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**HOUSE OF  
REPRESENTATIVES**

STANDING COMMITTEE ON TRANSPORT AND REGIONAL  
SERVICES

**Reference: Transport networks inquiry**

TUESDAY, 7 MARCH 2006

BUNBURY

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES



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**HOUSE OF REPRESENTATIVES**  
**STANDING COMMITTEE ON TRANSPORT AND REGIONAL SERVICES**

**Tuesday, 7 March 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:** Mr Haase, Ms Hall, Mr Neville and Mr Schultz

**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 9.02 am****CROCKFORD, Mr Gary Ian, Chief Executive Officer, Bunbury Port Authority**

**CHAIR (Mr Neville)**—I declare open this public hearing of the inquiry by the House of Representatives Standing Committee on Transport and Regional Services into the integration of regional road and rail networks and their interface with the ports. This is the 18th public hearing of this inquiry and is part of an extensive programming of public hearings and visits designed to gather information from people directly involved with the main issues of the inquiry. The committee has been to Mackay, Gladstone, Newcastle, Port Kembla, Wollongong, Melbourne, Portland, Darwin and Geraldton and today we are in Bunbury. We will then go on to Albany, Esperance and Perth. Today we will hear from witnesses directly involved with the issues of the transport industry and the arterial road and rail systems in the Bunbury district.

Welcome, Mr Crockford. Although the committee will not require you to give evidence on oath, I have to point out to 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 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. Could you give us a five- to seven-minute overview of your submission?

**Mr Crockford**—Thank you for the opportunity to provide a submission to the Standing Committee on Transport and Regional Services. I would like to open by giving a few general comments on the Bunbury port. The Bunbury port has trade volumes in excess of 12 million tonnes per annum and forms an important part of the Western Australian economy, which is heavily export oriented. We have in the region of \$5.9 billion worth of trade going through the port on 2005-06 estimates, dominated by alumina, which is valued at just over \$5 billion. Our main export destinations are dominated by the alumina trade, and include South Africa, Canada and China.

The economic contribution to the port itself is significant. A 1999-2000 study showed the direct and flow-on economic benefit of the port from its own output at \$90.2 million and a value add of \$51.2 million. It provided employment both directly and as flow-on for 573 people based on the 300-odd ships that year. In that year, each vessel visit contributed \$297,000 of output, \$169,000 of value add, \$74,000 of household income and the equivalent of 1.9 full-time equivalent jobs for one year.

I will turn now to some of the infrastructure tasks facing the port. Efficient road and rail links to the port are vital, as is a requirement to add adequate buffers around these corridors. The *Industry 2030—Greater Bunbury industrial land and port access planning* document provided for these buffers and infrastructure corridors for both rail and road transport. Buffers have been provided when these areas pass through undeveloped regions, but certainly when we get into the city itself buffer issues are significant to the port.

Both rail and road infrastructure to the port are important. Whilst approximately 80 per cent of the product passing through the port is by rail—that is due to the dominance of alumina and caustic transport—road remains critical to allow movement of what are still significant volumes of product from geographically diverse areas over relatively short distances. The transport

regime reflects Bunbury's basis as a mineral export dominated facility. We have a couple of large producers who rail freight material into the port, but we certainly have many other customers who rely heavily on road to get their product into the port.

The port is seeing increased trade volumes at the same time as population and tourism grow. This in particular sees conflict of road use in terms of both congestion and safety whilst close into Bunbury. Whilst rail options for transport are considered for new and existing exporters at every opportunity, the capital component for rail invariably pushes the smaller private industry to road. This is an important area—the overall economic and safety aspect and the overall cost to the community—for the government to consider in terms of providing funding.

Predictions see a doubling of the freight task over the next 20 years in Western Australia. Both the transport and port infrastructure are seeing an increased demand, particularly on the back of the strong resource growth at the moment. As an example of that, Worsley commissioned a new private berth in late February, early March 2006 to accommodate their proposed expansion of alumina product. In doing this, by vacating the Alcoa facility, which they have shared for some 25-odd years, they have provided themselves and Alcoa with the opportunity to expand their current capacity through the Bunbury port. Worsley are progressing an upgrade from 3.3 to 3.7 million tonnes per annum of alumina and are currently going through an approvals process to raise this to four million tonnes, which we could see going through the port by 2010-11. Trade including caustic just from Worsley alone could be in the region of 4.5 million tonnes per annum. Alcoa have two sources of alumina exiting the Bunbury port—Wagerup and Pinjarra, the latter being shared between Kwinana and Bunbury. Alcoa have planned expansions to increase production from 2.4 to 4.7 million tonnes per annum. So the port could see somewhere between 7½ million and eight million tonnes per annum of alumina and caustic passing through it by 2010-11. Those two sources alone would see the port handling more freight than it currently does.

General growth, along with planning for the ultimate closure of the outer harbour for the redevelopment of a residential and tourist precinct, sees the requirement to expand capacity at our inner harbour. The construction of additional bulk handling is particularly important if coal exporters are to reach their ambitions of somewhere between five and 10 million tonnes per annum of coal exported out of the port. At the moment, no coal is, so that would also be additional product. Other potential trade for Bunbury, aside from coal, includes biodiesel and bioethanol, and copper concentrates with the recently announced Newmont-Boddington operation. The mineral sands produced mean there is potential for pig-iron and iron oxides, and there is also potential for expanded timber products.

We currently have a draught of 12.2 metres, enabling parcel loading of Panamax ships. We are currently undergoing investigation into deepening the harbour and approach channel to give us 15 metres of draught. This increased draught has potential freight advantages for both the alumina and mineral sands exporters. The alumina guys in particular regularly say, 'We want maximum draught.' Certainly the coal exporters hold out increased draught as a significant factor for themselves.

We have a combination of privately funded facilities such as Worsley and Alcoa, who have their own storage, port rail, ship loader and berth, and WAPRES, who own their own ship loader, existing alongside government funded multi-user systems. The main projects we would see from



a port point of view in terms of infrastructure being of significance to us include the Bunbury outer ring-road and the linking of the port access road to that, the port infrastructure development—as I said, the expansion and deepening—and rail, particularly as the extra alumina comes on and with the potential coal export. Bringing the product into the port by rail will grow. That in itself will see impacts on local roads. If the rail comes in, increased use of rail will cause congestion on Estuary Drive, which will also be intersected by the port access road. As we have the outer ring-road to capture all that traffic and put it onto that access road, Estuary Drive will pretty much become so congested that the public will not be able to use it and we will have to divert them around.

From my understanding of the AusLink funding, the currently identified corridors under that funding certainly do not provide for such projects around the Bunbury port. Regional ports in general need to be considered in the next phase of funding for that. That concludes my presentation. I am happy to answer questions as I can.

**CHAIR**—What is the total tonnage going out of the port at present? I am a bit confused.

**Mr Crockford**—It is about 12.2 million tonnes. About a million of that is import.

**CHAIR**—What is that 12.2 million, mainly?

**Mr Crockford**—It is mainly alumina: eight to 8½ million tonnes of alumina.

**CHAIR**—You talked about coal. Where is the coal potentially coming from?

**Mr Crockford**—There are two major coal producers in the Collie basin: Griffin and Wesfarmers.

**CHAIR**—Where does their coal go at present?

**Mr Crockford**—Most of it is going into power generation through Western Power.

**CHAIR**—Domestic consumption?

**Mr Crockford**—Yes.

**CHAIR**—This request arises out of yesterday and today. It seems you have some common problems with Geraldton insofar as you have not been designated an AusLink corridor. That is No. 1. Could you show us on a map existing road systems and existing rail—perhaps in black—and then show us in red what you consider to be the optimum.

**Mr Crockford**—As I say, I think the *Industry 2030* access plan shows those. I would be happy to provide a copy of that if people would like.

**CHAIR**—No, I do not want that. I just want a simple map of one or two pages—one for road and one for rail, or you could put them together, if you like—so the committee can see. If we are going to go back and start arguing for the expansion of AusLink then we need, in each of these ports—we will be asking for the same from Geraldton—to be shown the existing corridors.

Then, if you want, you can put some footnotes saying, 'At this point in the next five years domestic traffic will have to be excluded,' or something of that nature. I will be asking the other ports to do this as well, so please do not think you are being singled out. It looks like there is a common thread in the provincial ports in Western Australia. What is the current status of your negotiations with the state government to do some of these things that you mentioned?

**Mr Crockford**—The state government has committed funding to the first stage of the port access road—that gives us some surety there—and we are working with Main Roads WA on that layout.

**CHAIR**—How many years off is that?

**Mr Crockford**—That is for 2007-08, so that is quite close. That is important to us. I understand the funding for the outer ring-road is much further out.

**CHAIR**—What does an outer ring-road involve exactly?

**Mr Crockford**—That is a road that picks up the Old Coast Road north of Bunbury and takes it to the southern side. Having the port access road link into that would enable us to pick up truck traffic from both the north and south of Bunbury before it gets into the Bunbury area, divert it around the residential areas and have it come straight into the port without getting mixed up with all the local traffic. We see that as a way of farming that heavy transport into a dedicated road.

**CHAIR**—What is your situation with rail?

**Mr Crockford**—At the moment we are doing a fair bit of work on rail within the port—not so much feeding into the port from Brunswick to the port but looking at additional rail loops and unloading facilities for coal.

**CHAIR**—Where does your rail come from? Does the alumina get to the port by rail?

**Mr Crockford**—Yes, all the alumina and the caustic go out by rail.

**CHAIR**—That comes from?

**Mr Crockford**—Either the Worsley facility or Pinjarra.

**CHAIR**—How far away are they?

**Mr Crockford**—I cannot give you the distance.

**CHAIR**—In kilometres, roughly.

**Mr Crockford**—They are on this side of Perth. Worsley is up on the hill, up around Collie; I suppose that is 50 to 60 kilometres.

**CHAIR**—Is that narrow gauge or standard gauge?

**Mr Crockford**—That is narrow gauge.

**CHAIR**—Does that handle it quite efficiently?

**Mr Crockford**—I really do not feel that I am in a position to answer those questions thoroughly. It is an area that I—

**CHAIR**—Are they talking about doing the coal in narrow gauge?

**Mr Crockford**—That is my understanding of what the plan will be.

**Mr SCHULTZ**—The port is described as a pivot point for the distribution of products from the south-west region. Is there an intermodal facility in or near Bunbury? If not, do you see a need for such a facility?

**Mr Crockford**—There is not an intermodal facility near Bunbury. Without containers in the port, which is something that is an ambition of the port, that is possibly not such a significant issue for us at the moment. With most of our containers, there is a rail siding at Picton. Containers get put on trains at that point to go to Fremantle, and there is also a lot of road transport of containers up to Fremantle. That is something that probably needs consideration in terms of that material going up there—whether we could be exporting it more efficiently out of Bunbury.

**Mr SCHULTZ**—Do Bunbury and Fremantle compete for freight traffic or do they tend to complement one another?

**Mr Crockford**—I think there is a monopoly that has been brought about by distance. We are not directly in competition, but with people who are in a location where they could either go into Fremantle or come down here we obviously compete for that. An example of that would be Tiwest. They used to export out of Fremantle and they now export out of Bunbury. Some of that goes, I believe, to the utilisation of facilities—how heavily utilised they are and what sort of demurrage they may incur in terms of getting their cargoes in and out. A movement like that is possibly a reflection of better overall utilisation of the infrastructure. It is not necessarily competition. It is just that, if we have the capacity down here, that gives them a cheaper route to their market in terms of not incurring demurrage and delays; it gives an overall optimisation, I suppose, rather than direct competition.

**Ms HALL**—I noticed that in your presentation you mentioned that the outer ring-road, the linkages to it and the 100 per cent increase—your prediction—over the next few years would lead to road congestion. Could you explain that for us a bit? Whilst you are explaining it could you identify issues that we as a committee need to look at, because that impacts on the terms of reference of this committee.

**Mr Crockford**—I would imagine when you came into Bunbury last night or yesterday you would have entered via the big Eelup roundabout. Currently all the truck traffic that comes into the port basically goes around that roundabout. Robertson Drive joins the highway in the Hay Park area, so that is pretty much in the middle of Bunbury. All the south sourced traffic comes along there and hits that roundabout. The guys coming from north—the silica sand people, what

have you—come down the Australind bypass and all converge on that one roundabout which is pretty much a major roundabout for private use in the port. Having traversed that then they have to turn right against another main feeder for the city. That traffic conflict just on our local roads is significant. Also one of the plans is that, when WAPRES get their chip mill up and running, there will be some logs returned by rail from Greenbushes. That went more to regional roads and the amount of heavy haulage on regional roads and getting some of that back onto trains to take some of that conflict out as well.

**Ms HALL**—Is there a need for a designated freight corridor?

**Mr Crockford**—Again, the state has done some good planning in this 2030 document in terms of identifying a rail corridor into the Kemerton industrial area. There is a well-defined rail corridor into the port as well as a port access road and a ring-road. I think the definition of those corridors has been done well. It is a matter of getting the funding and implementing the infrastructure development.

**Ms HALL**—I noticed also in your presentation you mentioned that Panamax vessels were partially filled. To what percentage can you fill a Panamax and still get it in and out of the harbour? You indicated that there would be a need for some deepening of the harbour—could you tell us about the plans? Also could you tell us how the current restrictions impede the maximum utilisation of the port and what that means to those companies which use the port?

**Mr Crockford**—I said that with a 12.2 metre draft we can get a maximum of somewhere between 60,000 and 65,000 tonnes on a Panamax vessel. We then rely heavily on sailing with the top of the tide so that we can get those out safely. That can mean vessels waiting. To go to 15 metres would enable us to fully load a Panamax vessel and there is talk of mini Capes or 240-metre-long vessels—the Panamax being about 225 at its maximum length—being able to come in if we can get 15 metres of draft. We would get 75,000 to 80,000 tonnes on those. We could fully load a Panamax at 15 metres. It would get us up into those sorts of numbers for cargoes. That has advantages to the customer in more fully utilising the vessels, so they will end up with cheaper freight rates. It is also about the utilisation of the berth if we do not have to wait for tides and spend time piling up those vessels in and out and then tying up and setting up the ship loading equipment. You can actually get a higher tonnage through your port overall for the same land based infrastructure by using fewer vessels to do that.

**Ms HALL**—Have you developed a plan for the deepening of the harbour and have you also developed a plan that would include the improvements in infrastructure that would be needed so as to fully maximise the port once it was deepened?

**Mr Crockford**—We are currently going through a land use structure plan and alongside that we are doing the technical studies for deepening the harbour. Unfortunately, we sit on basalt, so it is not a cheap thing for the port to expand and/or deepen. Even to get 12 metres of water we have to go into that basalt and drill and blast. We are going through that geotechnical investigation at the moment. We are gathering data to see what is involved in it.

The other thing we are looking at is the maritime guidelines for channel widths to get these larger beamed vessels through. Potentially we will look at the maximum sized vessel we can bring into the port by, I guess, an optimisation of where we expand the port to. We have done

simulation work done at the Australian Maritime College in Tasmania to look at what size vessels we can get at. So we are looking at the technical side of these vessels, their dimensions and their cargoes. From there we will have to move to the economic justification of that.

**Ms HALL**—Do you have any time frames?

**Mr Crockford**—We hope that the geophysical work will be done within the next few months. We will be commissioning economic studies and trade forecasts in the next few weeks to get those numbers up. In absolute terms, we have also had conflict with cargo types on our multi-user berths.

**Ms HALL**—Can you explain that to us?

**Mr Crockford**—With the multi-user berth, we are in the position where we have potential coal trade and an existing woodchip exporter. The woodchip exporter certainly is not comfortable with coal going out on that berth. In fact we are in court over the matter and going through mediation at the moment to try to resolve how we can accommodate both coal exports and woodchip exports. The longer term solution for that certainly rests in having another berth that we can export coal out of.

**Ms HALL**—Is there a plan to build another berth?

**Mr Crockford**—That is part of what we are doing now, yes. We certainly see one or two more berths being necessary.

**Ms HALL**—Time frames?

**Mr Crockford**—I would hope we would have those up and running in somewhere between four and five years. That sees time for doing economic justifications, finishing our engineering studies, going through environmental approvals and getting sea-dumping permits and the like. I suggest that the construction time for the berths themselves would be somewhere between 12 and 18 months. But that will be on the end of that process.

**CHAIR**—While we are on the point, what is the estimated cost of that?

**Mr Crockford**—If we were to go to 15 metres with Panamax sized vessels, we would be looking at in excess of \$200 million.

**CHAIR**—You were talking about new loaders. Does that include those?

**Mr Crockford**—They are feasibility type study numbers that would have a new loader in that value.

**CHAIR**—As part of that overall profile?

**Mr Crockford**—Yes.

**CHAIR**—Is new wharfage required?

**Mr Crockford**—Certainly that would be in that number too.

**CHAIR**—And you can do the lot for \$200 billion?

**Mr Crockford**—It would be in excess of \$200 million. We are still getting those numbers together, so I suggest that would be the lower end of it.

**Mr HAASE**—Along the same lines, we had fair discussions with the port of Geraldton yesterday about the cost of their deepening. They were talking hard limestone; you are talking basalt. They were talking about double the price that you are suggesting including the wharfage facilities. I think you might be aiming a bit low. Have you looked at the experience of Melbourne port and the problem they had with environmentalists in relation to drill and blast?

**Mr Crockford**—We have not specifically addressed that with them. We are moving into our environmental studies at the moment. Certainly we understand the difficulties they have had with their rock removal. I suppose some of the difference for us is that it has been done twice in the past here. I believe that, with a tightly spaced drill pattern and letting off small charges, we can manage blasting in the port.

**Mr HAASE**—I suggest you do it sooner rather than later as the tide of public opinion changes. We know a little about alumina, of course, but I know nothing about the form that it is in when it is exported. What is it, a granule, a powder?

**Mr Crockford**—It is a white powder.

**Mr HAASE**—There is caustic coming across the wharf. Is that inwards?

**Mr Crockford**—Yes.

**Mr HAASE**—Where is it coming from?

**Mr Crockford**—I am not sure, to be honest. I cannot tell you off the top of my head.

**Mr HAASE**—But it is all going to the alumina producers.

**Mr Crockford**—Yes.

**Mr HAASE**—Is there a safety risk with the shifting of caustic?

**Mr Crockford**—It is a material that has to be treated with due regard. It comes in on special tankers, is pumped through special pipelines into the caustic storage on site and is loaded through dedicated facilities on rail. So yes, the alumina people are very aware of the hazards with caustic. It is going across private facilities, so the port is not handling that material. The two alumina organisations handle that.

**Mr HAASE**—Does the figure of 12.2 million tonnes per annum refer to exports or total movements?

**Mr Crockford**—That is the total. About one million tonnes of that is imports.

**Mr HAASE**—Okay. So the lion's share is going out.

**Mr Crockford**—Yes.

**Mr HAASE**—And you said, I believe, that the alumina is all coming in by rail?

**Mr Crockford**—That is correct.

**Mr HAASE**—Have you done a study of the movements of trucks—the tonnage and number of trucks, and the frequency of those movements?

**Mr Crockford**—Not in my time at the port. I have been there about nine months, and I am not sure what has happened in the past with that. From where we are sitting on the moment the answer is no, we have not. But we realise that the congestion is there. Some of the WAPRES numbers show the number of movements they will have. Looking forward to coal: to bring any appreciable tonnage of coal in by road will not stack up.

**Mr HAASE**—Are you suggesting there is no facility presently—even narrow gauge—for the shipment of coal?

**Mr Crockford**—No. We have rail coming in. It is a matter of—

**Mr HAASE**—Why would additional coal not come in on rail?

**Mr Crockford**—It could. It is matter of how much we can get on those feed lines into the port. We certainly do not have a coal rail siding or loop on the port to handle that material, and we could not put it through the same system as the alumina guys. At the moment we are working with the rail people and the coal companies on what a coal loop may look like within the port and what discharge and stockpiling facilities we would need on the port. We are doing that work now.

