argue when the thing comes up. Thank you once again.

Mrs Scarlett—Thank you for the opportunity to make a presentation.

[1.40 pm]

PICKETTE, Mr Rod, Communications and Research Officer, Maritime Union of Australia

CHAIR—Welcome. We will not be asking you to give evidence on oath, but I have to advise you that these are proceedings of the federal parliament. Consequently, they warrant the same respect as proceedings of the House itself. It is customary to remind all witnesses that the giving of false or misleading evidence is a serious matter and could be regarded as a contempt of the parliament. Having said that, you are most welcome. I invite you to give us a five- to seven-minute overview of your submission.

Mr Pickette—I thank the committee for hearing the MUA and particularly for your preparedness to hear us, given that our submission was somewhat on the periphery of the terms of reference. We did note in submissions and evidence that the committee was reasonably interested in some of the matters that we have made submissions on, so we certainly appreciate that opportunity. I just want to cover a few of those areas in my opening remarks. We hope that the committee finds a way to somehow address the shipping issues in its report, even though, as I say—and I think you have acknowledged yourselves—that the submission is on the periphery of the terms of reference. If it cannot be done through this particular inquiry, there might be some other opportunity arising out of the report of this committee to the parliament.

I do not want to say much more about the terms of reference or the scope of the review, other than to say that we did note that two of the major shipping organisations in Australia—Shipping Australia itself and the Australian Shipowners Association—both made submissions that touch on some of the same issues that we have referred to in our submission. In fact, the central point that we made—and I will not say more about this—is that, in a sense, it reflects, from our point of view at least, the lack of a focus on shipping in the national transport policy debate. I certainly hope that the work of this committee, and perhaps other work that other references of this committee might get, can help overcome what we think is a major deficiency in the national transport policy debate. Shipping corridors offer a range of advantages—some of which were outlined in the ASA submission—over other forms of transport, certainly on some routes and for some types of products.

In fact, we are in the process—we have not actually made a final decision on this yet—of commissioning a reputable national research institution to undertake some work for us. We hope it will report towards the middle of this year, which will help give us a far better picture of the relative advantages and the cost benefits of the various shipping transport modes and where shipping fits into that and where some comparative advantages might lie in terms of particular trade flows within the nation. It might be too late to be a submission to this inquiry, but we would certainly be happy to make it available to committee members, as you have probably received other material from us outside of this inquiry in recent times.

On the issue of cabotage and coastal shipping policy, we are sure, of course, that the committee is aware of the large number of countries, including some of our key trading partners and including among those countries with which we have a free trade agreement, that retain a strong cabotage policy. The US is a classic example. In fact, the US has recently recommitted to

its cabotage policy in the context of its quite vigorous approach to maritime security. So we think that is a weakness in the Australian approach—that is, that the approach to cabotage has not been seen as a plank in the national maritime security process. We think there is an opportunity there for that to be rectified. In fact, to give you an indication of how important this is in the US, when the US was considering a free trade agreement with Panama, there was a bipartisan committee which wrote to the US trade representative, Robert Zoellick. One of the things they said in their correspondence to the trade representative was:

The fact is Panama already benefits more from the open access accorded foreign vessels to U.S. ports than does any other single foreign nation. Panama already stands as the largest ship registry in the world—far ahead of any other nation in number of vessels and tonnage. Foreign vessel operators who fly the Panamanian flag enjoy enormous advantages when importing goods into and exporting goods from the U.S. Panamanian vessels operate in a world of essentially no income taxes, third world wages and other exemptions from laws that U.S. operators must live by. Yet Panama continues to believe that it should not be subject to our laws.

They went on to say:

The domestic U.S. maritime industry plays a vital role in the nation's economic security and national defense...

I guess that is an argument that we have been trying to get some traction with in the Australian shipping policy debate. We hope that the research work that we have undertaken, which we will certainly be sharing with organisations and members of parliaments such as you, will further reinforce the importance of cabotage policy in the national security and economic security debate.