**Mr HAASE**—Okay. The coal is the proposed business, and what is the existing business? What is the product you are shifting? You said there was a conflict between coal and the existing—

**Mr Crockford**—Woodchips.

**Mr HAASE**—Do the woodchip exporters have any contract for exclusive use of that particular berth?

**Mr Crockford**—I guess that is where we are going to with our court case: what rights they do and do not have in terms of a multi-user berth.

**Mr HAASE**—So the future viability of any coal exports might have to withstand the capital cost of berth and facilities?

**Mr Crockford**—Certainly, to get anywhere near three, four or five million tonnes of coal out a year. We would not fit that through the facility now anyway.

**Mr HAASE**—And, at that level, I would propose that you would consider rail to need a major re-routing of rail to accommodate a new berth and therefore keep trucks off the road.

**Mr Crockford**—For those sorts of tonnages of coal, we would be happy to rail a substantial proportion of—

**Mr HAASE**—This is the sort of thing that might be highlighted in the document that you prepare for the chair. My initial reaction on hearing that you are looking at a port access road and suggesting, I suspect, that that ought to be funded by the federal government—it is a state port—is to wonder about your rationale. If you have done the tonnages, what for instance is your proposed tonnage export in 20 years? Do you have such a figure?

**Mr Crockford**—No, I do not have that. As I say, we are looking at potentially doubling what we are doing now within five to 10 years.

**Mr HAASE**—So, around the 25 million tonnes per annum?

**Mr Crockford**—Yes.

**Mr HAASE**—It is just that you would need to demonstrate the cost-effectiveness of any provision of additional road facility.

**Mr Crockford**—Certainly. We are already bringing in about two million tonnes per annum on road. If coal came in, I am certain that they would want to do something about flexibility, schedules and what have you—bringing a certain amount of coal in by road. If the copper concentrates from Boddington come in, there is potentially another 250,000 tonnes of material there. Whether that would be on road or rail is open to question. But from where we are now there is a lot of material still coming into the port by road. A doubling of the road freight task is not a huge increase from where we are, because there is so much material currently going on rail.

**Mr SCHULTZ**—On that point, how is that increase in tonnage on roads going to affect the attitude of the community to more and more heavy vehicles using the road network?

**Mr Crockford**—The residents are not particularly enamoured with the idea of the current level of trucks coming into town, particular to the outer harbour as they come along Koombana Drive and basically through the centre of town. There has been a fair bit of pressure on the exporters about those trucks. General truck noise and movements around the town are not popular.

**Mr SCHULTZ**—What is the capacity of the current road infrastructure to be able to carry that additional weight? Are there any discussions with regard to the possible damage to the road system?



**Mr Crockford**—Certainly the local councils are seeing that in terms of the smaller mining projects that move into various areas of the shires and come out onto haulage there. We are seeing the increase in traffic within our own port roads. Truck movements within the port are causing damage on our roads, so they certainly would be flying through.

**Mr SCHULTZ**—Is there any problem with the current rail infrastructure and its ability to take on the additional tonnage and move the tonnage away from road to rail?

**Mr Crockford**—I do not feel I am really qualified to talk that much on narrow gauge versus standard gauge. I know there are views on that, but it is certainly an area I have not embarked into yet. From my observations, train length and number of trains are going to cause issues. If we get coal, we need another loop within the port and then flying back out into Estuary Drive, which is quite close to the end of the in-harbour basin. If we go on a tour, I will show you that this afternoon. Trains are starting to impact private vehicle use there. Coupled with the first stage of the port access road and bringing trucks on there, there will be more interaction between that and the public. There is an alternative route, which will cause further congestion on that road, and there will be intersection upgrades and what have you required as a result of diverting that traffic onto the Australind Bypass.

**Ms HALL**—In your presentation you mention buffers. I got the impression that there were some issues surrounding that, and I was also wondering whether there were any issues generally within the community about expansion of the port.

**Mr Crockford**—You have talked about other regional ports, and Bunbury shares the same problem with a lot of ports around the country: the city has grown closer to us. Some of the residents were close to start with, but certainly we are seeing residential development come closer and closer to the port. Issues of noise, dust and operations at night are concerns for the community. Where we can, we put buffers in place. Where there is existing residential housing, that sometimes is difficult for us. But certainly some of the infrastructure planning in terms of access routes has provided buffers. I know the state government has spent money with developers to ensure that residential development has not come right up to some of those port access routes. There has been a combination of planning in advance and funding to ensure that does not preclude the use of these areas. The port is pretty much surrounded by residents and that does cause us issues.

**Ms HALL**—So there are no curfews or restricted access?

**Mr Crockford**—No. At the moment we are basically 24/7. There are a couple of cargoes that we do not load at night. Scrap metal goes out of the port and we restrict that to seven till 10 at night. We do not load that around the clock. Unfortunately that gets loaded on the Bunbury side of the port. In terms of other restrictions, the alumina guys will voluntarily stop loading if the wind is in a certain direction.

**CHAIR**—They will stop loading if there is a wind problem—

**Mr Crockford**—If the wind direction and strength is such that it could cause problems to the community. They have taken that on, and other maintenance activities and what have you are

carried out during daylight hours. Quite a few of the operators have modified their loading and yard practices to try to reduce as far as possible the impact on the community.

**CHAIR**—Do you have any trouble with coal dust?

**Mr Crockford**—We have not actually exported any coal out of the port. Management of coal will be a significant issue, and the management of dust—

**CHAIR**—But the problem you have with woodchip is a theoretical one at this stage?

**Mr Crockford**—I think it is a bit more than theoretical, as we are in court.

**CHAIR**—If you are not exporting any coal, how do we know it is going to be a problem?

**Mr Crockford**—In terms of the conflict?

**CHAIR**—Yes. Is having coal on site a contamination problem for the woodchip?

**Mr Crockford**—Carbon contamination in their woodchip, they believe, will lose them markets and they will be out of business. In their minds it is a very serious issue.

**CHAIR**—I see. Have you done any test loading of coal?

**Mr Crockford**—We have run one trial. It was just before I came to the port actually, so I did not see it. We tested it over the conveyor system that will be used on berth 8. My understanding is that, with some modification, that could be a satisfactory system for loading the coal.

**Mr HAASE**—Do you feel that we have an anomalous situation here? I have a lot of towns wanting a lot of people. It strikes me that you are handling delicately those persons that might complain about port infrastructure. Their very existence is probably due to the existence of the port infrastructure. Does it strike you as a bit of a conundrum?

**Mr Crockford**—It is a conundrum, but in the world we live people have expectations about the impact ports and industry will have upon their life. It is a reality of working in today's world. We need to address it as far as we reasonably can, but sometimes it does make you scratch your head.

**Mr HAASE**—They could get a good night's sleep in Marble Bar.

**Mr Crockford**—I think the vast majority of people in Bunbury and the city council recognise the importance of the port. A lot of the people who will complain about the operations of the port will also say, 'We know the port is important, but can you please not have an impact on us.'

**Mr HAASE**—Thank you.

**CHAIR**—Thank you, Mr Crockford. We will see you again this afternoon and we will be able to put some of these things into perspective. We will be sending you a copy of the *Hansard* draft for any editorial corrections.

**Mr Crockford**—Thank you for the opportunity.

[9.42 am]

**LEWIS, Mrs Vanessa Anne, Principal Policy Officer, South West Development Commission**

**PUNCH, Mr Donald, Chief Executive, South West Development Commission**

**CHAIR**—The committee welcomes representatives from South West Development Commission. We will not be asking you, Mr Punch or Ms Lewis, to give evidence on oath, but I have to remind you that these are hearings of the federal parliament and consequently warrant the same respect as proceedings of the House itself. It is customary to remind all witnesses that the giving of false or misleading evidence is a serious matter and could be considered a contempt of the parliament. Having said that, you are most welcome. Are you going to lead, Mr Punch?

**Mr Punch**—I would like to make a few brief comments and then perhaps answer questions.

**CHAIR**—Please keep your opening comments to about five to seven minutes.

**Mr Punch**—Excellent. We would like to provide a written submission to the inquiry as well.

**CHAIR**—Have you got that with you?

**Mr Punch**—No. We will be presenting it separately. The South West Development Commission is a state based agency charged with facilitating the coordinated development of the south-west region. We appear today out of our interest in the south-west as a major growth centre nationally. We are currently probably the third or fourth fastest-growing region across the nation. Our population currently is 140,846. We have a growth rate for 2004-05 of around 3.3 per cent. Over the period 2000 to 2005 that has averaged 2.2 per cent.

We are a high-growth region from a population point of view. We also have a very diverse economic base. Interestingly, I have some statistics that Gary may have alluded to in relation to the previous submission, on minerals particularly. South-west major industry currently supplies 30 per cent of the world's tantalum, 60 per cent of the world's lithium minerals, 20 per cent of the world's alumina, 32 per cent of the world's zircon, 24 per cent of the world's rutile and 20 per cent of the world's ilmenite. So the region is a major minerals producer. That contributes around \$1.9 billion to our regional economy. The gross regional product was estimated at \$5.9 billion in the last financial year, so it is a significant contributor. Woodchips, particularly plantation woodchips, are emerging as a major export commodity as well. We estimate that up to 1.5 million tonnes of woodchips will be exported through the Bunbury port at peak production.

The majority of that population growth that I spoke about, and the population base, is centred around the greater Bunbury region and immediately impacts in its relationship with the Bunbury port itself. The Bunbury port is probably the single most visible industry based within that area. As a consequence, there is a potential for constraints between population growth and port related activities. In particular, the transport routes into the port are a major concern. Our major

transport links through to the port are via the South Western Highway, the Bussell Highway and the Australind Bypass-Old Coast Road.

All of those routes tend to converge at the Eelup roundabout, which is a major interchange at the entry to Bunbury. So it is a conflict for freight traffic entering the port by road, as well as for passenger traffic—particularly for traffic coming into Bunbury but also for the significant number of visitors to our region who travel south into the Margaret River region or into the inland areas of the timber forest country of Manjimup. Those movements can equate to up to 30,000 persons in visitor numbers alone over a peak summer period. Over a year we might have three million visitors, translating into five million visitors staying overnight. So we have a significant amount of traffic movement into the region.

With those sorts of figures, the south-west region is a major exporter of bulk and containerised product. In 2001 the region generated 14.6 million tonnes of freight, with 86 per cent of that exported through the Bunbury port and 14 per cent moving out of the region as containers through Fremantle. Currently all container movements are by road. The major freight routes, as I mentioned, are the South Western Highway, the Bussell Highway and the Old Coast Road. The conflict essentially begins to make itself manifest at the Eelup Rotary roundabout in Bunbury, where there is that ongoing conflict between passengers and freight.

Over the next few years we are looking at expansions of our minerals base particularly. You have heard evidence from Mr Crockford in relation to the potential for coal exports, but we also have proposals for an expansion of Worsley Alumina from 3.7 million tonnes per annum to 4.4 million tonnes per annum. Alcoa are proposing an increase to 4.7 million tonnes per annum. So those alumina bulk movements are going to increase significantly. In 2004-05 it was estimated that 143,000 full containers were exported through Fremantle. Of those, 34,000 originated from the south-west region. So we are a significant contributor to the Fremantle port's export volume of containers. Intermodal options provide a basis for moving—

**Ms HALL**—So the vessels are partially filled here, then move on to Fremantle. Is that what you are saying?

**Mr Punch**—Yes. Of the 143,000 full containers that were moved out of Fremantle in 2001, it was estimated that 34,000 originated in the south-west. So they would have been transported by road through Bunbury, along the Old Coast Road and into Fremantle. Intermodal options have been examined for moving road transport onto rail as a basis for looking at efficiency improvements and reducing the impact on roads. With the exception of logs for processing, the majority of Bunbury port exports are currently transported by rail, whilst all containers are exported by road. Many contractors within the region are tied in to long-term haulage contracts, so there is a considerable investment by existing transport operators with road infrastructure.

In developing intermodal options, the SWDC acknowledges the following points are relevant. An intermodal terminal is a place in the market, so it must be located to offer value to customers. There is no point in having such a terminal off the supply route. It is an element within a supply chain which competes with other chains, in particular direct road transport. The terminal must offer value, as must the whole of the supply chain, to the exporter. And terminals should operate as a business entity and provide a commercial return. Therein lies a conundrum for our region, because our export of containers particularly is full containers. We do not have high volumes of

full import containers, so in essence the exporter has to pay the round trip journey for a container from Fremantle down into the region and back out again. So, from a commercial return point of view on an intermodal freight facility, the additional costs of translocating those containers and the capital costs of the facility would essentially be borne by exporters in the region, not people who are necessarily bringing imports into the region, because we do not have that import capacity.

In examining intermodal opportunities, a critical factor is a lack of import volumes to defray rail costs, but a second issue relates to the capacity of the track to support more than two additional trains per day. Because of the timing of those trains, it would lead to a double-shifting of staff in an intermodal facility. So our costs would actually increase as a consequence of the capacity of the existing rail line. A third issue is the cost of intermodal transfers, which are estimated at around \$100 per 20-foot container. So, from an intermodal point of view, we would certainly have to look at defraying that cost by cheaper rail transport if it is going to compete with road based facilities.

All of that suggests that, in our region, an intermodal transfer facility is a hard issue to get up on an economic basis. But, with the growth of the region and the perception of the port from a public point of view, and people's immediate perceptions of road based freight haulage, there is a broader community consideration to be taken into account. That is essentially the viability of us being able to manage large volumes of freight through an increasingly densely populated area, and that may well require some form of broader cost sharing or analysis of the social benefits and the social costs associated with trying to improve efficiency on an intermodal basis.

The best option for the south-west in the future is to examine options for using existing infrastructure where possible—and we do have facilities at the Picton rail terminal—and adopting an incremental approach to development based on the growth of the region and increased demand for import container volumes. Long term down the track, it may be possible to facilitate Bunbury as a container port. That is certainly something that we believe many local suppliers would welcome, provided the service was a consistent, reliable service that could meet time lines. Otherwise, we are faced with the critical issue of increasing population not only in the south-west but right along the major freight routes into Fremantle at Mandurah, and notwithstanding the commitment on the Peel deviation. That is going to continue to be a significant issue for us into the future.

**CHAIR**—Thank you for that. You have given a very good profile of the district, and I think you recognise that the main thrust of this inquiry is the arterial road and rail systems and how they connect to the port. You seem to be in a unique sort of situation here insofar as you need rail for bulk commodities short haul. What are the economics of the rail in terms of getting product to Perth, and what is the condition of the line between here and Perth or Fremantle?

**Mr Punch**—The line is a narrow-gauge line. I am not in a position to comment on the standard of the line, but it currently carries freight, predominantly alumina, from the northern parts of our region, and from the Peel area, down to Bunbury. And it carries a passenger rail service, which has four journeys per day. Currently the volume of freight that is coming down the line does conflict with journey times on the passenger rail service, and there has been a particular need to examine the options for dualling of the railway line between Brunswick and the port itself, principally because we have volumes of product coming down from Worsley.

**CHAIR**—How far up the track is that from here?

**Mr Punch**—It is about 27 kilometres.

**CHAIR**—How much duplication is required?

**Mr Punch**—That particular length is where the rail track joins from Collie, bringing alumina from the Worsley production process, and that meets with alumina coming down from the north.

**CHAIR**—So it cannot be done with passing loops. It needs a duplication.

**Mr Punch**—There is an examination of passing loops. We have not seen the figures on that. The critical issue really has been environmental consideration along the side of the railway track as well. There have been rare species of flora found, predominantly growing in the wetlands that have developed with flow-on from the ballast of the railway lines. That has been an ongoing issue for us.

**CHAIR**—But come on—we are talking about an extra narrow-gauge track. We are not talking about—

**Mr Punch**—I am talking about a serious issue that did develop with Environment Australia in terms of the feasibility of that track. There has been considerable investment in looking at opportunities to address that issue.

**CHAIR**—What is the rail connection south of here? Is this the end of the line or does it go on further south?

**Mr Punch**—There is a connection that extends as far as Manjimup. That has been an uneconomical rail route in the past for woodchips. The predominant woodchip company using it, WAPRES, has utilised that line for social reasons more than economic reasons. That has not been able to be sustained until recently. There is now an opportunity to look at an intermodal transfer point at Greenbushes to consolidate log material at Greenbushes onto rail and remove it from road. In the past, material has been chipped in the southern parts of the region and transported to the port by rail. That ceased some 12 months ago because it was essentially uneconomical. The state is now looking at supporting an intermodal transfer facility at Greenbushes to consolidate the haulage of logs to the port for processing at the port.

**CHAIR**—And the passenger service is purely from Perth to Bunbury?

**Mr Punch**—Yes. It has been in the past purely freight on that southern line and only woodchip material. There is no other product that can be supported on rail.

**CHAIR**—Is there a train line to Busselton?

**Mr Punch**—No.

**Mr HAASE**—You spent quite a few moments of your introduction on intermodal terminals. Part of the task of this committee, of course, is to consider the efficacy of intermodal terminals. I

listened carefully and I did not hear you conclude by saying that you were in favour of or not in favour of an intermodal terminal for the area.

**Mr Punch**—That is essentially because our board still has not formed a final conclusion on that question. In terms of a greenfields site for an intermodal facility, there are considerable capital costs associated with that. It is unlikely, based on the present economics of freight, to yield a commercial return or to break even. There are options to look at whether existing facilities at Picton could be modified. That might provide an incremental approach to moving freight onto rail at lesser cost. But the economics of that still need to be reviewed by my board. In a long term, we would see an opportunity for containers to move out through the Bunbury port provided the economics of that could be addressed effectively. We see Fremantle essentially becoming more constrained in terms of an outlet for south-west product by container.

**Mr HAASE**—How long have you been considering the question for?

**Mr Punch**—We have been considering the question for about six weeks, since we had some additional information come in.

**Mr HAASE**—It is a costly operation from a capital investment perspective, but, as far as serving the freight task, it can be very effective. I am interested in your comments about the rail to Manjimup. You said that there are social drivers. Can you be a bit more specific?

**Mr Punch**—Yes. The south-west has the major centre of Bunbury here and a very strong growth area around Bunbury. But it is also a region that is based on very buoyant and strong smaller village communities. All of those live along the major arterial routes. Along the South Western Highway we have Donnybrook, Balingup, Bridgetown, Greenbushes and Manjimup itself as principal population centres. The rail runs through the centre of those towns, as it does through most country towns, and the main road runs through the centre of those towns. All of those towns have a growing lifestyle population and a growing reliance on tourism and visitation as part of their local economic base. Large numbers of B-double truck movements through the main streets really work against the future of those towns from a local point of view. There are local economic and social drivers in terms of public amenity.

**Mr HAASE**—Does the state government exercise any mandate over the choice of rail versus road in such situations?

**Mr Punch**—Not that I am familiar with, no.

**Mr HAASE**—Perhaps that would be a solution to overcome that battle.

**Mr Punch**—The solution so far has been to look, firstly, at how we can move the majority of freight transport, which is predominantly woodchips through the inland route, onto rail. Secondly, it has been to have discussions with communities such as Bridgetown about how to divert remaining freight traffic, which might be agricultural based—there is a large volume of horticultural product coming out of Manjimup—around the outskirts of town without losing the private passenger vehicle movements. The traditional solutions of bypasses are not effective for the majority of towns, but developing dedicated freight routes so that you separate passenger vehicle traffic and freight traffic might be an opportunity for a community like Bridgetown.



**Mr HAASE**—Thank you.

**Ms HALL**—From your presentation, and looking at the terms of reference of this inquiry, I get the impression that connectivity relates not only to Bunbury but very much to Fremantle. Would that be right?

**Mr Punch**—Yes. In terms of our freight task, we have an integral relationship with Fremantle. Our bulk product goes out through the Bunbury port. Our value added product, in the sense of manufactured goods or timber products that are prepackaged or horticultural product, is entirely distributed through the Fremantle port to the international market.