One aspect of cabotage that we are concerned about, as you would be well aware from our submission, is the operation of the permit guidelines issues by the Minister for Transport and Regional Services and administered by the Department of Transport and Regional Services. I will not go into the details of that yet, because it is set out in our submission, but on the positive side we welcomed and took a positive approach to the recent opportunity afforded us by DOTARS to put some views about amendments to those permit guidelines. I understand that their release is imminent. I am not sure precisely where that process is up to, but we were advised that a submission or a briefing had been put to Minister Truss for a sign-off on some revised guidelines. I guess we will just wait and see the extent to which the government has been prepared to close what we consider to be loopholes in those guidelines that allow what we have called abuses of the permit guidelines. We hope that Minister Truss has been prepared to bite the bullet and support what we would consider processes to achieve fairer competition in the coastal shipping trade.

In a sense the guidelines themselves and the way they have been administered up until this review—and we will keep an open mind until we see the revised guidelines—have been impediments in our opinion. But, despite those sorts of impediments, it is worth noting that there are some very positive stories to tell. I will give a couple of examples; I do not know whether the committee has been made aware of them through other submissions or evidence. Pan Shipping, a Melbourne based operation, reported in December last year that it expected to have secured by February this year a first vessel to commence a new service on the east-west coastal trade, with a second vessel to come on board around March this year. The important thing about the Pan Shipping initiative is that they will be employing Australian seafarers, they will be operating

under collective agreements, and they will be complying with all Australian laws—unlike vessels operating on the coasting trade under the permit guidelines.

Ms BIRD—Could you clarify what trade they are looking at running?

Mr Pickette—I think it is basically break bulk trade, and I suppose there would be some containers; it would be a mixed type of trade. It would not be purely container trade. I have not got the full details of the cargo types. Their public pronouncements clearly indicated that they had signed up some shippers to give them the confidence to go ahead and make the investment without the details being publicly announced, but they would certainly become available by February, I would expect.

Ms BIRD—Would that be in direct competition with the east-west rail link? Is that what they are looking at?

Mr Pickette—It is difficult to know whether it would be in competition with rail, because we would have to wait and see what sorts of products it was going to be transporting.

Ms HALL—Would it be in competition with foreign owned ships?

Mr Pickette—It would definitely be in competition with foreign owned ships.

Ms HALL—And it is being seen as a viable proposition, therefore Pan Shipping is prepared to invest in Australian shipping—

Mr Pickette—That is right.

Ms HALL—and it is seen as something that is sustainable and can benefit the nation economically?

Mr Pickette—Absolutely. And, given that it is one of the first new initiatives in terms of additional tonnage in Australian coastal trade, it seems to us to be a very positive development.

The other one is called, I think, Sea Corporation, operating out of Fremantle. They won a contract that was formerly undertaken by a subsidiary of Patrick Corporation, Patrick Norwest Shipping, which used to operate a vessel, the *Kimberley*, on the West Australian coast. As recently as earlier this month they announced that they anticipated increasing their tonnage, through additional vessels, to undertake some bulk trades on the West Australian northern coastal route.

Without having all the details of the product types that those vessels propose to get into, my point is that there is some preparedness to invest in coastal shipping. We would like to see government policy being further supportive of those sorts of initiatives to allow, if you like, a revival of investment in coastal shipping in Australia.

CHAIR—Can you see any other incentives that government could give in the way of tax breaks and things like that?

Mr Pickette—If you look at the international situation, one of the government initiatives being taken across a range of countries has been a tonnage tax. It might sound strange, without understanding what a tonnage tax is, that what might sound like a new tax is actually an incentive to invest. A tonnage tax is effectively an alternative accounting mechanism by which companies are taxed. It is based on their tonnage, not their profit. It has recently been introduced in the UK, for example, and in Germany. It already exists in a range of long-term and emerging shipping countries like India, Indonesia and so on.