**Ms HALL**—Would you please give me an idea of the percentage of this region's products that go out through each port?

**Mr Punch**—In terms of the total export amount, we have an estimate of 86 per cent of freight exported from the Bunbury port in bulk form and 14 per cent moving out of the region as containers and through Fremantle.

**Ms HALL**—Can I get a little bit of information about the demographics of the area and the employment level?

**Mr Punch**—I do not have the precise demographics with me, but I can go from memory. Our population, as I mentioned, was estimated at 140,846 in 2005. That is the latest estimate. In 2004-05 there was a growth estimate of 3.3 per cent for the region, and in the period of 2000 to 2005 it was sitting at 2.2 per cent. The latest employment figures, from memory, record an unemployment rate of 4.5 per cent, but I would need to confirm that. The predominant population growth is along the coastal strip through from Australind just to the north of us down to Busselton, but there has been significant recent growth in Harvey, which is our northernmost shire and town, and there is significant growth in the inland areas. That principally seems to be driven by investment and lifestyle investment. The real estate markets in Collie, Boyup Brook, which is our easternmost town, Bridgetown and Manjimup are all very buoyant, with very little housing available. So the indicators generally suggest strong future population growth for the region.

**Ms HALL**—And the age of the population?

**Mr Punch**—I could not give you precise figures on the age, but there are certainly a ballooning of seniors and a strong young family component in the demographics.

**Ms HALL**—Now that I have that picture of your community, could you tell me whether any conflict exists between the industries in the area and the lifestyle issues that have attracted people to this region?

**Mr Punch**—The region has a land area of about 24,000 square kilometres. A lot of that is national park and reserves. The amount of land that is available for industry and for different uses by people is pretty constrained and it leads to localised conflicts. Having said that, the majority of our major industry lives very well alongside communities and is very integrated into communities. People see the potential for employment, for training, particularly for young

people, and to retain young people in communities. I think there has been considerable investment by industry into developing a positive relationship with people. That does not take away the fact that we do have conflicts. We have conflicts with Alcoa's potential expansion and the community at Yarloop, but those are things that, as with most locations, you work through.

**Ms HALL**—One of the conflicts you mentioned was the trucks travelling through the towns. Possibly another conflict that I picked up on is that of freight and passenger transport. I think those are the kinds of conflicts that we are very much looking at within this committee. We are looking for some innovative ways to get around or resolve those conflicts. Is there any planing in relation to developing solutions to those problems? If so, has there been costing for those plans and how far down the track are they?

**Mr Punch**—There are probably three responses I would like to give to that. The first is that the freight industry are aware of the conflicts they have with the community and are looking at ways in which they—as distinct from an industry such as Worsley, as a producer of product—can develop their relationship with the local community. That could range from arrangements such as VHF radios to connect them with school buses, so they can minimise those sorts of conflicts, through to other actions they can take to minimise their impact.

The second issue is: how do you make a seamless approach to freight so that there is minimal visual impact on people who are using the roads for other purposes? Currently when we have a confluence of trucks that arrive at the Eelup roundabout in Bunbury it becomes a very visible issue in the community's minds. They see the number of trucks. There is a perception of risk, a perception of danger, and that escalates people's perceptions of freight as an industry in our region. Our approach to that has got to be: how can we get traffic in and out of the port and how we can get product in and out of the port in a way that is less visible to the community through dedicated freight routes? The Bunbury Port Authority provided information in relation to the port access route—that is one option—and the potential for an outer ring-road around Bunbury complements that option.

Looking at road to rail options is another way to proceed. For our region and for the size of our region, we need to balance those investments in a way that we can manage the conflict between freight industry and community amenity as opposed to thinking purely in economic terms about the rate of return on a particular freight issue. There is one argument that says that industry should bear the costs of that, but there are other returns that might accrue to government that would justify the investment in those sorts of facilities or that infrastructure by virtue of having less conflict between the community and both industry producers and freight operators. If Worsley have a major drama with freight into the Bunbury port and it results in community perception about Worsley, they will think twice about their future expansions in this region. So it is in our interests to make sure that that freight task is as seamless as possible.

**Ms HALL**—The previous presentation mentioned AusLink. Would you like to make any comments on AusLink from your perspective?

**Mr Punch**—With reference to your earlier question, I think the planning that has taken place is very clear about what some of the options are and what the costs and benefits are. Financing of infrastructure provision is our critical issue. I have not got a specific comment on AusLink as

such, but in general the biggest issues facing state, Commonwealth or regional development agencies like us is not so much the planning of infrastructure, it is the future financing of it.

**Ms HALL**—Obviously, when it comes to infrastructure, there is a role for all levels of government. What roles do you see for local, state and federal government in relation to this inquiry and your region?

**Mr Punch**—The only pathway forward is a collaborative approach, in my view. I think the unique growth characteristics of this region, combined with the unique export challenges that we face as a region—and that is not only in the quantity of exports; it is the value of exports and the future sustainability of exports—mean that there is value in having state, Commonwealth, local government and industry stakeholders come together and really analyse this issue and look at what the best pathways forward are in respect of the various roles of those bodies: whether there are industry contributions to be made, whether there are efficiencies for the freight operators themselves or whether there is capital investment required from a state and Commonwealth perspective. At least there could be a clearer understanding of the contribution of each of those layers of government. I think currently there is some confusion, certainly within the public's mind but also in the minds of industry and some agencies, about the respective roles.

**CHAIR**—So your commission would support an AusLink corridor to Bunbury?

**Mr Punch**—Absolutely. The essence behind all of our submission is the clarity of those freight routes within the region, from other regions such as the Peel into our region for the Bunbury port—because it is the major port access point south of Perth—and also for our value added products that go out by container into Fremantle.

**Mr SCHULTZ**—I want to refer back to the information you gave with regard to the three per cent annual increase in population in the region. Obviously that has been brought about by a significant expansion in investment which in itself creates employment opportunities. What demands is the rapid increase in population putting on current networks and on what appears to be much needed investment in infrastructure expansion?

**Mr Punch**—If I might clarify the 3.3 per cent: that is the figure across the whole of the region. In this node of greater Bunbury we are looking at population growth in the order of 5.5 per cent. So we have a particular cluster of growth at the bottom of the Old Coast Road. In terms of the impacts of that growth, last Friday I was going to Perth and it took me an hour to get through the Mandurah section on the return journey simply because of traffic volumes with the number of vehicles moving south. Our South Western Highway and our Old Coast Road as northern access points are well and truly at and above capacity now. The exit point to the south, which is the Muir Highway, leading to Albany, is certainly well over capacity in terms of its movements. The potential for that growth that I have been speaking about, which is compound growth, is quite extraordinary in its total impact on infrastructure. I am sorry—I just lost the tail end of your question there, Mr Schultz.

**Mr SCHULTZ**—What threat does that rapid increase in population bring, in your opinion, and how is it going to affect the investment in infrastructure expansion?

**Mr Punch**—I think there is enormous risk associated with that. Having said that, there has been some very good planning in the region both for industrial estates and for transport corridors, and, in relation to the port's own strategic future, in acquiring land around the port as a buffer, as far as possible, from residential growth. But, having said that, there is very significant growth in Australind and very significant growth in the areas of Eaton and Dardanup. We are already getting requests from the Shire of Dardanup to consider converting some of the land earmarked for industry growth to residential growth. So the potential threats are there in population growth.

**Mr SCHULTZ**—I may have misinterpreted what you said, but I think at one point you referred to some environmental concerns. That is disturbing in that there is recognition from everybody that this committee has spoken to across this region of the need for significant expansion of infrastructure—road, rail and port. Can you expand on that? How serious an issue is it? It is an issue that can turn a lot of investors away from forward planning of infrastructure centred around the raw resources that you have available.

**Mr Punch**—It is a very significant issue. I refer to it in relation to the potential dualling of the railway track from Brunswick to the port. In terms of biodiversity hot spots, we have an enormous number of wetlands in our region. Notwithstanding that, from an environmental perspective, people who have a very strong view about the environment take a very strong view of the precautionary principle. On that basis, very little would happen within our region. The commission holds a view that there needs to be a sensible balance between the economic needs of the region, the human needs of the region and the region's environment. In some cases, that will require both costs and benefits. You cannot put a piece of infrastructure in place in our region without having some impact on the environment in some shape or form. It is a matter of perhaps reassessing how we make the judgments about what is an acceptable risk to the environment and what is not and how we can weigh that up in relation to the economic returns to the region as a whole.

**Mr SCHULTZ**—Picking up the issue of the wetlands that you just raised, are the major roads and indeed the major rail networks in the south-west region all-weather or are some of them subject to closure in heavy weather?

**Mr Punch**—The major arterial routes are not subject to closure. I certainly cannot recollect any situation where weather has impacted to that extent. Certainly some of the local roads that provide an arterial feed for a particular product can be subject to weather closures, particularly in the lower half of the region.

**CHAIR**—We have touched a lot on commercial products and the potential of coal and so on, in your submission and the port authority's submission. What is the agricultural profile beyond woodchips?

**Mr Punch**—Again I am recollecting the figures here, but I believe agriculture makes a contribution of about \$500 million per annum to the region's economy.

**CHAIR**—Are there wheat exports from the port?

**Mr Punch**—No, it is horticultural products and fruit products. Dairy has diminished considerably, but there is still a dairy industry in the region. But it is primarily horticultural production of various forms and wine and grape production.

**CHAIR**—Is any of that exported?

**Mr Punch**—The wine industry is certainly a major exporter out of the region. A lot of horticultural product is exported.

**CHAIR**—So they would go through Fremantle?

**Mr Punch**—Yes.

**CHAIR**—I wonder if you would do the same, on a wider scale, as what we have asked the port authorities to do. When you give us the submission, for your region, could you show us with, say, black and red, just to keep it simple—and we will ask all subsequent witnesses to do this—the existing roads and where you think the strategic links or corridors are required, say in red. We will build a profile of this. As I listened to the evidence yesterday and today and in Mackay, Gladstone and Port Kembla, there is a common theme: better arterial access to the ports. I do not mean arterial in the sense of interstate roads but in the sense of going from the major corridors into the ports and around the provincial cities. I think it would be very helpful to us if you could do that. I would be most appreciative.

**Mr Punch**—We do have those maps available and we will include them in our submission.

**CHAIR**—I would like to get them down to this commonality I am asking for. When we present our report, we might go to eight or 10 port cities and say: ‘We can see this common theme. Look at the black map. Look at the red one. Every port has this common problem.’ We have to build a case. You cannot build a case on emotion and you cannot build a case on what is happening in just one port.

For example, so far in this study we have seen some unexpected things. We did not think that dredging would be a problem. In fact, that is not strictly in the terms of reference, but it is an impediment to transport so we can look at it. We have found that in just about every port—dredging or widening of channels or duplication of passing lanes and ocean lanes. We have seen ring-roading of ports and trying to get strategic linkages into ports. They are common themes everywhere. Partly because of the resources boom in Asia and partly because of more recent prosperity, which you have reflected in your submission, we can see that there are some common themes and we can go to government and say: ‘This is there. It has to be addressed.’ Mrs Lewis, do you have anything to add or is there anything that you have picked up as you have listened to us?

**Mrs Lewis**—No, I am very happy with Don’s presentation, thank you.

**CHAIR**—I always give witnesses the opportunity to speak. Thank you for your submission. We look forward to the more detailed submission that you promised at the beginning of your presentation. Thank you very much.

**Mr Punch**—Thank you very much for the opportunity.

**Proceedings suspended from 10.21 am to 10.48 am**

**DURELL, Mr Phil, Woodchip Production Manager, Western Australia Plantation Resources****TELFER, Mr Ian, General Manager, Woodchip Operations, Western Australia Plantation Resources**

**CHAIR**—I welcome representatives of WA Plantation Resources. Although the committee will not require you to give evidence under oath, these are proceedings of the federal parliament and warrant the same respect as proceedings of the House itself. It is customary to remind witnesses that the giving of false or misleading evidence is a serious matter and could be taken as a contempt of the parliament. Would you like to give us a five- to seven-minute overview of your submission before we use the rest of the time for questions and interaction?

**Mr Telfer**—Yes. I will give some very brief background first on the Western Australian export woodchip industry, predominantly blue gums, *Eucalyptus globulus*. I will limit my comments to the south-west, because I understand the committee is in Albany tomorrow and will probably hear from the industry in Albany. The south-west has approximately 80,000 hectares of established plantations and sustainable export volumes of about 1.2 million tonnes through the port of Bunbury. Our company, WAPRES, owns and manages approximately 34,000 hectares and exports approximately one million tonnes per annum through the port of Bunbury. We have been exporting woodchips through the port of Bunbury since 1976: this is our 30th year of exports.

The plantations through the regions—and I have a map, if you want to look at it later—are dispersed on a 600-millilitre rainfall isohyet all centred on the ports of Bunbury and Albany. The plantations have been established on traditional cleared farmland, not on ex-forest land, and these farmlands continue to be serviced predominantly by traditional road systems, local council roads, which in themselves create some of the issues that we face today with the volumes that we are talking about.

In regard to the south-west region, all of those plantations have been grown for the purpose of exporting woodchips to international pulp and paper companies. The available infrastructure feeding the port at the moment is limited to heavy haulage or road systems. The available southwestern rail infrastructure for woodchips is traditionally the Bunbury to Manjimup route of which only about 80 kilometres is nominally serviceable, though not operational at present. There is, however, an initiative between our company, the railway operators, the Australian Railroad Group and the state government to recommence rail operations in due course. Those rail operations would include both woodchip and log material servicing a processing facility to be built at the Bunbury port.

As it stands at the moment, the Bunbury port has no dedicated heavy haulage access. All trucks are required to use existing main feeder roads in conjunction with commuter traffic and other traffic servicing the City of Bunbury. Bunbury port currently, in terms of this year, has approximately 200 export woodchip related truck movements per day—that is 100 loaded movements in and 100 unloaded movements out. Eighty per cent of these movements occur during daylight hours. The multi-combination vehicles, or the heavy haulage vehicles, all require

permits to operate on council roads. Those permits are issued by the main roads department in consultation with councils and it is the main roads permits which limit activity to daylight hours.

The key issues arising from our industry's perspective are, firstly, the number of heavy haulage vehicle movements occurring from plantations and dispersed locations through to the port of Bunbury. They operate across a range of road standards and as part of that operation there is an interaction with other industry and general commuter vehicle movements particularly in built-up areas and generally a lack of strategic infrastructure planning to support those movements. There are limited alternatives to the use of heavy vehicles for the transfer of product to the port. As I said, the rail line at the moment does not operate so we are totally reliant on the heavy haulage industry to move our product through for export.

The industry already contributes to the upgrade and maintenance of local council roads and is one of the few industries, if not the only industry, that currently contributes to and works with local councils to do that. One of the initiatives of concern to us relating to the National Transport Commission is the policy initiative talking about a user-pays principle. Obviously we have some concerns about how that policy consideration also takes into account the industry contribution that is already made to maintain local council roads and also, as part of the policy initiative, how the cost of heavy haulage is recovered from fees and how those fees are relocated back to local government and state government road systems.

Finally, I briefly mention the current initiatives. While I acknowledge that it is easy to sit here and talk about the problems, there are also things that the industry is doing. One of those initiatives is seeking to get the rail reopened, and we believe that that will occur within the next 12 months. Our company has also sought to install modern processing facilities in strategic areas. It has taken us five years to get approval for that to occur. A facility has now been approved and we expect to be constructing that facility at Bunbury port this year. That facility will give us capacity to receive logs by rail. Collectively, those two initiatives alone at full operational capacity will remove up to 140 truck movements per day from the South Western Highway feeding into Bunbury port. That was the driver really for us moving down the path. As I indicated, the industry also contributes to local road maintenance. We have adopted on our own initiative a code of conduct for operating across local council roads in conjunction with local governments and we continue to be proactive in working with governments at all levels to identify solutions.

**CHAIR**—Mr Durell, do you want to add anything?

**Mr Durell**—No, thank you.

**CHAIR**—Yours is a very impressive submission, as is your whole idea of 'From Seed to Sail' operations and the fact that, unlike a lot of other companies that we see trying to push the blame for roads onto local authorities or the state or federal governments, you are playing your part in doing something about it. I find it quite commendable. Having said that, I am very interested in the rail scenario. What distance is the length of track you have just been talking about?

**Mr Telfer**—It is approximately 80 kilometres.

**CHAIR**—What was it used for originally?



**Mr Telfer**—The line itself has traditionally been used for the movement of woodchips from Manjimup, which is about—

**CHAIR**—Was it built for that purpose or were there dairy farms or other things? What was the history of it?

**Mr Durell**—It was pretty much an old, existing line that was built quite a while ago to service the south-west communities. It was in limbo until 1975 when the then company, WA Chip and Pulp, built the woodchip mill at Manjimup using state forest material and then the line was almost 100 per cent used for the cartage of woodchip, up to 900,000 tonnes per annum.

**CHAIR**—Why did you go into decline? Was that a financial matter?

**Mr Durell**—Prior to the woodchip happening?

**CHAIR**—No, the more recent one. You said that it had gone onto road for a short time and you are planning to go back to rail. What is the dynamic in that?

**Mr Telfer**—In recent times, primarily economic. In the last four or five years we have found that the cost of road transport was, at the time, anywhere from 25 per cent to 30 per cent cheaper than the rail system. We maintained the use of rail up until the beginning of 2005, at our cost, with a view to working with the Australian Railroad Group about initiatives to try to continue rail. We eventually came up with a solution for it but we have chosen, on economic grounds, to cease the rail operation in favour of road, pending initiatives to recommence rail.

**CHAIR**—What do they involve—upgrading the track?

**Mr Telfer**—Upgrading the track, the development of infrastructure facilities such as loading facilities at the railhead, which is at Greenbushes, 80 kilometres to the south-west, and the provision of rail sidings on lines at Bunbury port.

**CHAIR**—Are you optimistic with the takeover by Babcock and Brown of, perhaps, a better below-track operation? Have you been talking to the company since that recent merger?

**Mr Telfer**—We have been given confidence that the new ownership will not have any influence, if at all, on our plans. We work very closely with ARG, the Australian Railroad Group, which includes WestNet Rail and—

**CHAIR**—It is now a fully owned subsidiary, is it not?

**Mr Telfer**—Of?

**CHAIR**—Babcock and Brown.

**Mr Telfer**—That is correct. We have not talked to Babcock and Brown as such, but we continue to work with the existing executives, and I am in no doubt that the initiative we are proposing will basically—

**CHAIR**—Is there any other potential for that line beyond logs and woodchips?

**Mr Telfer**—I think the line has capacity. We have been seeking to utilise the existing capacity. I will just back up very briefly. When the woodchip started in 1975-76, our company bought the rail wagons and supplied them to the state owned railways at the time to operate for the purposes of woodchips. Those wagons still remain in operation today. Our objective is to utilise that existing infrastructure to best advantage. With the proposal we have, working with the railway operator, we would fully utilise those wagons. We are almost fully utilising—

**CHAIR**—Will they operate them out of Queensland Rail?

**Mr Telfer**—There are a lot operating with QR above the track. My understanding is that Babcock and Brown is the below-track operator.

**CHAIR**—Is the rolling stock, although a bit on the old side, being maintained well?

**Mr Telfer**—It is being maintained well. Yes, we do not have too many problems with it; it fulfils the operational—

**CHAIR**—You say that you have both woodchip and logs. What is the dynamic there? You send out woodchip but where do the logs go?

**Mr Telfer**—The logs come into the port of Bunbury. We have been seeking to build a processing facility in the Bunbury region for five years, and we now have approval to do so. That allows us, particularly with the facility at our lease area at the port, to bring in logs by rail to process directly to the stockpile and then onto the vessels for export.

**CHAIR**—For chipping?

**Mr Telfer**—For chipping. This is all for export woodchip.

**Mr SCHULTZ**—In your website newsletter you refer to the frustration with the approval process for the port mill. Are you saying now that that approval has gone ahead?

**Mr Telfer**—We received approval in January 2006.

**Ms HALL**—I refer to your submission. You mentioned that you make contributions to local roads and you were talking about further user-pay contributions. I would like you to expand on that a little for us.

**Mr Telfer**—Certainly. I guess that comment lies largely with some of the recent National Transport Commission initiatives, which in a broader sense talk about policy derived to try and highlight increased levies on heavy-haulage operators through registration fees and other mechanisms to raise funds, ostensibly on the basis that trucks cause more damage to roads and therefore they are not paying their way. There are arguments about subsidies. Without wanting to argue about whether that is right or wrong, my general point, notwithstanding debate about that, is that it is important, firstly, that some analysis is done to ensure that the numbers are accurate and, secondly, to take into account what the industry is already doing in terms of its user-pays

obligations in paying local government already for those roads. Regarding any moneys that are raised through registrations or fees, ostensibly on a user-pays basis, there is also a question of how that can be redirected back into infrastructure funding to ensure that the infrastructure that it is being levied on is put back in place.

**Ms HALL**—Have you had any discussions to try to arrange a way that can happen?

**Mr Telfer**—As part of industry submissions to the National Transport Commission, we have been working to maintain dialogue, particularly with their national association of industry based in Canberra. We are obviously also working with the state government. I understand those initiatives are still in discussion mode and they are still considering submissions, so we are still working through that process.

**Ms HALL**—Do you think that there will be a favourable outcome?

**Mr Telfer**—Probably not. To be frank, there is an element of, I guess, community politics in that. There is a perception in the community about trucks causing damage to roads and that trucks should user-pay in doing those things. It is not always a question of right or wrong; it is a question of dealing with community concerns and perceptions. I acknowledge that as a reality. It is important to say, ‘We need to make sure as much as possible that there is an objective assessment of how we come up with heavy-haulage charges, how we can show the community that they can be directed back, and how to identify what the industry already does—particularly our industry—within the sector.’ As an industry, we obviously have to deal with the concern that people have about trucks on the road.

Having noted that about trucks, though, the other concern I have is that, while there can be all sorts of charges and arguments put about heavy-haulage on roads—and this is across industry; it is a general thing about trucks on roads—in the absence of any other infrastructure or any other means of moving product from regional areas through to ports, which is essentially what happens in Australia, if you do not have rail infrastructure or other means of doing it everyone will use trucks anyway. My concern is not about how much we get charged but how we actually put that on the ground in terms of infrastructure support to keep trucks going and how we keep the heavy-haulage industry competitive at the same time, because they are a key contributor to regional areas. In the absence of being able to provide alternatives, we need to make sure that we keep in mind any policy initiatives or other initiatives about attracting funds. It is not just about getting the money; it is about asking, ‘How does this help this industry add value and how do we collectively try and make the industry more valued to its community and not just drive them out of the business and create further problems?’

**Mr SCHULTZ**—There seems to be a common theme right around the country about putting logs or timber products on the road. The common theme comes from local government, I might say, and I presume that is where your problem is coming from, in terms of the alleged damage to the road infrastructure. Has any evidence been put forward that that is in fact a problem?

**Mr Telfer**—Not evidence as such. Certainly I would not sit here and say that trucks do not have an impact on roads, because obviously pulling 40- or 50-tonne payloads has an impact, but what gets lost is that the technology we are using in pulling trucks, in terms of the axle loadings and the management—

**Mr SCHULTZ**—That is why I am asking the question.

**Mr Telfer**—That really belies the perception. In fact, the argument needs to be: what is the most efficient means of moving product from farm gate through to market, or port in this case? There is an argument that says, ‘If we can pull it and maximise the volume—in terms of pulling 50-plus tonnes, if you like, safely—it is better than pulling lots of small trucks at 20 tonnes at a time, because that will cause far more damage.’ There is also the maintaining of axle loadings, because the thing that will cause damage to roads will be the overloading of your axle loadings. Theoretically, if you have a dozen axles, all with spread loads, that will not cause any more damage than one semitrailer at a farm that is maxed out and is overloading on a series of two or three axles.

**CHAIR**—There is an argument too, is there not, that, even though you spread the load over the different axles, you create a vibration effect that can also weaken the road?

**Mr Telfer**—Certainly that is an argument.

**Mr Durell**—There is an argument to that extent, but, as Ian mentioned, the technology has changed—the actual design of the bogie systems has changed and incorporates better spring systems, airbag suspension and deflating and inflation systems on our tyres and all of those sorts of things. They have been used in the last three to five years to mitigate all of that old-style technology that was used in truck construction way back. The industry has made some huge advances in that regard.

**CHAIR**—You are saying that you chip some of the product at source and you would like to chip some at the wharf. What is your reason for that? Why wouldn’t you do it all at source?

**Mr Telfer**—There is an option for doing it. Generally, we believe there are two reasons. One of those is economics. We are talking about one million tonnes of exports a year. Trying to put that through a single facility as much as possible is much more economical than using lots of scattered facilities. So it is about use of capital in that sense.

**CHAIR**—But what about your smaller products—your branches and things? Isn’t it better to chip them at source?

**Mr Telfer**—If there is wood fibre in them. The second reason that we chip at a central facility is chip quality. The product we provide to our customers is not a mulch product, if you like. It is not garden mulch. It has very specific size specifications. What we are actually selling is wood fibre for pulp mills. We use the woodchip, if you like, as a form in which we can efficiently transport that wood fibre overseas. Essentially it is about the fibre length. Everything has a certain length of fibre and has to be cut fairly accurately. The branching of small diameter wood will not cut into a chip which has to be 28 millimetres.

**Mr SCHULTZ**—So you remove that at source?

**Mr Telfer**—Yes, generally we will remove that. So we will take logs down to a crown of 50 millimetres in diameter, from which we can cut a high-quality woodchip. Obviously, most of the crown of wood out of that, other than big branches, can be converted into a log. We use what we

call in-field but at-source processing particularly where we have poorly formed trees or heavily branching trees and we can efficiently process that on site, and where it is difficult to transport it by truck.

**Ms HALL**—You have really come a long way towards answering my next question, which is about rail. In your submission to the committee today you stated that you moved from rail to road because of efficiency and you needed this modern processing facility, and then you were going to be moving back to rail. So, basically, the efficiency that you gain by moving back to rail—and there is a reduction in costs, I presume, because that is what you are all about—is linked to this processing facility. Without that processing facility, road is the way to go; with the processing facility, it is rail?

**Mr Telfer**—Certainly the processing facility is the key part of it. The second key part is volume. What we are able to do by having our processing facility here in Bunbury and receiving product, particularly with log product in there, is create a volume task in excess of 700,000 tonnes of product by rail. Previously, the volume task by rail was about 300,000 tonnes. From a fixed cost point of view, the rail operator found that it cost them X million dollars to have rail available. If it is spread over 300,000 tonnes, our unit rate is significantly higher than the road alternative. At 700,000 tonnes, by putting volume onto rail—and that is why we are using log as well as chip because we still maintain some processing down in the south-west—we are able to get a haulage rate which is competitive with the road option. It does not actually become significantly cheaper than the road, but our position has been that, if we can get rail to be competitive with road, we prefer to use rail for a whole variety of reasons.

**CHAIR**—And there is no potential use other than for woodchips?

**Mr Telfer**—On the particular line that we are talking about—

**CHAIR**—There are not mineral sands or coal or anything else going along that track?

**Mr Telfer**—No, not along that track. You may have heard about the Collie line, which goes through Brunswick et cetera. That would use alumina and coal et cetera. But our line largely has to be product dedicated to port. In future, if there is an export product identified in the south-west that could use the rail, I presume the railway operator and new exporters would use rail.

**Ms HALL**—When you switch back to rail, I notice that you said that there would still be 140 truck movements per day. There are 200 truck movements now. So it is only a reduction of 60 truck movements.

**Mr Telfer**—Sorry, that is my mistake. I meant that 140 truck movements would be taken off the road.

**Ms HALL**—Okay. You said that 80 per cent of truck movements are before seven o'clock at night. Is that correct?

**Mr Telfer**—In daylight hours.

**Ms HALL**—Is there any restriction on the hours that you can have those truck movements?

**Mr Telfer**—The port is essentially a 24-hour port.

**Ms HALL**—So 24 hours a day.

**Mr Telfer**—We can process for 24 hours but, due to restrictions, particularly with local government permits, we can only operate the trucks during the daylight, which concentrates those truck deliveries during daylight hours. Normally, that could be six o'clock until six o'clock but, obviously, in wintertime that could be seven o'clock until five o'clock. It concentrates the activity over a fixed period.

**Ms HALL**—So how are you able to do the other 20 per cent?

**Mr Telfer**—Where we can access off our plantation straight onto state government roads or main roads, we can then operate the same as everyone else—for 24 hours.

**Ms HALL**—There is another issue that I want to raise with you. In your evidence you said that there is no dedicated freight line. I was wondering if your industry had given any thought to the construction or identification of a dedicated freight line in this area.

**Mr Telfer**—Do you mean a dedicated line for access to the port?

**Ms HALL**—Yes.

**Mr Telfer**—We have worked with the port authority and port users. I guess our view is that we are one user out of many at the port.

**Ms HALL**—Is there a group that actually looks at this?

**Mr Telfer**—There is a port user group, which has been advocating heavy haulage access.

**Ms HALL**—Who is on that port user group?

**Mr Telfer**—All the port users—Alcoa, Worsley Alumina, mineral sands exporters and us. Anybody who is exporting is, by default, a member of that group.

**CHAIR**—Is there some bottlenecking as you get closer to the port?

**Mr Telfer**—All of the heavy haulage trucks have to come into the main roundabout into town—which is the central bit—and then take an exit off that and then exit off to get into the port. So it is actually using general commuter routes to get into the port.

**CHAIR**—Is it the same with rail?

**Mr Telfer**—No. Rail has a dedicated access around that. So the rail does not interact other than crossing.

**CHAIR**—But you do not have any other passing loop or bottleneck problems?

**Mr Telfer**—No, not with rail.

**Ms HALL**—Do you think that there is potential within this region for the federal, state and local governments to work together to solve issues relating to infrastructure and the operation of the port—leading into the port, the terms of reference et cetera? If so, in what way?

**Mr Telfer**—Absolutely. I would see that there are opportunities there.

**Ms HALL**—I like the ‘absolutely’.

**Mr Telfer**—The first initiative, obviously, is outside the local area. Obviously, with it comes to funding, everybody is going to have their hand out and ask for funding support, particularly with critical infrastructure—which means big dollars, no matter where we go in Australia.

**Ms HALL**—Could you identify that for us?

**Mr Telfer**—I think the primary infrastructure requirement at the moment, given our rail project that we hope to get going, is to have a ring-road to Bunbury which allows dedicated heavy haulage to basically come in from whatever angle and access the port. The port is a growing port and exports will grow. Trying to bring trucks into the major feeder roads that come into the city and then take them out to the port is not going to work and is not sustainable.

There are proposals on board to do a ring-road. This has been in place for a number of years but there has been no action on that. It actually needs to be a ring-road from the south of Bunbury all the way through to the port. I think that will solve a significant amount of issues. I think that is a joint federal and state initiative. Neither on their own should be expected to have to deal with it. It is one for both governments to be saying, ‘What do we need to do in Bunbury?’ I am sure other ports either have had in the past or will have in the future similar issues about how they improve heavy haulage or direct access. It is particularly critical for Bunbury because the rail links are fairly limited. So there is not an option for people to be encouraged to use rail in lieu of trucks to avoid some of these issues. Bunbury does need heavy haulage access.

**Mr SCHULTZ**—So the reality is that the ultimate answer to the problem of a social nature caused by the expanding population in the district and the fear of people of more trucks on the road is to go to rail. What are the impediments to that happening? What hurdles do you have to jump?

**Mr Telfer**—There are a couple of impediments. One is that the rail infrastructure at the moment is limited. There are only two or three major lines, and certainly they do not service a significant part of the south-west region. You start to get into issues then, with the lack of rail infrastructure, about how you take other product to market whose volume cannot justify it being transferred to rail and having the double-handling component with it. So once it is on a truck at a farm gate the farmer is going to want to bring it. Whether it is sheep, wheat or anything else, it will be the same.

**CHAIR**—For anything under about 300 to 400 kays, unless it is conveyor belt type stuff like you are doing, it is just not—

**Mr Telfer**—Yes, it is certainly limited commodities that can come in that way. That is why I think that road will be—or is—the only means of efficiently moving our product.

**Mr HAASE**—In your opening statement, the first line was the botanical name of the blue gum species. Did you say it was globular?

**Mr Telfer**—*Eucalyptus globulus*.

**Mr HAASE**—What has happened to *Eucalyptus obliqua*? Is that not used as a woodchip species these days?

**Mr Telfer**—No. Our primary export is *Eucalyptus globulus*, which is the Tasmanian blue gum.

**Mr HAASE**—What are the plans at this stage for expansion of the plantation area and therefore the consequent expansion of woodchip exports per annum?

**Mr Telfer**—From an industry point of view, most of the expansion that has been occurring in recent years has been in the Great Southern region because of the availability of land. Generally the biggest constraint is access to land. In a number of areas, firstly, in being able to compete—legitimate competition with farmers, allowing them choices—we think that, in most of the south-west region, where the trees are is about the stable volume or area. There is also growing pressure through local governments about restricting approvals for further plantings of trees on farms. There is almost, to be frank, a discouragement of trees on farms in certain local authorities.

**CHAIR**—Why is that?

**Mr Telfer**—It does not necessarily have any logic.

**Mr HAASE**—We do not have the time, Chair!

**CHAIR**—We will discount your built-in prejudice, but what is the argument?

**Mr Telfer**—Generally there is probably—

**CHAIR**—A prime agricultural land argument?

**Mr Telfer**—a prime agricultural land use argument, particularly down south where there is traditional horticulture type country. So it is largely: 'It's always been farmed in this way; therefore it shouldn't be any different.' Trees take up 10-year rotations, so obviously people are concerned about locking up land for that time.

**CHAIR**—These trees we are talking about today are 10-year rotation, are they?

**Mr Telfer**—Ten-year rotation as an average.



**CHAIR**—What size is the log coming out of the 10 years, roughly?

**Mr Telfer**—On average they are, what, 200 millimetres?

**Mr Durell**—Two hundred and fifty millimetres at the base of the tree and about 20 to 25 metres tall.

**CHAIR**—That is impressive.

**Mr Durell**—The other key issue is water, by the way. There is a growing pressure within regional areas about the concerns that plantations use up water and restrict the flow of water off farms, if you like, to the neighbouring farms in lower parts of the catchment. The water debate is starting to grow here in WA, as it has in South Australia.

**Mr HAASE**—What is the current argument about the deployment of human resources in the industry as opposed to in mixed farming?

**Mr Telfer**—In terms of the migration of people away from traditional farms?

**Mr HAASE**—I was not going to say ‘the migration of people away’. What is the ratio of human resources deployed in your industry for X hectares by comparison with traditional farming and agriculture?

**Mr Durell**—I am not sure of the exact figures, but it has been an amazing transition. In the initial establishment phase, land was taken up and there was a sort of demographic shift. But now that the industry is more mature and there are all sorts of harvesting operations going on, and the industry has almost come to its first rotation, there is a huge increase back into the plantation industry, where for one particular operation you might need half-a-dozen people producing a volume of timber out of one plantation. So I think that argument was true a few years ago, but now it is not true, because we are actually short of manpower and equipment to complete the harvesting necessary at this point in time.

**Mr HAASE**—So your answer implies that there is a potential for a greater deployment of human resources with the woodchip industry per given number of hectares than in mixed farming?

**Mr Durell**—Most definitely.

**Mr HAASE**—That is a good answer for the industry anyhow. What about potential production rates associated with a 10-year cycle of rotation and soil fertility in the long term?

**Mr Telfer**—In some areas we are now onto third rotations of blue gums—we have been planting since the late eighties—and research indicates there is no decline. Trees are not affecting nutrients.

**Mr HAASE**—That is good. So you expect, then, with your given hectares, to maintain a million tonnes per annum into the future?

**Mr Telfer**—We believe so, yes.

**Mr HAASE**—So when it comes to the creation of new infrastructure, has your organisation been called on to make substantial contributions for specific equipment installation and capital outlay in relation to the wharf?

**Mr Telfer**—We are required to provide the infrastructure to meet our needs. The only infrastructure assistance we are receiving, from part of the initiative with the rail, is assistance with track infrastructure to move product by rail rather than road. But all of the port facility is funded directly by us.

**Mr HAASE**—Do you have a point of view on who should be paying for dedicated coal-handling equipment on the wharf?

**Mr Telfer**—No. I do not have a view on the coal.

**Mr HAASE**—Not one that you would care to give us, anyhow. On the question of taking truck movements off the road, how much of the equation in your opinion is the future of those owner-drivers? You have had to make a social/economic decision. How much of that decision-making process was dedicated to the future of those displaced owner-drivers? How much flack is there in the community today about those blokes losing their jobs?

**Mr Durell**—The problem we are finding right now is that there is a distinct lack of train drivers and suitable equipment to carry out and conduct the freight task that we have. That is caused by a greater problem, which is that the entire south-west freight task has just gone crazy in the last couple of years. We believe that these drivers who are currently employed in our company will be employed in all sorts of industries without too much trouble.

**Mr HAASE**—In all of this infrastructure planning, long-term certainty is the ingredient most required for the creation of economic operations, as much as anything else. Do you believe that your organisation can commit to that certainty into the future and to the employment on rail of some of those displaced drivers? Have you done a deal with Queensland Rail, for instance, or contemplated doing so?

**Mr Telfer**—We are looking to sign a 10-year contract with Queensland Rail, in general terms. But, picking up on the truck drivers, Phil made a good point. We are struggling to get drivers at the moment to move product. The rail does not take trucks off the road; it restricts the trucks moving short hauls, if you like, from the plantation through to the rail head for the transfer. Those truck drivers will still be employed. In fact, we will be using the pool of truck drivers that we have and using them more efficiently because they can do more trips on short legs than when they are coming to Bunbury on the long ones, which is why we have a trouble. So I think this is a successful integration between the rail and the road utilising existing labour forces with the owner-drivers.

**Mr HAASE**—That is important to my line of questioning. Are you saying that you will not displace a lot of owner-drivers?

**Mr Telfer**—We expect our existing haulage contractors will continue to operate with the current fleet of trucks that are working at the moment. It will just be done in a different way and managed in a different way.

**Mr HAASE**—Just for the record, are they owner-drivers?

**Mr Telfer**—We have four primary contractors moving our log product from plantations. Altogether there are six owner-drivers as such, except they are not single-unit owner-drivers; obviously some of them are major transport operators in their own right.

**Mr HAASE**—So it is a mix.

**Mr Telfer**—Yes.

**Mr SCHULTZ**—I suggest to you that there is a window of opportunity for you to put a submission into the Standing Committee on Agriculture, Fisheries and Forestry, which is looking at rural skill shortages across rural and regional Australia.

**Mr Telfer**—Thank you. We will do that.

**CHAIR**—I would like to go back to this train line. What are the main impediments to the train line? Is it the condition of the permanent way, the axle loads on bridges or the route it takes, being an old surveyed route? What has made it less efficient and what could happen to it to make it more efficient?

**Mr Telfer**—Paul Larsen from WestNet Rail is probably better placed than me to comment. Firstly, if I take it in the context of our traditional line, which is Manjimup, 140 kilometres to Bunbury, that is a very old line. It was a line that had, for want of a better word, bandaid maintenance for a number of years while there was a bit of uncertainty about what the government were going to do about the railway operations in the period up to 2000 when ARG bought it. Working with the Australian Railroad Group over the last five years, we identified that the cost of upgrading the southern section, which is the 60 kilometres leading through to Manjimup on very winding, difficult grades, was not justified by the volume of product that was going to come out of Manjimup in the long term, which was less than 300,000 tonnes per year. That was what led us to focus on the 80 kilometres of line from Greenbushes through to Bunbury or from Bunbury south 80 kilometres. That has been the area that justified the upgrade of the track and made it viable for broader freight to be put on the track. So the basic reason was the volume.