Mr McARTHUR—Who gets the money—the government or the ports?

Mr Pickette—The government gets the money. It is a national tax in the countries I am talking about.

Mr McARTHUR—Do they spend it on the ports or does it just go into revenue?

Mr Pickette—I am not sure exactly what is done with the tax, but the point about it is that it is an alternative way of taxing shipping operators, shipping investors, that is definitely an incentive to invest.

Mr McARTHUR—Is it to try to withstand the flags-of-convenience operators?

Mr Pickette—Exactly. For example, a tonnage tax was introduced in Germany. A report of late last year indicated that over the last couple of years since the tonnage tax was introduced some 200 vessels have returned to the German national flag. That is just one measure. And of course there is a variety of tonnage taxes.

CHAIR—Is tonnage tax applied equally to resident shipping companies as distinct from foreign flagged companies?

Mr Pickette—Yes. It would apply only to Australian resident investors in Australian shipping, Australian registered vessels.

Mr McARTHUR—What about the these flags of convenience vessels, though? I do not quite understand why ships came back into service if they were paying a tax.

Mr Pickette—I guess the tonnage tax was part of a raft of policies that nations like Germany and the UK have introduced as part of a deliberate policy to support their shipping industries in the same way that governments adopt policies to support various industries for a range of reasons.

CHAIR—Like Mr McArthur I have missed the point somehow. You say that the local companies are being taxed. Or is it the outside companies that are being taxed?

Mr Pickette—No. It is domestic investment, if you like, in a domestic shipping industry.

Ms BIRD—As I understand it, if you pay tax on tonnage as opposed to profit, you can write off more for the tax that you invest.

Mr Pickette—Exactly.

Ms BIRD—So by paying the tax in that way you can write off investment, whereas paying your tax on profit you cannot write off investment.

Mr Pickette—That is right. It is to do with that. As I said, there is a range of tonnage taxes. In fact, part of our research—

Mr McARTHUR—What about the flags of convenience? Do they pay it as well?

Mr Pickette—No, because they would only be paying taxes according to the country in which the flag is taken out, where the vessel is registered.

Mr McARTHUR—So why are the 200 German ships you are talking about in a better position with a tonnage tax compared to where they were before relative to the flags of convenience? That is the big argument.

Mr Pickette—I do not know exactly all the reasons this number of vessels returned to the German register. The point I am making in response to the chair's question is that the tonnage tax was promoted by the German government as one reason why it was able to encourage reinvestment in German shipping. As part of the research that we are commissioning, which I mentioned earlier, we hope to look at some of the various tonnage tax models that might be considered in the Australian policy debate.

CHAIR—When will you have that finished?

Mr Pickette—As I said, we have not signed on the dotted line for the contract to commission the work, but on current indications it should be available by about May or June of this year.

CHAIR—Could we have a copy of it when it comes out?

Mr Pickette—I am more than happy to make a copy available to the committee.

CHAIR—That is about when we will have wrapped it up. If it came through by about May it might be very helpful.

Ms HALL—Or even a draft.

Mr Pickette—On flags of convenience shipping, I was just going to follow on from the point I was making about the permit guidelines by saying that, from our perspective, those guidelines are encouraging and provide comfort on the introduction of FOC shipping on the Australian coastline. We say that is not providing fair competition for Australian domestic investors in shipping. We noted in our submission, and I want to reiterate it today, the support that the former Minister for Fisheries, Forestry and Conservation made when he released that international report in Tasmania late last year on flags-of-convenience vessels in the fishing industry. We quoted in our submission from the minister's speech at the time.

The important point is that there was a recognition—by that minister at least—that FOC shipping does create a range of problems for fair competition and retaining the standards of human rights that we would expect from an Australian point of view and certainly in terms of our international treaty obligations. We would hope that the new Minister for Agriculture, Fisheries and Forestry will continue with the commitment that the former minister made to take that issue up in international forums. We would of course like to see that extended well beyond fishing to FOC shipping more generally.