**CHAIR**—Are you going to utilise it through to Manjimup?

**Mr Telfer**—No. We will only utilise the 80 kilometres of that line.

**CHAIR**—What sort of expenditure would be required to get the whole track into order?

**Mr Telfer**—You would have to ask Paul Larsen.

**CHAIR**—We will speak to him later. We have asked this question before but, with a view to the recommendations we will make in this report, what is the greatest single thing which would improve your efficiency as a company? What is the greatest single thing government could do to enhance your operation?

**Mr Telfer**—Can we have three wishes?

**CHAIR**—No. The genie always lets us down on the second and third. Let me put it to you this way. We asked the CEO of ARTC, which, as you know, is the operator in the eastern states and on the national trunk route, the greatest single thing that government could do if it wanted some minor intervention. He said, ‘Give me \$200 million worth of concrete sleepers and I will increase the efficiency of the line from Melbourne to Brisbane in a way you would not believe.’ What is your key down here? It is a different scale and product, but what is your key?

**Mr Telfer**—Notwithstanding that improving rail gives options, I think the reality is that, given the multitude of products that come out of the south-west and go through Bunbury port and the geographic dispersal of where they are coming from, the single most critical thing that can happen for Bunbury port is to put a ring-road type system around Bunbury that allows trucks either to move through to Perth markets or move into the Bunbury port. The ring-road to my mind is the single most critical thing that is facing Bunbury.

**CHAIR**—You have given very good evidence today. Thank you both very much. It has been precise and to the point. What is the long-term prognosis for woodchips? Are you forward planning 10, 20 or 40 years?

**Mr Telfer**—Hopefully, we have a 30-year plan. While our product is on 10-year rotation, our view is that there is an increase in demand for pulp and paper products. WA and Australia are viewed by the international market, in particular the Japanese market, which is the predominant importer of wood fibre, as a critical source of potential wood fibre. Our view is that the demand for woodchips is not going to dissipate. That will be encouraged by the growth of paper demand in China.

**CHAIR**—So for anything we recommend either on rail or road we are looking at a window of about 30 years at least.

**Mr Telfer**—At least. I will put it in context. The pulp mills that have been developed in China, in addition to the Japanese capacity, have 30- to 50-year time frames. That is what they talk about and we anticipate supplying them.

**CHAIR**—There is a case then for rail to be regenerated?

**Mr Telfer**—I think we have to have long-term visions. Part of the problem has been that infrastructure planning has been very short lead and that has been part of our collective problem to date.

**CHAIR**—On that note, thank you for your evidence. We will be sending you a copy of the *Hansard* draft for any editorial corrections. If you have any supplementary views on where these railway lines and things should go, you may like to—

**Mr Telfer**—Is the map of any use to you?

**CHAIR**—Yes, it would be. Do you want to table that?

**Mr Telfer**—Yes.

**CHAIR**—Is it the wish of the committee that we accept the map as an exhibit? There being no objection, it is so ordered.

[11.32 am]

**CAMARRI, Mr Steve, Manager, Coal Transport and Logistics, The Griffin Coal Mining Company Pty Ltd**

**FRANGS, Mr Murray, Manager, Coal Marketing, The Griffin Coal Mining Company Pty Ltd**

**GRILL, The Hon. Julian, Consultant, The Griffin Coal Mining Company Pty Ltd**

**LODGE, Mr Anthony, Chief Executive Officer, The Griffin Coal Mining Company Pty Ltd**

**CHAIR**—Welcome. Although the committee will not require you to give evidence on oath, I have to remind you that these are proceedings of the federal parliament and 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 may be interpreted as a contempt of the parliament. Having said that, I repeat that you are most welcome. Who is going to lead?

**Mr Lodge**—I am.

**CHAIR**—We really want to talk to you guys, so could you just give us a five-minute overview of your submission and then we can get into a bit of interaction.

**Mr Lodge**—It is worth starting with a little bit of history. Firstly, in the sense of personal history: I joined the company two years ago. I came through an advisory banking group and was charged with the job of redeveloping the Griffin Coal Mining Co. The spur for that was that the market conditions were changing in Western Australia. Those market conditions were principally the supply of coal to electrical generation, as electrical generation was being privatised to some extent.

By the turn of the year last year—that is, by January 2005—we and Wesfarmers submitted tenders for the long-term supply of coal to Western Power. We failed to win the tender, which may have been a sigh of relief for us all. The result is that in 2010 we will not have that contract for supply of 1½ million tonnes a year of coal to Western Power. Therefore, our company had to develop its own markets, and we are doing that in two ways. The company has announced the construction of the Bluewaters 1 and Bluewaters 2 power stations. The second one has just received environmental approval. They will be operating in the years 2008-09, one after the other.

In addition, we have expanded our production and rationalised the operations within a 12-month period. We aim to be exporting coal in the order of our first benchmark number, which is 500,000 tonnes, and, once we have dipped our toe in the water and felt that the temperature is okay, then a two-million-tonne per annum figure. That is our vista at the moment. We have very large reserves, in the order of 450 million tonnes of open-cut coal, with enormous underground reserves as well.

A little bit of history comes in here now. Nobody ever thought that we could export Western Australian coal because it has been misnamed sub-bituminous coal, in contrast to the Hunter Valley coals or the Queensland coals. That is my stomping ground, the Hunter Valley.

**CHAIR**—Which means? Could you explain?

**Mr Lodge**—It means that the classification of the coal, because it has high moisture content, has been considered to be sub-bituminous. In fact, it is the same age as eastern coals and if the water is not there, if it is removed, it is of higher quality than most eastern states coals. We have developed the technology to remove the water, to carbonise the coal and to value add the product. That is all patented now, and our construction programs commence very soon on those matters.

We have spent a lot of money on expanding the mine this year, rationalising the operation, making it work very well and making it stand shoulder to shoulder with a Hunter Valley or a Queensland operation—and now we do. I know that for a fact because I know those sorts of operations. We are ready. We have rail-loading facilities at our mine. We have had them for a number of years. We have railways.

**Mr HAASE**—Where do you have those loading facilities?

**Mr Lodge**—We have them at the Ewington 2 mine, the Collie area. We have modern rail-loading facilities.

**Mr HAASE**—It is 60 kilometres east, is it?

**Mr Camarri**—Yes.

**Mr HAASE**—Right. I thought you specified another area.

**Mr Lodge**—The problems we have are that we have been trying to get coal out for export on to ships for 18 months, and we have not succeeded so far. Our problems are threefold: (1) is land transport, principally rail freight; (2) is port facilities; and (3) is the effect on revenue as a result of the size of vessel that can be received at the port. I will split these up into two areas of activity. One is the Bunbury focus and the other one is the Kwinana focus.

At Bunbury, there are no rail wagons in Western Australia today for us to carry coal. There are none, and there have not been any for the last 12 months. We have been asking for them for the last 12 months to date. At Bunbury there is a railway line which is quite adequate to receive coal. It needs a bottom-dump system to be installed and a stack-out system—and there is not one. It was used; it is proven. It was used for a power station that was there. Minor refurbishment is required. They were transporting 550,000 tonnes a year to that power station, but I am sure it was underutilised.

**CHAIR**—Was it a centre drop?

**Mr Lodge**—It was a tippler. At the port of Bunbury adequate facilities already exist, but there is a legal impediment to our use of them, and that is a continuing problem. Because this is so

critical to us, very soon I am going to have coal coming out of my ears. That is how serious it is. I am going to have two million tonnes that I cannot place. We agreed with the government—because we talk to the government all the time on the issue—that, in order to resolve the situation, we would build our own separate coal-loading system, totally isolated, and a separate loader, to be located on berth 8, which is the disputed berth.

**CHAIR**—Is that a dedicated berth or does that take woodchip as well?

**Mr Lodge**—Yes, but through a different loading system—same berth but different loading system. And that is a way of sidestepping the problem. However, we think that will take us about nine months to build, and that is too long for us.

**Ms HALL**—Has that been favourably received?

**Mr Lodge**—Yes, the proposal has been favourably received.

**CHAIR**—Could we break into questions now?

**Mr Lodge**—Of course you can. It has been favourably received. Just before I came here I was talking to our designer, and he has asked for another week before he comes back with his design, but he is positive we can do it.

**CHAIR**—Let us go back to the start again.

**Mr Lodge**—This is one option; let me give you the other option. I need to finish the other option first.

**CHAIR**—Certainly.

**Mr Lodge**—So that is the Bunbury option, and we think that is quite a long time—nine months—for us to implement, just because things go wrong. The other option is to transport coal to Kwinana. We cannot transport by road 500,000 tonnes or a million tonnes of coal per year to Kwinana. It is 190 kilometres, it will cost \$20 a tonne, and it will cause all sorts of upset if we put too much coal on the road. I think you would need to have some, but not lots and lots.

The next problem is that the ARG are just not on this planet as far as economics are concerned, They are quoting \$11.32 per tonne for delivery of coal to Kwinana, and we have got to compete with the Hunter Valley. We have got to compete in the \$4 range—or \$1.99 from Mount Arthur north, or with Queensland, \$3.50 from Central Queensland. That is the market we are in, and ergo so are ARG. Western Australian Railways are in the same market. It is one country and these are the products that we are competing against. I have been trying to get that one through to them over the last few weeks, and I think they are twigging to what is needed.

I was speaking with ARG before I came here, and we will be meeting with them tomorrow afternoon, I believe. That is the railway story. There is a limit on that railway delivery to Kwinana, which they think is about one million tonnes per annum and the limit is mainly due to two factors. One is the lack of pass-by loops of sufficient size to take decent-sized trains; they would be limited to 35 wagons. That is the first one. The second one is that the corridor has a



priority for passenger transport; every day there are three people on it, and therefore we cannot get coal on the rail. It is a no-win situation. I must admit these are commercial negotiations and it is tough. We go back to them probably this afternoon.

Finally, Kwinana bulk terminal is perfect to export coal. Everything is there. It just needs some modification to get the throughput size right, but then at the end of the jetty, it can only take a 42,000-tonne vessel because of air draft problems on the loader and also because of a bar on the channel—which is only a one-metre bar.

There are plans to develop berth 1 by Rio with the high-smelt development, which will bring in Cape-size. That is a good move. My gut feeling—I am cutting to the quick, as it were—is that the solution for us is to maximise the throughput of coal up to Kwinana for a period of time and, when we reach the peak throughput of that railway line, then move to Bunbury. Alternatively, we could move to Bunbury earlier and it would be a much cheaper operation from Bunbury but there is some infrastructure needed at Bunbury.

**CHAIR**—Let us get into that. The train line goes out only as far as Collie. Does it go further?

**Mr Lodge**—It used to but it has been taken up now.

**CHAIR**—Your mines are close to the railway? The rail goes into your mines?

**Mr Lodge**—We have a rail balloon loop at Ewington 2, and Ewington 1 is about to start its operation.

**CHAIR**—It will have a loop into each?

**Mr Lodge**—The same loop—on either side of the loop. Muja mine is essentially delivered to the power station but we have an agreement with Wesfarmers, who requested that the line be diverted some years ago, that that line will be reinstated to the Muja area, and we are about to trigger that.

**CHAIR**—There is a permanent rail available, is there?

**Mr Lodge**—There was. It has been mined out now so they have a duty to restore it.

**CHAIR**—Restore the track?

**Mr Lodge**—Yes. That was the agreement with Wesfarmers. They wanted to mine through it. That is not a problem. We are about to trigger that. We need that in about two years.

**CHAIR**—What is the condition of the track from Collie to Bunbury? Where does it join with the main line from Perth?

**Mr Lodge**—I understand it joins at a place called Brunswick Junction.

**CHAIR**—I can see it, yes. Go on.

**Mr Lodge**—There is a maximum load limitation on our end of the track past Worsley towards our mines. The maximum load limitation is about 19 tonnes per axle. After that, it is 21 tonnes per axle, which, compared to Queensland same gauge, is 26 tonnes. So we have some capacity limitations there. Nevertheless, we could start even with things as they are now.

**CHAIR**—Your above-track operator will now be QR, will it?

**Mr Lodge**—We do not know. As far as we know it is ARG. We did speak with QR some months ago. We are speaking with QR anyway at the moment.

**CHAIR**—My understanding is that ARG will have the below-track operation.

**Mr Lodge**—No. My understanding is that WestNet Rail has the below rail and they have been taken over by Babcock and Brown, and above rail is ARG, which has been taken over by Queensland Rail.

**CHAIR**—You are correct, yes. One would think that, with QR coming into the market, wagons should not be a problem. They have got thousands of wagons all over Queensland. They are fairly big wagons. Are the curves sufficient to be able to handle these?

**Mr Lodge**—I do not know and I cannot accept your point that wagons will not be a problem, because they have always been there. We have approached them and ARG have approached them and they have never been able to come to the party until now. They are talking about bringing wagons over but the way that things have gone in this saga is that seeing is believing. It has been that bad.

**CHAIR**—You say that once you get to Brunswick Junction you have passing loop problems getting into the port.

**Mr Lodge**—Into Kwinana, yes, and do not forget that we are looking—

**CHAIR**—Are you only talking in terms of Kwinana now?

**Mr Lodge**—I am at this moment. Kwinana is our first-fastest way out, as we see it. Bunbury would have been our natural choice but we see that as a nine-month exercise.

**CHAIR**—You have got to get the loader capacity.

**Mr Lodge**—We have to build the loaders.

**CHAIR**—So the line to Kwinana was never designed, was it, for bulk commodities?

**Mr Lodge**—I understand there is nine million tonnes of Alcoa's alumina coming down from that area to Bunbury.

**Mr Camarri**—Coming around Pinjarra.

**Mr Lodge**—In addition, Iluka and Tiwest take coal up north from our mine. Also, we deliver to Coburn Cement. About three-quarters of a million tonnes goes out up north.

**CHAIR**—At present, you are a domestic supplier but you need to get into the international market quickly because of a change to your domestic contract arrangements.

**Mr Lodge**—Correct. We turn overseas buyers away who want to buy coal. We turn them away because we cannot get through the port.

**CHAIR**—You heard the port's evidence this morning, didn't you?

**Mr Lodge**—Not personally.

**CHAIR**—They are saying that they are going to dredge to 15 metres. That should get you up to what? Small cape-size vessels?

**Mr Lodge**—Yes. That would be good.

**CHAIR**—You should be able to get Panamax all right.

**Mr Camarri**—They said that was four to five years away to develop.

**Mr SCHULTZ**—I find the whole situation dynamic, to say the least. It strikes me that you have analysed the situation well and my first question is whether or not you believe there ought to be any government intervention at any level. I would suggest you are looking for a few umpires along the way, but you are analysing the situation fairly rationally and you will make commercial decisions on the basis of the time value of the dollar. I think there is nothing that we have heard from other witnesses that is at odds with what you have said your understanding of the situation is. It leaves me virtually with no line of questioning. Perhaps you could volunteer any aspects that you feel I have got wrong or overlooked.

**Mr Lodge**—The most important thing is that I believe the infrastructure already exists. It will not take us to be a big mass producer, a big exporter, but there is something that already exists that with a little bit of tweaking and adding here and there—modest amounts of money—we should then with smart management be able to use to its capacity. Then we can say the next step is to build this facility or that facility.

**Mr HAASE**—Are you aware of any specific reticence to take the next step, as it were, by some of these agencies that you need to deal with?

**Mr Lodge**—Quite frankly, I do not believe we need another berth at Bunbury. It is absolute nonsense to build another berth. The existing berth is 20 per cent utilised—berth 8. All that we have to do is get coal over that berth. Let us start to use it smartly. Let us fix the rail unloader there, and we can get it fixed in a short space of time.

**Mr HAASE**—What did you say? Let us fix the rail blunder—what do you mean?

**Mr Lodge**—The rail unloader. There is no unloader at—

**CHAIR**—There was an old powerhouse there, wasn't there?

**Mr Lodge**—Yes, that is right. Our coal is stored in that old powerhouse. Jump over to Kwinana—and this applies to Bunbury, ARG and Kwinana—and all of the people here are not used to playing in the international coal market, the bulk commodity market, and they do not have the paradigm of what is required. I have said it before and I say it again: the paradigm is the Port of Newcastle loads coal for \$2.57. Mr Kwinana and Mr Bunbury, that is what you have got to try and beat or match. If you do not like it—

**Mr HAASE**—If you are going to put product across their wharves—

**Mr Lodge**—Exactly.

**Mr HAASE**—into an international market that is what you have to do.

**Mr Lodge**—Mr ARG, Queensland Rail transport coal for about \$4 a tonne equivalent volume. That is what you have got to be able to do.

**Mr HAASE**—In your words, the unrealistic high price per tonne that you have had quoted to you from ARG: has that been since the purchase by Babcock and Brown of the rail and below?

**Mr Lodge**—No. It has been consistent prior to that purchase and consistent after that purchase, but I have to be fair to all the parties. You have heard the way I speak. It is the way I speak to these people. This is the real world that we are in, and they are slowly but surely being beaten around the head and coming towards the realisation that this is the world that they are living in. The deal I am trying to foster with them all is: 'Here we are now. What is the real cost now? That is where we have got to be. We'll give you 12 months to get there, and let's do it together.'

**Mr HAASE**—That is a very commercial attitude. I am almost thinking that you are suggesting that the state government's favourite regional centre is something of an intellectual backwater.

**Mr Lodge**—That might have gone over my head.

**Mr HAASE**—That is all. Thank you.

**Mr SCHULTZ**—It is obvious that you have a real short-term problem in capitalising on the export markets that are available to you. What needs to be done and what assistance can you see coming from the federal government to ensure that you can get short-term access to—where is it?—Kwinana?

**Mr Lodge**—Yes.

**Mr SCHULTZ**—Who actually owns that facility?

**Mr Lodge**—It is the Port of Fremantle. What we really need is economic commonsense by the Port of Fremantle. That is one thing. The big problem on the rail is twofold: one is the

history of the operator, ARG—it being publicly owned for a long time. Queensland Rail was publicly owned, but it is quite radical and smart in its commercial methods. We need Queensland Rail to come in straightaway and sort this problem out. Let us not be beholden to the past paradigms of ARG. I just have to correct that, because, to be fair to ARG people, today they said to me that they would be going to Queensland Rail to sort it out. I have got to be fair to them. That is half the problem. The other half of the problem with the rail is access. The rail access fees are totally unrealistic in terms of this paradigm of competing in the international market. We have had this verified by one or two different other means, but I roughly calculate that our access fee for the Ewington mine to Kwinana will be \$2 million flat per annum minimum. It could be a lot more. We only have a 500,000 tonnes—

**Mr Frangs**—Freight task.

**Mr Lodge**—No, it is a target. Our first target is 500,000 tonnes. We will no doubt go beyond that, and we will reassess everything. Just for the first 500,000 tonnes that is \$4 a tonne. It just does not wash.

**CHAIR**—That is just the access component?

**Mr Lodge**—Yes.

**CHAIR**—What is the freight component on top of that?

**Mr Lodge**—I cannot tell you the answer. The last quote we had on Friday with them—and we sent ARG away with a flea in the ear—was \$11.32.

**CHAIR**—So you are up to \$15?

**Mr Lodge**—That is \$7.32 for the operational component.

**Mr HAASE**—Fifteen bucks a tonne?

**Mr Frangs**—That is inclusive.

**Mr Lodge**—No, \$11.32 is all inclusive.

**Mr HAASE**—It is all inclusive. Thank you.

**CHAIR**—So the freight component is \$7 and the other is \$4, roughly?

**Mr Lodge**—Yes, that is right. Here comes the reality. You have heard the good word from me. Let us say the port is saying to us \$5 a tonne, which Kwinana was, that is \$16.32. Our coal unmodified and unprocessed—that is, high moisture—can only compete with Indonesian coal. We would only get \$32 a tonne, meaning that the contribution is about \$16 a tonne. You cannot survive on that. You cannot even enter the market.