I would reinforce my opening point that we should not see the transport chain as ending at the port. It extends into the global transport and logistics chain. This inquiry clearly had to limit its terms of reference, but the recent Toll takeover bid for the Patrick Corporation is a classic example of a corporation looking to vertically integrate and get a foothold into the stevedoring sector, which would then open up opportunities into the global transport and logistics chain. Clearly, the business plan for Toll—even though it has failed to date—was about getting itself positioned to negotiate with the international shipping lines to give it a competitive advantage.

I make that point because it brings me to the issue of competition and competition policy. To reinforce some of the points that we made in the submission: we are concerned about the approach being taken by, for example, the ACCC in relation to competition policy as it applies to ports because it seems to focus only on intraport competition. We think that that is too parochial and not in the national interest. I am not saying that we should not have intraport competition, but I think that that should not be the boundary of the focus—certainly in an Australian context, where we are the bottom end of a global shipping industry or a global transport and logistics industry. We should be seeing competition on an interport basis as well and in an international context, in a global context.

CHAIR—Why are you so opposed to a third stevedore?

Mr Pickette—In the Australian context, we think it is the wrong focus. If the objective is to bring about efficiencies and higher productivity and to ensure that they get passed on to consumers at both ends of the transport chain, we do not think it is necessarily the appropriate approach to get that outcome, to get those efficiencies and productivity. The Australian stevedoring sector is fairly modest in size by international standards and, effectively, by breaking up the existing cake amongst a wider number of operators, we see great dangers in that stifling investment. In other words, sharing the cake amongst a larger number of players is not necessarily conducive, in our view, to achieving investment, which is the core of the future opportunities for improved port productivity and efficiency.

We spent some time in our submission talking about the various types of productivity. We often just bandy around the word ‘productivity’, but we wanted to focus on the distinction between labour productivity and capital productivity. We are essentially saying that, if you introduced a third operator into Port Botany, each of those players would have to share the same amount of cake—that is, instead of splitting it two ways, you would be splitting it into three.

I know that there is growth. The estimates say we have been running at around eight per cent. That is for Sydney. I do not know about all ports across Australia. Regarding the longer term projections, someone like Tim Blood from P&O Ports would say that, if we worked around a ballpark figure of six per cent growth over the medium-term future, that would probably be

about right. But even that growth, in our view, is not going to create the level of throughput that would sustain a greater number of operators. And this is the point I was coming to. If you look at the takeover bid for P&O, the two major players are PSA from Singapore and DPW from Dubai. We are looking at a global industry. The bid is indicative of the need to look at the port sector in global terms. We would say, for example, that a third or fourth operator in any of Australia's ports, with our level of throughput, would probably reduce share prices, limit investment and open up those operators to potential takeover by a foreign global operator like Dubai Ports, PSA or Hutchison—some of the big operators.

CHAIR—Divide and conquer.

Mr Pickette—That is right. We then end up with further rationalisation but in foreign hands. I do not see that as a great domestic strategy for supporting our own domestic transport sector.

Ms BIRD—The Australian Shipowners Association spoke to us in Melbourne. I raised with them the fact that there is a huge pressure on governments to provide the road or the rail so that users can run something on it. For sea transport, there is nothing we have to provide, other than the ports, so I am surprised that there is not more use of coastal shipping in Australia for the movement of freight between ports. The Australian Shipowners Association said it is pretty viable to run bulk cargoes that are closely tied to manufacturing and mining, but they did not think coastal shipping is particularly viable for the movement of containers. I am interested in your view on that. Do you see the potential, if the right regulations are in place, for growth in the movement of containers between Australian ports, which may relieve some of the pressure to provide road and rail connections between capital cities?

Mr Pickette—Yes. I regret to say that, in advance of the research that we are undertaking, I could not be—

Ms BIRD—So your research will look at that?

Mr Pickette—One of the things in the specifications for this research is that it should look at the comparative advantages of shipping for certain types of commodities.