**Mr HAASE**—That is a free on board figure?

**Mr Lodge**—Yes, that is right. I believe the total for us should be about \$8 a tonne in the long term.

**Ms HALL**—You have a bit of negotiating to do there.

**Mr Lodge**—It is a dangerous market. If we stayed in that market we would not survive, so we will value-add the coal to take us outside of that market. This is just the entry level we are coming in at.

**CHAIR**—We have heard about your problems. This is not to minimise them in any way, but if you are arguing with the state or federal government—

**Mr Lodge**—Sorry; did you say arguing?

**CHAIR**—I mean if we are arguing on your behalf with the federal government it is not just for your company. What other companies are in coal production in this area?

**Mr Lodge**—Wesfarmers own Premier Coal.

**CHAIR**—Is that a domestic contract?

**Mr Lodge**—Yes. Premier Coal have won the major contract to supply the power stations here. As far as I know, Premier Coal's public announcements have been that they are not attempting to export coal at the moment.

**CHAIR**—Are you the only exporter?

**Mr Lodge**—Yes.

**CHAIR**—Or potential exporter.

**Mr Lodge**—We are the only people intending to export. We are uniquely placed, with some unique products in the market, to hit India and China.

**Ms HALL**—I will start with little bit of questioning on your background first, if that is okay with you. You are currently producing 2.8 million tonnes per year.

**Mr Lodge**—It has gone up a bit now to 3.1, but we have just installed capacity for 5.5. We are ramping up now.

**Ms HALL**—That is basically where I was going.

**Mr Lodge**—It is all there. Can I run through what we have installed?

**Ms HALL**—I would love you to do that.

**Mr Lodge**—We have just bought two brand-new shovels and a third second-hand shovel. We have another brand-new one on order for December. We have bought four large trucks. We will have 19. We have installed a coal washery—the first for Western Australia. Coal has never been washed here before. We will reduce sulfur and ash content et cetera. Our coal is low sulfur, low phosphorus and low ash—very much better than east coast coal in that regard. We have installed a first for Western Australia—an overburden conveyor system which we will load with dozers, shovels and trucks. That is highly productive. I forget the numbers, but we have spent of the order of \$50 million already.

**Ms HALL**—So you currently supply the domestic market only, for electricity generation.

**Mr Lodge**—Yes.

**Ms HALL**—Nothing else?

**Mr Lodge**—No. That is it.

**Mr Frangs**—And industrial users.

**Mr Lodge**—Yes, in the domestic market.

**Ms HALL**—Do you have the potential to obtain the overseas contracts?

**Mr Lodge**—Yes.

**Ms HALL**—So that is all sewn up. Your dilemma is that you have upgraded your facilities to cater for an expansion, you have the capacity, you have markets, but because of infrastructure problems you are unable to access those markets.

**Mr Lodge**—At this point. However, I have to say that we have been talking to government and ports all the time through this process.

**Ms HALL**—Yes, of course.

**Mr Lodge**—As I mentioned perhaps 10 minutes ago, we have come to an arrangement with the DoIR here that we would be prepared to install a separate and isolated facility in the port of Bunbury to resolve the legal impasse that exists there. By the same token, that has driven us to look at Kwinana as a short-term exercise. That has been done with the help of all of the parties around.

**Ms HALL**—That was the next point I was getting to. You have a nine-month lead time with Bunbury—

**Mr Lodge**—Probably, yes.

**Ms HALL**—and you can immediately access Kwinana.

**Mr Lodge**—We can immediately access Kwinana once ARG have the wagons on site.

**Ms HALL**—That is right, but there are cost implications which make it unviable. Is that summarising where you are with negotiations today?

**Mr Lodge**—Today, that is right, but we have told the various parties that that is the case, and we expect to be able to drive down the cost to an acceptable level to start off with.

**Ms HALL**—What about the return to the Western Australian economy and the Australian economy if this opportunity is missed?

**Mr Lodge**—That is it; there is no return—

**Ms HALL**—There obviously is.

**Mr Lodge**—It is a paradox, because Kwinana is totally underutilised at the moment. Hardly anything is going in it, apart from a little bit to Hismelt.

**Ms HALL**—But there is obviously going to be a loss if it does not happen.

**Mr Lodge**—There will be a loss. I can put it in terms of the benefit. Let us look at 500,000 tonnes at \$30 a tonne, which is dropping it down a little bit, as our hurdle mark. That is \$15 million. We would expect to pass that hurdle well within the first year. That is money going through the economy. Here is an interesting fact: 54 per cent of the cost—remember I was talking about the cost of rail access and the royalty and port costs?—goes into the government coffers. That is startling.

**Ms HALL**—That is exactly the figure I was trying to get from you.

**Mr Lodge**—That is a startling figure. The government element needs to be rationalised and brought to reality. That is all.

**Mr Frangs**—On the broader scale—

**Mr Lodge**—Sorry; let us be fair. A large portion of that is the rail access charge, and that is leased to Babcock and Brown now.

**CHAIR**—Mr Frangs, I missed your comment.

**Mr Frangs**—I was going to comment on the broader scale, further to that. We have four operating mines currently employing 420 people, and we are talking about trying to look to full operations in the future, and we could not say that the two are not linked down the track.

**Mr Lodge**—I think the conclusion is obvious.

**Ms HALL**—Yes. I was moving there. It will impact on employment in the region unless you are able to maintain and expand your operations.



**Mr Lodge**—It is important that we drive home and repeat the point about the Griffin Group and the investment that has been made by, in effect, the Stowe family. They have committed themselves to developing this organisation and this business in the south-west area. They have rationalised other businesses on the east coast and brought the money into the business here. They are concentrating on coal production, power production and exports. Each of those power stations is \$400 million a pop. So they have really committed to the whole area, and we just need a little bit of oil to smooth our way.

**Ms HALL**—I have a couple more questions I need to ask you. With Kwinana, I was not sure whether you were saying there was some work that needed to be done at the entrance for the ships. If so, how long would that work take and what work is needed?

**Mr Lodge**—To get us loading at Kwinana and shipping out, there is virtually nothing to be done—it works. But, if we are going to improve and get larger vessels in there, there is some dredging to do and there would have to be a modification to the existing loading. I do not believe the dredging is a big job. It is calcareous sands, which are actually dredged by Adelaide Brighton for their Coburg cement plant, so it kills two birds with one stone. I think the dredger just needs pointing in that direction. The actual ship pocket at berth 2 is nearly deep enough for a Panamax anyway. It is 12 metres deep already. They need 12½ metres, I think.

**Mr Grill**—I think we have got to be a bit careful here: it is a very sensitive environmental issue, because the government does not want to encourage too much more dredging in this area because of the seagrasses. It is denuding this kind of seagrass.

**Ms HALL**—So there could be some difficulties there.

**Mr Grill**—I do not know, but I am flagging that there are environmental concerns.

**Ms HALL**—With Bunbury, if you could immediately start operations at Kwinana, would you simultaneously start to build your facility at Bunbury so that you would be adopting a more proactive approach?

**Mr Lodge**—Yes. We are so proactive we are currently out on the international market to buy wagons.

**Ms HALL**—Excellent. From a government perspective, do you believe that there is potential for the three arms of government to work together to improve your operations and the potential for you to access those markets? If so, how?

**Mr Lodge**—I think a lot of the hard work has been done, and we are probably about to reap the benefits of that hard work. The hard work was the persuasion exercise that had to be done over the last 12 months. With central government supporting us—the central government is a big proponent of coal exports—we could have done with that help over the past many months. In the future we will need some further help as a state to get the infrastructure right anyway. My point is that, first of all, we have got to take the existing infrastructure to its existing capacity, with a few tweaks—

**Ms HALL**—Any comments on AusLink?

**Mr Lodge**—Yes: what is it?

**CHAIR**—We will not bother you then.

**Ms HALL**—Would anyone like to make a comment on AusLink?

**CHAIR**—AusLink replaced the Roads of National Importance plus it incorporated the national highway and most of the Commonwealth road and rail programs into one. There seems to be an issue here and in Geraldton that they do not have AusLink corridor to the ports, whereas some other ports do have this. That would be something that we would explore in our report to the federal government, because that would result in at least some federal assistance with getting ring-roads and the like completed.

**Mr Frangs**—It is certainly something that we are aware of, though we have not had time to prepare any comments for this committee. We are operating in the corridor in the south-west with access to Fremantle as well as to Bunbury. Both fall into the AusLink area in this region.

**Ms HALL**—You have given us a very strong message here. Thank you.

**Mr HAASE**—Mr Lodge, in your Queensland experience, the port facilities you would be using for export of coal there are under private ownership, I believe.

**Mr Lodge**—Some are; some are public. Collinsville is private—

**Mr HAASE**—I am not familiar with the names. I was just going to venture a name. But what is the name of the privately operated one?

**Mr Lodge**—Collinsville is one, and Abbot Point.

**Mr HAASE**—But the rail infrastructure is Queensland Rail owned, isn't it? The situation here presently is that the ports are state government owned and controlled and the rail infrastructure is privately owned. So it is the same horse but of a different colour, if you like.

**Mr Lodge**—Privately leased, anyway.

**Mr HAASE**—And your negotiations for the cost of the rail access are going to be a commercial decision negotiated between yourselves and the rail users. I am heartened to hear that you are contemplating the purchase of wagons. That would be a factor in your negotiation, surely?

**Mr Lodge**—Yes.

**Mr HAASE**—Okay. That is enough of that, in my opinion. I would like to know a little bit about your dewatering process. You might tell us—simply because I want to know—the nature of that brown coal. Is that the correct terminology?

**Mr Lodge**—No. Our coal is not brown coal. It is a Permian coal. It is the same as New South Wales or Queensland coal but it was deposited in a shallow area and therefore the water was not squeezed out.

**Mr HAASE**—I was certainly under the impression that Western Australia produced or had brown coal. That is a product different to the one you are talking about?

**Mr Lodge**—No. Everybody else is wrong and I am right.

**Mr HAASE**—That is a fair beginning.

**Mr Lodge**—The Japanese agree as well.

**Mr HAASE**—I had heard that one of the particular qualities of that coal is that under circumstances it is self-combusting.

**Mr Lodge**—Yes.

**Mr HAASE**—So it is a product that needs some care in transportation?

**Mr Lodge**—Yes, it does, in the same way as coal from the Greta seam in the Hunter Valley, coal from the Muswellbrook seam and Drayton's coal needs it. They need care in exactly the same way, as does coal from the Central Queensland Norwich Park seams.

**Mr HAASE**—In your dewatering process, which you say is a patented process now—

**Mr Lodge**—Yes.

**Mr HAASE**—I wonder whether you are doing anything to try and produce a clean coal. Are you doing anything with technology that advances that proposition?

**Mr Lodge**—Yes. We are significant investors in the development of clean coal technology. We are big participants in what is called CCSD, which is a quasi-government and coal association organisation. We have developed coal-drying processes, which are essentially thermal drying processes. The coal becomes quite dusty. We have developed a means of bringing the coal back together again through pressure, and that produces briquettes. Those briquettes are good for foundry coke or for house coal in Turkey, England or places like that. We have developed carbonisation techniques similar to in a coke oven, and our plant is about to commence refurbishment. It is quite a large plant. We have received a letter of intent from Hismelt for the supply of this product to Hismelt at the rate of 200,000 tonnes a year from January.

The coal on the east coast is regarded as high-rank coal, and the coal here is regarded as low-rank coal. High rank means that it is older, better et cetera. We measure rank by what is called mean maximum reflectance, which is the reflectance of vitrinite under the microscope. You measure it over time and you come up with a per cent. Our coal, when the water is not dried and is still in the coal—it is still high moisture coal—has a mean maximum reflectance of about 0.49. After we carbonise it and we do the same test, our coal has a mean maximum reflectance of

1.4. It has a volatile matter of about 24 or 25. It has an ash content of about six, seven or eight. It has a sulfur content of less than 0.3 and a phosphorus content of less than nothing, and if you compare it on paper to a hard-coking coal it looks the same, except there is no swell.

**Mr SCHULTZ**—That is not your problem. You have got the best coal in the world, but you do not know how to get it out. That is what we are here talking about.

**Mr HAASE**—Do not chastise me too much, Alby, but what is the level of concern among your potential buyers of the cleanliness of your coal, Mr Lodge?

**Mr Lodge**—We wash all our coal.

**Mr HAASE**—When I say ‘cleanliness’, I mean the degree of greenhouse emissions.

**Mr Lodge**—Our current domestic customers and our new customers overseas are all very impressed with the fact that we can bring the sulfur and the ash right down to a low number, because of the benefits of reducing emissions. Particularly in terms of dried coal, people can see the potential benefit in economic savings. There are much-reduced emissions, by the way, because the coal is dried.

**CHAIR**—Barry, where are you taking us? It is interesting questioning but how does that tie back into this?

**Mr HAASE**—I am looking at the nature of the long-term contracts that this organisation is perhaps going to negotiate and therefore the justification for involvement in long-term usage infrastructure. That is what every commercial consideration should be about, but if governments are going to get into bed with commercial operations we need to be assured that they are around for a number of decades, not a flash in the pan.

**Mr Lodge**—That is fair enough because, if we were just talking about the straightforward, ordinary, standard thermal coal, it is not an export game. It is too dangerous to go into. It is the value added areas that we would develop.

**Mr HAASE**—That is right. Hence my interest in HIs melt. What is the duration of supply? How many decades?

**Mr Lodge**—This is just a five-year contract to begin with, but in fact a state agreement is being put together and another agreement is being put together where HIs melt 2, or the coal feed for it, is located at Coolangatta Estate, which we own. That is a 2.9 million tonnes per annum coal feed.

**CHAIR**—What is the notional cost per tonne of the value added coal?

**Mr Lodge**—We are competing with Central Queensland semi-anthracites. They are selling at the moment for anything between \$US95 and \$US150, FOB.

**CHAIR**—So you can virtually get your \$30 a tonne coal up to \$100. You can treble its value?

**Mr Lodge**—Yes, but you lose about 40 per cent of it in the process.

**CHAIR**—You lose the moisture content?

**Mr Lodge**—Yes.

**CHAIR**—I see your point. So it is a fine balance getting it all in.

**Mr Lodge**—Yes. But we do have that equipment already, and we are about to refurbish it and turn it on. In the next couple of months it will be starting.

**Mr Frangs**—Can I just add a couple more points to Barry's comment about—

**Mr HAASE**—Only if the chair lets us, of course.

**CHAIR**—You could hardly say that I was being difficult.

**Ms HALL**—He is a very good chair.

**Mr Frangs**—We have been trying for 18 months to get this coal out. Whilst our immediate pressure is predicated by the fact that we do change our own markets in 2010, it has been a market we have been looking at. The standard coal that we produce out of Griffin and the standard Collie coal would be competing in immediate markets of around 59 million tonnes within Asia. The economic choice we have is whether or not we would participate in that, but that is an existing market which is being supplied primarily out of Indonesia. We do have some freight advantages from supplying out of Western Australia and to a number of countries as well.

Beyond that, when we are talking about the value added products, we are talking about an existing market within Asia of around 250 million tonnes of varying degrees of coal, but we can produce varying degrees by increasing the value of our coal. Those are existing markets which again we would be able to participate in with what we believe is an equivalent product. We do not have any concerns about whether the market is there, once we have developed the product. What has brought us back to being here today is that we have a current freight task of 500,000 tonnes, and we need to perform that freight task so that we can go onto the next step. Whilst in any of these scenarios that Mr Lodge has referred to there will be a need for some form of capital to make any of this viable, the current cost structure that we have is prohibitive when you look at trying to develop an internationally competitive market with what we have.

**Mr Lodge**—Not our cost structure.

**Mr Frangs**—The cost structure beyond the mine, I should say. We are doing a lot of work, as Mr Lodge has alluded to, on site to make ourselves an internationally competitive mining operation. But, without some changes—

**CHAIR**—I would like to bring us back to that. The whole point of this is that, no matter how good all this technology is, if you cannot get the stuff out we are talking around the point, aren't we?

**Mr Frangs**—Yes.

**CHAIR**—I take you back to the business of the coal drop at the port here at Bunbury. You say that there is an old powerhouse with a tippler. Is that tippler capable of taking the QR wagons if you are able—

**Mr Lodge**—No, that is all gone—just the railway lines are left. We would have to install a drop.

**CHAIR**—A centre drop.

**Mr Lodge**—Yes. But that is not a really big job; it is just that we need to do it.

**CHAIR**—Is that facility in reasonable proximity to the wharf you would like to utilise?

**Mr Lodge**—We would have to add some further capital expenditure to take the coal from the railway line to the stockpile. We are already planning the capital expenditure from the stockpile to the loader, anyway, because we have already offered to do that as a Griffin financed—

**CHAIR**—You have heard they have had problems here with alumina. What is the situation with coaldust?

**Mr Lodge**—First of all, the loader that would go from the ship, the loader we will use, will be a totally contained loader on negative pressure out to the stockpile area.

**CHAIR**—Again, is it going to be a centre drop collection from the stockpile, as they use in Gladstone, or is it going to be the revolving bucket?

**Mr Lodge**—No, we will probably organise it on a straightforward dozer or a 10-loader situation.

**CHAIR**—Into an underground system?

**Mr Lodge**—Onto an armoured flexible conveyor which will sit on the ground. But it will be able to take it.

**CHAIR**—A similar idea.

**Mr Lodge**—Yes. We will use exactly the same idea from the bottom dump, from the train, but we need to enclose it from the train and then it needs to be sprayed for delivery to the stockpile. The stockpile itself does not need to be covered. We have already run that system. We have got history and air models and dust models, and it is away from anywhere. So we are quite comfortable about that.

**CHAIR**—When you have removed the moisture from the coal, depending on the prevailing winds on a given day you have to add more moisture. Does the coal more readily absorb the moisture again if it has been treated in that way or is it just at the surface to keep it bedded down?

**Mr Lodge**—I think the top skin is more amenable to taking in the water, but it depends on the level of moisture removal that we take it to. We can take it to air dried moisture, which is about 15 per cent, which is equivalent to Blair Athol coal, for example. There is a market there that we can play in at that percentage. Anything away from the surface will not absorb lots of moisture. However, we can take it down to zero per cent moisture and, in fact, knock off the top volatiles, which then changes the structure of the coal. You then add back moisture to make sure that you do not produce dust. So you drive the inherent moisture right down.

**Mr Grill**—Have we made it clear—I have missed part of this—that dust is a real problem here?

**CHAIR**—Certainly it has been mentioned in relation to alumina. That is what prompted my question about coal.

**Mr Grill**—It is a real problem here in respect of the woodchips that are exported. There is a common user berth here—berth 8. Griffin have not been able to use berth 8 because of the perception amongst the export customers—some of them at least—and the exporter Hansol, which uses the common user berth at the moment, that the dust might in fact contaminate the woodchips. There has been a legal action which has not yet been resolved.

**CHAIR**—That was touched on, yes.

**Mr Grill**—It was touched on. That is good. So that puts that into context.

**CHAIR**—Not so much in relation to the stockpiles but in relation to the loading—using the one loader.

**Mr Grill**—The expenditure that Mr Lodge has spoken about that Griffin will have to put in place is really to overcome that problem. It runs into several million dollars. It will be the covered conveyor facility from the stockpile to the wharf that Mr Lodge has spoken about—a separate set, in fact, of loading facilities so that the loading facility that is used currently by the woodchip people is not utilised for coal. So it is a completely separate system.

**CHAIR**—Jill, you had one last question, then I would like to wind up.

**Ms HALL**—In a sense we have touched on it with what we were just discussing. We touched on it when you mentioned environmental issues and in the presentation when priority for passengers using the Kwinana line was mentioned. My question is: are there any conflicts with the community over your proposals? If so, what steps have you taken to resolve them, and will that impede your doing what you are hoping to do?

**Mr Lodge**—I think the port and Griffin have worked together quite well in managing the potential for community backlash on the export of coal. There definitely has been the odd person—and I think I can count three instances of critical public comments made by fairly prominent folk. But in reality what happened was that we utilised the port's environmental consultants to develop an environmental management plan for the operation on a fairly modest basis. That was submitted to the port. The port reviewed it critically and accepted it, as it is their power to do under their particular act.

In addition to that, we then transported 60,000 tonnes down to the port and environmentally measured the dust and water emissions. We took samples of it. We took a 200-tonne trial run through the loading system to measure the dust and to check that we were not producing lots of dust, cleaning up at the end of it; installed a negative pressure device; and all of that worked very well. So I think from an environmental point of view we are probably there. If we continue to use that port facility and transport coal by road indefinitely and for large tonnages, we will have a very serious environmental problem. Rail is really the only way to go. As a kick-off, road is okay, but we do not like to be on the road really.

**Mr Grill**—I will just add to that. The short answer is that, if you want to export coal out of the southern side of the port, there is community conflict and it is probably not going to happen. That limits your operations to the northern side of the port. When you get to the northern side of the port, the only facility you can use is the common user berth that I mentioned earlier on, and up until this current time that has effectively been debarred from use by Griffin. It is not until you put in the extra facilities and expenditure with the separate loading facility that you have a viable port here in terms of actually loading the coal. So there is an environmental concern, but it is essentially confined to the southern side of the harbour.

**Ms HALL**—Are there any other areas of conflict?

**Mr Grill**—We have mentioned road traffic. If that continued on at the level that it was when the stockpile was set up here, that would be a problem. The truth about it all is that the infrastructure here just does not cater for coal at the moment. It needs to be upgraded quite substantially to allow that to happen, and that includes the rail.

**Mr HAASE**—Is there sufficient land for the facilities to be dual? Your woodchip facility users are looking at having additional land for the process.

**Mr Grill**—Tight, but possible.

**Mr HAASE**—And that is not disputed by either party?

**Mr Lodge**—No. There is sufficient land for us.

**Ms HALL**—That is the plan you are hoping to bring online within nine months, isn't it?

**Mr Grill**—Yes.

**CHAIR**—Provided both organisations use their dust prevention measures appropriately, there should not be a problem.

**Mr Lodge**—Yes. We would need some alterations to our lease to give us security of tenure before we put money into this development, but that is a commercial thing that we would work out.

**CHAIR**—In winding up, I would like to put a question to you that we have put to other people. For our report, what would be the greatest single thing which would enhance the efficiency of your operation?



**Mr Lodge**—I do not know what you could put in your report. I know what we need.

**CHAIR**—Let me put it this way. What should we recommend that would enhance your operation? If you had a choice to nominate one thing of the many things that are holding up your operation, which is within the province of the federal government to deliver, say under AusLink or whatever it might be, what would that be?

**Mr Lodge**—As I was about to say, I am not sure that it is within the province of the federal government. What we need really is wagons—

**CHAIR**—Let me give you an example. When we had the ARTC, the Rail Track Corporation, in the other day, we asked them that question. Without hesitation, the CEO said, ‘Give me \$200 million for concrete sleepers between Melbourne and Brisbane and I will show you efficiencies that you can’t believe.’ You have many problems: the capacity of the rail, the axle loads on the bridges of 19 tonnes, the insufficiency of the passing loops, the problem you have where the Collie line joins Brunswick Junction. What of all those things is the greatest single thing that we could recommend that would enhance your operation?

**Mr Lodge**—I have some immediate problems on my mind, and none of them are the things that you—

**CHAIR**—I am not trying to force you to give an answer you are not comfortable with. But if you said to me, ‘Get the Commonwealth to spend \$10 million on the line from Collie to Brunswick Junction,’ or, alternatively, ‘Recommend the duplication of the line from Brunswick Junction into Bunbury,’ I would understand. I just wonder if there is one core issue that would push your project forward.

**Mr Lodge**—All those things that you have just mentioned as examples will need to be done, but the first problem that we have is to get through the port. And to get through the port we need some wagons and we need an agreement with a port and a railway company which is within the bounds of economic reality.

**CHAIR**—Let us say it is the wagons, for example. The narrow-gauge wagons available in Australia, perhaps the QR wagons, are fairly long, thin wagons. Are the curves on the existing Collie line sufficient to handle those wagons?

**Mr Lodge**—We understand that that is the case.

**CHAIR**—Why I ask that question is, in my own electorate, there is a coalmine to be developed in a place called Monto for transportation to Gladstone. But, because of the curves on the old Monto-to-Gladstone line and five tunnels, those wagons will not do the curves on that line. Presumably, if this is an old dairy line or whatever it was in the old days, it may have some of the same problems.

**Mr Lodge**—As I understand it, it does not have those problems at all.

**Mr Frangs**—I would like to add something to that. This may be a bit more of a motherhood statement but I think it is the area of efficiency. What Tony has identified is various parts

throughout the processes that Griffin is looking at. All of them are possible with some capital outlay. It is just a matter of coordinating them together. I am not sure to what degree that is in the mandate but I certainly agree with the submission that was made by the government of Western Australia, I think. They basically identified that, as an economy reliant on external trade and long, thin shipping routes, Western Australia is critically dependent on having efficient ports—and, we would also say, a land based support network behind that. Whilst we are confronted by all of these individual parts that we have to deal with, at the end of the day it is the efficiency which we are probably going to struggle with to pull together and have it all coordinated. That would be open to the various points of government.

**CHAIR**—Your problems are more multifaceted than others we have seen, though not of the same individual magnitude, if you know what I mean. You have a group of smaller problems that collectively are probably worse than most but individually are not.

**Mr Frangs**—So it is just the coordination and getting—

**CHAIR**—But we are seeing these problems everywhere. Dredging: Mackay, Gladstone, Melbourne. Wherever we go there are a lot of common problems: wanting to get the smaller cape-size vessels in, for example, and getting the dredging into that 15- to 18-metre range. In every port there seems to be a linkage problem, generally not more than \$70 million worth, but all of those ports have one major thing. In the case of Port Kembla, a rail link down the western side of the range, costing \$70 or 80 million, would make a world of difference to that whole regional economy. What I was trying to do in that previous question was identify, from your perspective, the key thing around here. You probably answered it for me: it is multifaceted; it is not one thing.

**Mr Grill**—On the broader picture: when the rail system in the south-west, which belonged to the state government, was privatised, the operational side was sold off completely. The below-rail side was leased out for 50 years. It was underfunded before it was sold or leased out. There was some money put into it, but it was not enough to bring it up to standard. Since then, because it is privately owned, you get investment but the investment is not substantial and it certainly does not look ahead to new traffics like coal and other things of that nature. So when a company like Griffin comes to the conclusion that the world market is such that they can actually export coal, especially if they can upgrade it, they find that almost everywhere down the chain there are impediments to that happening because the whole system just does not cater for the quantity of coal or the quantity of product they want to put across the line. Then, when they look at the costs, they find that the costs put them outside the competitive reach when you compare them with costs in the eastern states or costs overseas. So the whole port system here, as far as coal is concerned, does not work. The rail system will work up to a certain standard, but not beyond that standard, and it is not a standard that would readily allow you to enter the export market and remain in the export market, especially if prices go down. So all of those areas need substantial upgrading.

Certainly the rail system needs upgrading. You need a proper loop into this facility here. You need unloading facilities that you were talking about. There are not conveyor systems, so the company has to put them in themselves. And the costs, as I think Mr Lodge has already mentioned, do not go to government; they mostly go to the private sector. The truth of it is that the costs of transport and handling are as high as the costs of coal and they are just about as high

as you would expect to get from the overseas market. So those costs really have to be reduced, and that is where the money needs to be spent.

**CHAIR**—I understand. You probably remember our previous report on this matter, called *Tracking Australia*, which we did about seven years ago. The federal government is acting largely on that report now, with the enhancement of the arterial rail system through New South Wales. As we went around we could see that where there had been substantial investment in the track—a typical example is between Brisbane and Rockhampton where they now have tilt rail—that had not just improved passenger services; it had improved every train that goes on it. I have Bundaberg and Gladstone in my electorate. I cannot beat the train from Bundaberg to Gladstone—the line is so efficient and fast. It is on eight-inch lines, sitting up high, all on concrete sleepers. It is really good. They spent \$400 million doing that and taking all the curves out. Every bit of rail, whether it is coal going into Gladstone, freight going through to Cairns, passenger trains going from Rockhampton to Brisbane or whatever, is all acting more efficiently.

I think this committee has always had the view that you have to get the track right. That is the starting point. I think what we have heard from you and from the woodchip people is evidence that we have to put a fair degree of focus on that in our report. So I thank you very much for very frank evidence. You did not beat around the bush, Mr Lodge, and we appreciate that on this committee. I thank you too, Mr Grill, Mr Frangs and Mr Camarri, for your attendance. We will be sending you a copy of the *Hansard* transcript for editorial corrections. I trust we can come back to you if we need any further assistance.

[12.47 pm]

**LARSEN, Mr Paul David, Commercial Manager, WestNet Rail**

**CHAIR**—I have recalled WestNet Rail in view of some of the evidence we have had this morning. I will be interested to hear their comments. Mr Larsen, you realise that the caution still stands about this being a federal inquiry and the giving of false or misleading evidence. We are interested to hear your views as there seems to be a problem in the south-west area with the condition of the track and the passing loops. Can you give us a bit of a feel for where your company, your new employers, may be going?

**Mr Larsen**—I certainly can. Thank you for the opportunity. The first thing I want to say about the condition of the track is that I think what you have heard this morning is very misleading. The track is in excellent condition. There are three lines. There is the Perth-to-Bunbury line, the Collie-to-Brunswick line, which you have heard about, and the woodchips line. Firstly, the Perth-to-Bunbury line is in excellent condition. It has had \$50 million put into it in the last year in concrete sleepers. It is one of our most heavily utilised lines.

**CHAIR**—What are the curves and grades like on that line?

**Mr Larsen**—It traverses fairly flat and straight in the way it is laid out.

**CHAIR**—What about the axle loads on bridges?

**Mr Larsen**—The axle loads on the northern half are up to 23 tonnes, on the bottom half 23 tonnes and in the middle section 21 tonnes. There was a problem with the woodchips line, as you heard today, as the tonnages had reduced greatly.

**CHAIR**—What was the problem that caused that?

**Mr Larsen**—It was the state government's decision to end the logging of native forests, which meant that WAPRES had to move to more plantation logs, which were not located at the end of the line. They were located at the midpoint of the line, which is now where we have established the new operation from. And, of course, we have the Brunswick-to-Collie line. Most of that is, once again, concrete sleepers. That had close to \$20 million invested in it several years ago. That goes up to the top of the scarp and then you have—

**CHAIR**—We heard evidence today that the axle loads are about 19 tonnes. Is that pretty right?

**Mr Larsen**—On the concrete section it is heavier than that.

**CHAIR**—So you have reinforced the bridges in the concrete section?

**Mr Larsen**—Correct. The reason for that is that there is a—

**Ms HALL**—How much of the line is not concrete?

**Mr Larsen**—About 40 kilometres of that line is operating at the 19-tonne axle load. One thing I also wanted to clarify is, in terms of ownership of track, our track ends at the gates of the port. All of the rail track and rail loading infrastructure inside each of the ports in Western Australia is the responsibility of the port. As I said to the committee yesterday, we are in the business of keeping freight on rail and getting more freight on rail. We work very closely with our sister company, the above-rail operator ARG, and other above rail operators. I think WAPRES, which you heard from this morning, is a very good example of the teamwork that has gone into that between the customer, the railway owners and the government. We have had excellent support from the state government to get that traffic back on rail on a long-term, sustainable basis.

The keys to that have been three things. There has been excellent support from government, a 10-year commitment from WAPRES and significant teamwork and planning to get to the point where each company could make those commitments—and each company has made substantial financial commitment to get that traffic back on rail. We go through the same processes with Alcoa and Worsley. They are the two predominant users of this line. They generate close to 90 per cent of the freight in this region. We sit down with them regularly and go through 20-year planning cycles. We look forward and ask, ‘What will need to change with the infrastructure to support your business?’

What has come out today in the discussions between the committee and Griffin Coal is that maybe the difference in approach there is that there has not been as much planning undertaken. Quite clearly, Bunbury is a far better solution for Griffin. It is less than half of the haulage distance, which might get the rate down. I just want to make a couple of other points, if I could.

**CHAIR**—Yes, but on that point, what is your comment on the need for duplication from Brunswick Junction in?

**Mr Larsen**—My comment is that, based on the forecasts that we have done with Alcoa and Worsley, duplication may be required at some point in the future but certainly not in the short to medium term.

**CHAIR**—Would passing loops provide a solution to that?

**Mr Larsen**—We have already planned, with both Alcoa and Worsley, to install additional crossing loops where they are required to support their expansions.

**CHAIR**—To how many wagons?

**Mr Larsen**—The interesting point with train length is that it is predominantly constrained by what infrastructure is available in the customer’s facilities to load.

**CHAIR**—Are alumina wagons similar to coal wagons?

**Mr Larsen**—They are probably similar in length. The specific gravity of coal, I think, is marginally heavier, so the wagons are a bit shorter. The key issue with train length is that if you

only have a short space in which to load your wagons in the refinery, or you have rail-loading facilities that can only hold so many wagons, that can also constrain train length, as can what maximum train length the port can support in its unloading. So there are other issues that need to be considered.

**CHAIR**—What are most of your loops in WA?

**Mr Larsen**—The loops are very different line by line.

**CHAIR**—Forgetting the standard-gauge arterial network, in the narrow-gauge section what is your normal passing loop?

**Mr Larsen**—It is very different line by line, but on these lines here we can support trains of up to 1,100 metres in length. That is far greater than the 35-wagon constraint that was mentioned by Griffin. I think there might be other reasons that are driving that length of train that is being proposed.

**CHAIR**—We have talked about the Collie line and the woodchip line. Do you have plans to rejuvenate any of the former lines in the south-west corner?

**Mr Larsen**—If there is a commercial freight task that justifies the reopening of a line, we will reopen the line.

**CHAIR**—Without revealing any commercial-in-confidence information, are you talking to other companies?

**Mr Larsen**—Yes. We are currently looking at reopening the line to Capel for a coal customer. They have the same constraints with coal unloading in Bunbury that Griffin face. One thing I did want to mention is that we, with the Bunbury Port Authority and the Department for Planning and Infrastructure, have undertaken a study to look at what needs to be done inside the Bunbury port. We have engaged Griffin, Wesfarmers and this other coal company, to understand what their needs might be.

**CHAIR**—There is a general users group. Is there a coal users group as well?

**Mr Larsen**—I am not sure of that. What I know is that we have undertaken this specific study to look at what is required in Bunbury for all of the coal customers that are out there.

**CHAIR**—Ms Hall will tell you that the users group in the Hunter Valley has been extraordinarily successful.

**Mr Larsen**—I think we are effectively at the start of that process. One of the problems that we have is that we have been asking the coal customers to articulate their tasks. It would be fair to say that they are still going through a fairly fluid process of trying to define exactly what tonnages and what terms they might be looking for. You might have heard from WAPRES today that, and Mr Haase reinforced it, for these projects to work it requires the commitment of all parties and it needs to be clear what that commitment is going to be. I think we are at the beginning of that process.

**CHAIR**—What is your general view of the upper section of the woodchip line which has not been utilised? Should it be abandoned? Is it being kept under minimum maintenance at present? Does it have a long-term future?

**Mr Larsen**—Would it be the lower section that you are talking about?

**CHAIR**—The outer section, yes.

**Mr Larsen**—That section will not be used, as a result of the project coming back on rail. That track will remain there and could be reinvigorated if a commercial freight task appeared. I think it is unlikely, unless they find iron ore or coal down at Manjimup. The reality is that the plantation woodchipping industry has moved more to the blue gum forests rather the native forests, and that was one of the key reasons that that bottom half of the line became unsustainable.

I think Mr Lodge did communicate very clearly that his company has a need to keep costs down, which I fully appreciate. I think trying to compare it with the other systems is worthwhile considering, but we do need to understand that Queensland exports 150 million tonnes of coal. We are talking about half a million tonnes to two million tonnes here. I am not sure what the Hunter Valley exports, but I know it is an extremely large amount.

**CHAIR**—There is no reason why you should not garner their expertise and their wagons.

**Mr Larsen**—Absolutely, but as you would know, Chair, volume plays a key part in the costing of any transport task.

**CHAIR**—Yes.

**Mr Larsen**—Mr Lodge did communicate his concerns about the access fees to the track, which he is entirely entitled to do. The access fees that are being quoted are market rates. In fact, they are below market rates because we are very keen to work with Griffin to get this task on rail. We think the best solution is ultimately to go through Bunbury. We understand there are going to be some short-term infrastructure constraints. But at the end of the day I still feel very confident that the track is there to support the task.

The point about wagons is a valid point. I think it is a reality that not many transport organisations sit around with spare equipment waiting for a task to come along. Rail wagons at the moment have a very long lead time attached to them because of the booming iron ore market and the coal market in Queensland. The reality is, once again, if you want to undertake a rail project, you need to do some serious forward planning. Part of that serious forward planning is to communicate and commit to the task that you want to undertake early in that process. It has taken us 2½ years to get to that point with WAPRES, and it is going to bear the fruit that we all hoped it would. I do not have any other specific points I wanted to make, but I am happy to take more questions from the committee.

**CHAIR**—You will be following us around. When we get these sorts of problems, I hope you will not mind if we fire them back at you.

**Mr Larsen**—Absolutely not. I have no problem with that.

**CHAIR**—It might be stressful in one respect. Does the Capel line that you talk about go inland to meet another line or does it go straight up the coast?

**Mr Larsen**—It is actually the start of the line that used to run to Busselton, but the rail corridor ends now at Capel. In fact that is where the track ends. There was a mineral sands operation there that used to be served by rail which is no longer served by rail.

**CHAIR**—Is the line still in reasonable shape?

**Mr Larsen**—It is in reasonable shape. It will require some money to re-open it.

**CHAIR**—How much—\$10 million, \$15 million, \$20 million?

**Mr Larsen**—It would be less than \$10 million.

**CHAIR**—There used to be a line down to Busselton.

**Mr Larsen**—There used to be a line that went to Busselton many years ago. There is no sign of the formation or track in existence anymore.

**CHAIR**—What is the population of Busselton? Is it about 15,000 to 20,000?

**Mr Larsen**—It would be close to that, yes.

**CHAIR**—Is there any future, say, for a passenger rail going from Busselton-Bunbury through to Perth?

**Mr Larsen**—I think the track investment would be substantial, and then of course you would have to look at the economics of running the passenger operation. I want to clarify one other point that Mr Lodge raised, which was the passenger trains being given a priority. There is no legislative or statutory requirement to give passenger trains a right of way or a free kick. What does exist is that we have an economic regulatory authority here that sets in place the rules by which train paths can be made available to customers. The basic premise is—

**CHAIR**—You would have to concede that if passengers are going to sit on a train for 15 minutes or half an hour while waiting for a coal train or an Alumina train to come by then you will not keep passengers on trains for very long.

**Mr Larsen**—I was just about to elaborate on what the rules are. The rules are very clear. Trains that are running to their schedule are allowed to continue to proceed to their schedule, and there is no differentiation between passenger and freight services. So, as long as trains run to the schedules they have been allotted, they are allowed to keep moving. It is as simple as that. And we get audited against the application of those rules.

**CHAIR**—If you fall out of your slot, the other vehicle takes priority?



**Mr Larsen**—That is correct. If a train is on time and running healthily, if your train is running unhealthily and presents itself late, then the healthy train does get the right of way. They are the rules that are set by the access regulator.