Ms BIRD—They felt there was an advantage but that it is very difficult to break the habit of logistics groups of using road and rail. But I am happy to wait for the report you have commissioned. I am glad to know it is coming.

Mr GIBBONS—In the fifties and sixties we had a pretty vibrant maritime industry for freight around the coast of Australia. You have agreed that it has declined drastically since then. And there are a lot of reasons for that: better roads, modern motorised transport and rail, and people's needs to get freight from one point to another very quickly. But I also think the congestion of ports over the years has aided the decline in shipping because of the time it takes. Is that a factor in the decline of shipping? If we can address the congestion in ports right around the country, would that encourage more people to get back into maritime shipping on a domestic basis and, as Ms Bird said, relieve some of the pressure on the other transport sectors? Do you understand what I mean? Have congestion and connectivity had an impact on the decline of the industry?

Mr Pickette—For certain types of cargoes from certain ports, that may well be an issue. In fact, you have had evidence before you that suggests that is the case. But I think there would be value in being very clear about where congestion actually occurs and for what types of cargoes, because the ports of Sydney or Melbourne would not from our point of view be considered to be ports that are suffering because of congestion and that would have forced product onto other modes of transport.

CHAIR—On another point, in four of the ports we have been to there are issues with either dredging or channels because we have moved, to a large extent, from the Panamax- to the cape-sized vessels. We get the impression that some ports are already quite marginal. What is your view on that? Is the efficiency of the port a big factor in getting coastal shipping back—not that they are going to be affected by those sorts of tonnages, but the fact that other vessels are gumming up the channels and so on?

Mr Pickette—It is clear that there does need to be investment in port infrastructure in a range of ports around Australia. There is no question about that. I think we would be inclined to agree with the Prime Minister's infrastructure task force report conclusion, though, that to call it a crisis would be overstating the case. But that is not to say that investment is not required. It is not for us to comment on the issues in, for example, Port Phillip Bay, but clearly at some point in time one would anticipate that dredging will need to be concluded to ensure that that port does not suffer—certainly to allow vessels to enter and leave the port fully loaded and to ensure that any larger vessels that are on the horizon can use that port. But ultimately there will be limits to what that port can handle.

The general point I am making is that we certainly support a planned and strategic approach to infrastructure investment that is going to create the right conditions for further investment in domestic shipping. There is no question about that. We think that governments can do a lot more, particularly the federal government—that is really where the responsibility must lie, in our view—in terms of taxation and looking at the registration requirements. There is a raft of issues where federal government policy could assist to reinvigorate the Australian coastal shipping industry.

Ms HALL—I must say I agree with just about everything that you have in your submission. The question I would like to ask you relates to New South Wales. I was wondering what the union's position is on the three-port policy that has been promoted here in New South Wales? Does the union have a position on the fact that the multipurpose terminal in Newcastle has been put back 25 years? If you would like to take it on notice, please do, but I would really like to know what the union's position is on that.

Mr Pickette—I would be happy to provide a further submission to the committee on some of the detail of what you have asked.

Ms HALL—Thank you.

Mr Pickette—As a general comment, I can say that we have not been so closely involved in, if you like, the broader strategic planning, but we have been very closely involved and we have some issues associated with the impact on labour and the stevedoring work force. Those issues are not yet resolved.

Ms HALL—That is what I would be interested in.

Mr Pickette—On the positive side, we are working closely with the New South Wales government and through Unions New South Wales, the New South Wales Labour Council, to work through those issues, in combination with others, to see if we can get a sensible outcome in terms of the impact on the labour force and to ensure that labour force issues are not an impediment to restructuring and strategic planning for future port capacity in New South Wales—or any other state, for that matter.

Ms HALL—There is a labour force that works in all of those ports.

Mr Pickette—Absolutely. One of the particular difficulties in those planning processes has been the timing issue. That is just from a labour force point of view. How do you retain skills and experienced stevedoring employees to ensure that they can move where appropriate and to have closures and openings to match the requirements of the labour force? That is certainly an issue that we are working through with the New South Wales government.

Mr McARTHUR—We are interested in the interface between ports and the railway system. I want to know your assessment of the Darwin to Alice Springs railway and the ability of the Darwin port to operate. Do you think that it will work or that the maritime industry will maintain the trade to the eastern seaboard?

Mr Pickette—I do not think we have a position on that. Again, I would be happy to canvass views within the organisation and perhaps include them in any supplementary submission we might make to you. From the labour force point of view, which is our principal interest, as you would appreciate, we are working very closely with the other transport unions—the Transport Workers Union and the rail union—to ensure that there is a sensible and long-term approach to the labour force issues associated with interfaces and shifts in emphasis from one transport mode to the other, be it at Port Botany or at Darwin port. But as to a specific view on—

Mr McARTHUR—There is a quite interesting example of where the shipping line will maintain their superiority in the cost of moving containers, instead of dropping them off in Darwin and putting them on the railway.

Mr Pickette—That has certainly been the case today, hasn't it? I have not seen the sums, but what we are looking at in tonnages and contracts on the Darwin rail line suggests that shipping has proved to be more commercially viable to date. Whether there are some policy approaches that can be taken from a Commonwealth-NT interface point of view that can adjust the mix, I do not know.

Mr McARTHUR—That outcome would be beneficial to your members, wouldn't it, if that were proven to be economical?

Mr Pickette—I would have thought that most of the shipping that you are talking about would be undertaken by foreign ships and foreign seafarers. Regrettably, I do not think that there are any Australian general cargo or container ships out of Darwin moving containers around to the eastern coast.

Mr McARTHUR—There is coastal shipping out of Darwin.

Ms HALL—Yes. I think there is an Australian shipping company.

Mr Pickette—There is one, is there?

Ms HALL—Yes, a company working out of Darwin.

Mr Pickette—There certainly is a company working out of Darwin. You are talking about Perkins Shipping.

Ms HALL—Yes.

Mr Pickette—I am just making the point that its main focus, though, is from a northward point of view. It is not really engaged in the eastern and southern coasting trades.

Ms BIRD—You just touched on something, Mr Pickette, that has on occasion been raised with us as being a bottleneck in ports, and that is the supply of skilled labour, particularly in pilotage and things like that. I am just wondering if the union is aware of that, has figures on that or has done anything about the labour shortages in those areas.

Mr Pickette—We are certainly aware of labour shortages that do occur from time to time. The increased investment in the offshore oil and gas industry has had a marked effect on the availability of seafarers for, if you like, the more traditional coasting trade type vessels. We have been trying to address that through a range of methods, particularly through our enterprise bargaining negotiations, to get commitments to training and to new mechanisms to bring new labour into training and onto vessels. We are of course also working with, for example, the Timorese government through the NT government—and with the PNG government, I should say—in terms of that offshore industry, to ensure that there is an increasing supply of seafaring labour available in the oil and gas industry so that it takes some of the pressure off the shipping industry generally. But we are primarily addressing that through the enterprise bargaining negotiations and we have had some successes, but there is some resistance from employers in terms of the cost sharing.

CHAIR—Could you give us a short comment on the 40-tonne containers? What is your view on that transfer to the larger container?

Mr Pickette—From what point of view?

CHAIR—From the smaller containers.

Mr Pickette—In terms of its impact on stevedoring labour, for example?

CHAIR—Yes.

Mr Pickette—Broadly speaking, I think it is really dependent on the quality of the investment in the container-handling equipment. Provided there is appropriate investment in quality,

ergonomically designed wharf-based container-handling equipment, it does not have a large impact on the day-to-day work of stevedoring workers.

CHAIR—I see. Good. There was another thing I wanted to run past you before we finish today. You said that you think that labour productivity has outstripped capital growth over the last decade. Generally speaking—not just to improve the opportunities for your own union members—what do you see as the greatest infrastructure requirements from government in the transport system? You made the point—

Mr Pickette—In terms of the impact on labour productivity?

CHAIR—You said that labour productivity has outstripped capital growth—

Mr Pickette—Yes.

CHAIR—and you imply by that that it needs to be rebalanced. Assuming that government were in the mood for more infrastructure investment, where do you see the greatest need?

Mr Pickette—I can only really speak for—

CHAIR—For your members and for the union.

Mr Pickette—Yes.

CHAIR—But, speaking broadly, could you, as a representative of the people who work in an important sector of the transport industry, give us a bit of a feel for where you see the greatest infrastructure needs? Is it in the access to the ports? You are in a good position to monitor the efficiency of the ports in terms of this connectivity problem we are talking about.

Mr Pickette—From our perspective—and I think this has been borne out by the evidence, certainly that I have reviewed, to the committee—the evidence is in the rail-road interface with the ports. You would only have to take Port Botany as an example. The opportunity for further investment in the physical interface of the container logistics within the port and the growth of intermodal facilities is probably the greatest available opportunity in Australia to have an impact on and flow back into port efficiency. Again, we have got to consider that we are relatively low volume by international standards. That is why we have got to take some care. For example, we could compare crane rates between, say, Sydney, Melbourne or Adelaide with, say, Singapore or Hong Kong. If you are bringing a vessel into one of those very large hub ports, like Singapore, Hong Kong or some of the newly emerging ports in China—where the whole of the vessel is essentially being unloaded for stacking then perhaps split onto two ships to move into the spokes of a different trade flow—the offloading can be undertaken vastly more efficiently at far higher crane rates than when you get a container vessel coming into Sydney, where, for example, maybe only a third of the load of containers is to be unloaded and they are destined for a whole range of different customers. So just the physical management of the containers does slow down the unloading and loading process.

CHAIR—With that argument of yours, just coming wharf side for a minute, have you seen many examples, particularly at Botany, where the rail and interstate trucking services have not

been able to keep up with, or have slowed down, your workers in being able to get the boxes on and off the ships?

Mr Pickette—I think there have been some instances of that. There was one fairly recently.

CHAIR—Is it a major problem or does it just occur at peak periods? Because it comes back to the centre pace problem, doesn't it?

Mr Pickette—Yes. I would have to get some more concrete advice. I could perhaps provide this, as I said, in a further submission. My understanding is that it is a peaks and troughs problem. Nevertheless, there are models of, if you like, internal port logistics that would enable a better movement of containers away from the vessel and could in fact improve the stevedoring efficiency.

Ms HALL—That would be interesting information for the committee to have.

CHAIR—Yes, it would.

Ms HALL—Have you got some figures, dates and time lines where that came into play?

Mr Pickette—Yes. One of them, of course, has already been raised with the committee, and that is the differing hours of work. The point that we simply wanted to make, so that there were no misunderstandings from the committee's point of view as far as the stevedoring work force was concerned, is that the enterprise agreements do provide a seven-days-a-week, 24-hour operation. They are used as required by the stevedoring operators without any difficulty whatsoever. But apparently—and I am not denigrating or judging this in any way but simply stating a fact—there does seem to be a problem with some of the trucking interface in particular. I am sure that is an issue that can be resolved.

CHAIR—If you would like to give us some comments on the interface, we would be interested.

Mr Pickette—Okay.

CHAIR—Mr Pickette, thank you very much for your evidence. It was stimulating and very much to the point. We trust you will pass on those other items that we have talked about today in evidence that you volunteered to let us have. Once again, thank you for your attendance. In their absence, I also thank the community of Port Kembla and Wollongong for their great cooperation, I thank our colleague Sharon Bird for her facilitation of our visit, Jennie George and the mayor for their attendance and the Wollongong City Council for its cooperation with us. I have much pleasure in closing this public hearing.

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 2.30 pm