**CHAIR**—What is the cost of duplicating from Brunswick Junction into Bunbury?

**Mr Larsen**—It could be anywhere between \$30 million and \$40 million. Environmental issues have been raised and need to be worked through.

**CHAIR**—We have been through this at Geraldton, but, given that in many respects this is the next most important port in the south-west after Fremantle, is there a case for it being considered under AusLink?

**Mr Larsen**—My understanding, from the discussions I have had with the Department for Planning and Infrastructure, is that the Perth-to-Bunbury corridor will be considered as an AusLink corridor in 2010.

**CHAIR**—Does that need to be brought forward?

**Mr Larsen**—I think it is dependent upon when the next round of AusLink funding will be made available, which by my understanding is not until 2010, unfortunately. In the immediate short term, the installation of one or two additional crossing loops in that section will support the traffics that are there, particularly Alcoa and Worsley, who generate 90 per cent of the freight.

**CHAIR**—As there are no further questions, we thank you for coming back to the table and making yourself available.

**Proceedings suspended from 1.02 pm to 1.44 pm**

**REES, Mr David John, Bunbury Terminal Manager, Alcoa World Alumina Australia**

**CHAIR**—Welcome, Mr Rees. We are not going to ask you to give evidence under oath, but you would be aware that these hearings are considered formal proceedings of the parliament and consequently they warrant the same respect as proceedings of the House itself. It is customary to remind witnesses that the giving of false or misleading evidence is a serious matter and may be regarded as a contempt of the parliament; having said that, you are most welcome. Would you like to give us a five- to seven-minute overview of your submission?

**Mr Rees**—Thanks, Chair. Yes, I understood the requirements that you outlined. First of all, I might talk about our operations at the port of Bunbury, Alcoa's main port in Western Australia. That port services the production output from its two larger refineries. The first is the Pinjarra refinery. It receives about 80 per cent of that refinery's product; the other 20 per cent goes to the Kwinana refinery, which has the secondary port there. With the second refinery, the Wagerup refinery, 100 per cent of the material comes south to Bunbury. Up until approximately two weeks ago, Alcoa managed the Worsley Alumina refinery's business as well—and it had done so for the last 20 years, since about 1984—but the capacities of both Alcoa's alumina and Worsley's alumina reached the point where they passed the capability of Alcoa's port so both parties chose to separate their businesses. The Worsley organisation has built a new loader and it is running its business through its own berth that sits right alongside the Alcoa berth.

**CHAIR**—Is that a new berth?

**Mr Rees**—It is brand new.

**CHAIR**—Sorry, I may have cut you a bit short; did you have any other background you wanted to add?

**Mr Rees**—As background I was just making the point that our facilities here at Bunbury export our alumina from those refineries and we import caustic soda from various locations around the world. All the alumina of course comes in by rail and we transport the caustic soda that we import via rail as well to the refineries.

**CHAIR**—And where is your plant exactly?

**Mr Rees**—Our plant is berth 4, inner harbour.

**CHAIR**—No, sorry—where is your plant, your production?

**Mr Rees**—Our production refineries—we have Wagerup refinery that sits just outside of Waroona town site.

**CHAIR**—Yes, I have got it.

**Mr Rees**—We have the Pinjarra refinery that sits adjacent to the town of Pinjarra.

**CHAIR**—Yes.

**Mr Rees**—And then down just short of Perth at Kwinana we have a refinery there on the seaboard. But nothing comes from Kwinana to Bunbury.

**CHAIR**—Where is the Worsley one?

**Mr Rees**—Worsley sits out of Collie, basically due east from Bunbury.

**CHAIR**—Where do you take your bauxite from?

**Mr Rees**—The bauxite for Alcoa comes from the Darling Scarp. We have a couple of mines there: we have Willowdale that services the Wagerup refinery and we have Huntly and Del Park that service the Pinjarra refinery.

**CHAIR**—And where are they?

**Mr Rees**—On the western side of the Darling Range.

**CHAIR**—What is the combined output of your two plants in the Bunbury area?

**Mr Rees**—It would be 5.3 million tonnes per annum in round terms.

**CHAIR**—Of alumina?

**Mr Rees**—Of alumina.

**CHAIR**—What is Worsley's output in round figures?

**Mr Rees**—I am not qualified to speak for Worsley, but as a guide—

**CHAIR**—Yes, a guide.

**Mr Rees**—it is currently sitting at around 3.3 million tonnes per annum.

**CHAIR**—So there is about 8.5 million tonnes of alumina going out of Bunbury.

**Mr Rees**—That is correct. That is very close to the tonnage for last year.

**CHAIR**—You have no doubt heard in evidence today as you have been sitting there the various points of view about the condition of the track and the capacity of the track to handle various sorts of loads. With your Pinjarra operation and your Waroona operation, how do you find the rail system to Bunbury? Do you encounter many problems?

**Mr Rees**—Historically we have had some problems, but the rail company, WestNet, have made substantial improvement to that section of line running from Pinjarra right through to the port.

**CHAIR**—When you say ‘improvements’ do you mean conditioning the line with concrete sleepers and so on?

**Mr Rees**—Yes.

**CHAIR**—Do you mean passing loops?

**Mr Rees**—I cannot be sure about any passing loops. I will add—

**Ms HALL**—Rail screech was mentioned here, too.

**Mr Rees**—Noise?

**Ms HALL**—It says ‘rail screech’. Is that one of the problems?

**Mr Rees**—I believe that rail screech or noise, if that what it means, is an issue on the Pinjarra loop. That noise carries through to the township of North Pinjarra, or Carcoola as it might still be called. I am not an authority on that.

**CHAIR**—But surely that is just a matter of increasing the size of the loop, isn’t it? You only get screeching where your curves are too tight.

**Mr Rees**—It is also related to speed, as I understand it. Alcoa’s expert or authority on logistics around rail is appearing at one of your sessions with the CCI in Perth in the not too far distant future. He would have a better view on commentary around that than I do.

**CHAIR**—Do you operate your own trains or do you use one of the existing—

**Mr Rees**—We do not own any locomotives or wagons.

**CHAIR**—Who is your operator?

**Mr Rees**—ARG. They have AWR running the fleets and, of course, WestNet is looking after the track.

**CHAIR**—There were some complaints in other evidence today about the cost of operations. How do you find the cost in comparison with your other plants around the world or around Australia in terms of tonnage?

**Mr Rees**—Are you talking about the cost of alumina produced or the cost of transport?

**CHAIR**—The cost of transport.

**Mr Rees**—I have no idea. I cannot answer that question.

**CHAIR**—Could you get back to us on that?

**Mr Rees**—If you address that question to John Oliver at the next meeting, I am sure he will be able to give you a more detailed account of that. I will let him know that you asked the question.

**CHAIR**—For some other commodities, the suggestion has been made that the costs are up to three times as much as they might be in other parts of Australia. We would like to test that for all commodities, not just for one or two. How do you get your bauxite to your plants? Do you use rail for that as well?

**Mr Rees**—No. The bauxite comes from the mines to the refineries by overland conveyer.

**CHAIR**—So the bauxite deposits are fairly close to each plant?

**Mr Rees**—Yes.

**CHAIR**—Is Worsley much the same.

**Mr Rees**—Yes.

**CHAIR**—Are there any smelters in Western Australia.

**Mr Rees**—No.

**CHAIR**—So all of your production and Worsley's production is exported?

**Mr Rees**—Yes, it is, or exported to the eastern states. A small percentage of our material goes to two smelters that the company owns in Victoria: one at Portland, which is a partnership with the Victorian government, and the wholly owned smelter at Point Henry at Geelong.

**CHAIR**—So most of your production goes to your own plants or to other Australian—

**Mr Rees**—No, that is not right. A small fraction of the material that we export goes to our Australian smelters; the remainder of it goes to a number of smelters around the world, not necessarily Alcoa owned smelters.

**CHAIR**—You are a long-established company here—a lot longer established than some of the others we have spoken to today, in terms of coal and woodchip. Do you find that the rail and port systems meet your current needs? Can there be efficiency improvements? Where do you find the weaknesses?

**Mr Rees**—First of all, let me say that rail is the only effective way of getting alumina to the ports, with the vast tonnages that we handle. Trucking is not an option. Having said that, yes, we do struggle to hold rail schedules. Struggling to hold those schedules is due in part to internal efficiencies within our own organisation, but it is equally and possibly more due to the efficiencies of the rail organisation, the number of passing loops and that type of thing.

**Mr SCHULTZ**—So it is basically the time factor of getting your raw production from your on-site plant to the port? Is that part of the problem?

**Mr Rees**—Yes, it is. We would typically run eight trains of alumina a day through the port of Bunbury. We would also typically run two to three trains a day of caustic for Alcoa. Worsley would have a proportional number of trains to suit—somewhere around three alumina trains and three caustic trains. The number might swing up and down a little bit. Those trains, that summation of the numbers, have to come through on the one line from Picton to Bunbury, in and out. So, from that aspect, it does cause some hold-ups in allowing the trains to come through on time.

**CHAIR**—Where is Picton?

**Mr Rees**—Picton is on the eastern side of Bunbury. It is on the main entrance to Bunbury.

**CHAIR**—I see. The Collie line joins the northern line at Brunswick Junction—is that right?

**Mr Rees**—Yes. The line runs from Perth, basically, through Pinjarra, through Waroona to Brunswick Junction and to Picton.

**CHAIR**—Is that where most of the trouble commences—from Brunswick Junction south?

**Mr Rees**—I could not say that for sure.

**CHAIR**—Where are the passing loops?

**Mr Rees**—The passing loops are along the line at different intervals between Pinjarra and Picton. I cannot tell you the number of those lines.

**CHAIR**—Do you clash very much with the coal people?

**Mr Rees**—At this point in time, the coal people do not rail coal.

**CHAIR**—I take your point. Potentially they might. Are you part of the users group?

**Mr Rees**—Yes, I am.

**CHAIR**—Are all the coal operators members?

**Mr Rees**—Griffin certainly is. I am not sure whether the other coal company is part of it. I have not seen them there.

**Mr SCHULTZ**—With the improvements that you are making and the permission that you have from the state government to upgrade your plant—

**Mr Rees**—Wagerup.

**Mr SCHULTZ**—Yes. In some instances it looks like you will, with considerable expenditure, double your production. How is the rail infrastructure going to impact on your ability to move that to the ports, given that you have problems now?

**Mr Rees**—It will have a sizeable impact. The rail company would have to do something to allow the ease of movement along that rail line.

**Mr SCHULTZ**—Does that involve more loops or duplication? What in your opinion needs to be done to expedite the movement of that tonnage to the ports?

**Mr Rees**—That depends on some debate with the rail company as to whether longer trains are the go. If you have longer trains then you will need longer passing loops. Alcoa would have to spend sizeable capital moneys to upgrade our port facilities to allow us to unload those longer trains. At this point Alcoa's preferred option would be to have smaller trains and more of them, which would mean not longer loops but more passing loops. That would then minimise the capital expenditure that we would need to do at the port. There may be some conflict between our service provider and us on that. The service provider may argue from their perspective that longer trains might be more viable for rail efficiency and freight rates. We would argue at this point not to do that to minimise our capital expenditure.

**Mr SCHULTZ**—What about larger rolling stock—more capacity per rolling stock unit?

**Mr Rees**—I am not qualified to comment. Axle loads and all those sorts of things would need to be considered. I do not have the expertise to comment.

**Mr SCHULTZ**—Okay. Referring to the movement of your lime, I understand from your submission that lime is the only product that Alcoa moves by road. Is rail unsuitable for the movement of lime and, if so, why?

**Mr Rees**—That would be a question I would refer to John Oliver. Lime is not exported through Bunbury at all. That is a raw material that they use for process efficiency in the refineries. It is used to reduce the amount of carbonation that occurs with our other raw material, caustic.

**Mr SCHULTZ**—What about the ability of the port of Bunbury to handle the bigger ships that you utilise for your raw materials—are there any restrictions in the use of larger ships in Bunbury port?

**Mr Rees**—Yes, the Bunbury port has a depth of, nominally, 12.7 metres. That allows Panamax-size ships to visit the berths. When we load alumina into a Panamax ship to take away our targeted contacted tonnages, we load them to about 12 metres. So there is not a lot of water under the belly of a ship as it slides out—it is half a metre to 700 millimetres. We do not load higher than that. That is controlled by the port authority and the shipping agents.

**Mr SCHULTZ**—So if you are looking to put more on those Panamax vessels, Bunbury Port Authority would have to increase the depth to 15 metres or something like that—take another three metres?

**Mr Rees**—Not necessarily. Panamax ships can come in with a wider beam. We have already tested a couple of those ships—certainly one—and we believe that we could take a maximum of 70,000 tonnes rather than 60,000 tonnes out. But, if we wanted to take vessels to a deeper draft than we can now with the existing harbour, it is true to say that the area in front of our berth and

the channel leading out from that point would have to be dredged. But there is no pressing market need for us to want to have larger loads at this point in time.

**CHAIR**—Even with the Handimax size you would need the wider bodied ships?

**Mr Rees**—The Handimax are a smaller ship. They load to their maximum tonnage to the depth constraints.

**CHAIR**—That is 60,000 tonnes, is it?

**Mr Rees**—No, Handimax are more like 45,000 tonnes, if I could use that rounded number.

**CHAIR**—So you were talking about the smaller Panamax vessels when you said you needed wider vessels?

**Mr Rees**—No, I was talking about the Panamax vessels themselves. Panamax vessels are typically 32 metres across the beam and we have had one vessel for sure—I am not sure about the second one; I cannot quite recall—that was 36 metres across the beam, and our loader is still able to service that size of ship. Because it is wider, it can get away with the same draught.

**CHAIR**—I see your point.

**Ms HALL**—Mr Rees, I would like to find out what is the potential to expand your operations in this area?

**Mr Rees**—I think our potential is very good. Our broad infrastructure and the real estate available within our lease areas are such that we can accommodate greater tonnages. Regarding the rail loop I was commenting on before, if the line was upgraded to allow us to maintain our rail schedules there should be no reason why we could not continue on effectively.

**Ms HALL**—Are there any barriers other than the rail loop to your being able to upgrade to the full potential?

**Mr Rees**—No, it means that we would have to add infrastructure to the port, but that is just technology and dollars. We have the real estate and the wherewithal to do that, so that is just a matter of economics.

**Ms HALL**—What infrastructure would you need to add?

**Mr Rees**—We would have to add extra conveyors and we would have to improve the unloading system, but it is relatively straightforward engineering to do that.

**Ms HALL**—Earlier today we heard that there is no designated freight corridor in Bunbury. Do you believe that is necessary and, if so, would that help your operations? Probably not, because you use rail.

**Mr Rees**—Probably not directly, but the amount of trucking is a concern to us on safety grounds, coming to and from work.



**Ms HALL**—You are speaking as a resident—is that right?

**Mr Rees**—I am speaking as an employer, from duty of care to the people who work for me—I am not a resident—as well as a member of the public. A very large number of trucks are using the main roundabout in Bunbury, Eelup roundabout, each day. I cannot say the figure is accurate but I understand somewhere in the vicinity of 300 trucks a day use that roundabout. For the trucks that use that roundabout and then have to turn into a harbour and go across another section of road, it is a complex operation. What happens is that traffic is not always kind to truckers so the truckers have to force their way in, and quite a number of times employees have commented that they have had near misses with trucks. So it is not a case where, if everyone obeys the traffic rules and gives way when they should, everything will be okay. It is a case of trucks having to force their way at times because of their slow-moving nature from a full stop to getting going.

**Ms HALL**—You have just confirmed what other people who have given evidence to this committee have said today. That roundabout and issues relating to it have been identified a number of times. What is your company's No. 1 priority for transport infrastructure in this area?

**Mr Rees**—It is to transport the output of the refineries in an environmentally responsible way without mishap and in a safe manner.

**Ms HALL**—Is there anything preventing you from doing that at the moment?

**Mr Rees**—We do not believe so. We believe that our protocols and those of the rail company are sufficiently valued by the employees to make it a very safe operation.

**Ms HALL**—So are the only improvements you would like to see with regard to the rail?

**Mr Rees**—From Alcoa's point of view the only transport that we really have in handling our materials is via rail. Of course, miners' goods and services are handled by vehicles, but at this point in time that is not an issue.

**Ms HALL**—Port capacity has been identified by other witnesses, and I know you identify with the Panamax. Would you like to see the depth of the port increased or are you happy with it at the level it is now? I think it is 12.7 metres now.

**Mr Rees**—At this point Alcoa has no demand on it from its customers to use larger ships. In fact, most of our discharge ports would not be able to make use of the larger ships. There may be one customer that has a discharge port deeper than ours, but there certainly are no requests coming through to my desk asking what needs to be done to get aboard for the deepening of the harbour. The port authority is keen to do it. I believe the coal business requires a deeper port. But the best I am able to say to you is that Alcoa has no pressing requirement right at this point for deepening that harbour.

**Mr HAASE**—What is the capacity to store alumina at the berth at present?

**Mr Rees**—It is 150,000 tonnes in three bins. Out of that 150,000 there would probably be 7½ thousand dead inventory.

**Mr HAASE**—So you have no problem with transport as an issue in relation to turning your vessels around? It is not as though you have to get the product into the berth at the time you have a ship alongside—you take from storage.

**Mr Rees**—Yes.

**Mr HAASE**—What is your rate of loading?

**Mr Rees**—Our rate of loading averages 2,000 tonnes an hour. We actually load about 2,300 tonnes an hour but with the puts and the takes it averages close to 2,000.

**Mr HAASE**—Is that gear your capital cost or is it port infrastructure?

**Mr Rees**—Alcoa owns its berth and it owns all the equipment in it.

**Mr HAASE**—Last night I had the experience of coming through that major out-of-town roundabout and our driver made the point that there is only one lane of traffic heading north not wanting to come to Bunbury that can get through that roundabout at a time. In fact it is a dual-carriage roundabout, if you get my drift, but there is only a single lane, which bottlenecks traffic, going through to Perth. You would be aware of that?

**Mr Rees**—I am not sure what he is getting at there—

**Mr HAASE**—You have a dual carriageway, and one lane turns left to Bunbury and one goes on to Perth.

**Mr Rees**—That is true.

**Mr HAASE**—I was hoping that you would have a personal point of view, apart from everything you do for Alcoa, that that ought to be solved by the state government in order to reduce the bottleneck of traffic heading through to Perth.

**Mr Rees**—That is subjective. I would say that if the trucks that come into the port of Bunbury were to come in on a different route, such that that main intersection was not negotiated by the trucks of the port, things would be a hell of a lot easier. I do not think the volume is at the point where I would want to give a personal view that it frustrates me. It frustrates me at the moment because of the trucks. Negotiating it with those trucks quite often is a hazardous situation.

**Mr HAASE**—The trucks you speak of are carrying what in the main?

**Mr Rees**—The trucks carry logs, woodchips, mineral sands, spodumene and silica sand. In the mineral sands there would be a mixture of rutile, ilmenite—

**Mr HAASE**—Generally speaking, however, you would be pleased with information that there was a proposed increase in the use of rail for timber products.

**Mr Rees**—Yes, I would.

**Mr HAASE**—That is good. That is all the questions I have.

**CHAIR**—Mr Rees, there was some comment made that alumina is a problem in certain wind conditions here. What is your company's policy on that? Are you responsible for that, or does it become the responsibility of the port once it gets to the port?

**Mr Rees**—I am responsible for that. Alcoa does not have a licence to export dust. We have just spent over \$4 million installing a world's best practice loading chute, which the Worsley ship loader has now deployed as well. That has greatly reduced the amount of dust generated during the loading of the ships. There are still short periods right at the end of the ship-loading, when the alumina is high in the holds and we have to break the seal of the loading chute to make the ship level for sailing. Under those conditions we can generate a small amount of dust for a small amount of time. But in the main, where we are today would be representing the best practice available anywhere.

**Mr HAASE**—For the sake of the record, what is the short period of time that you are producing such a dust? How long does that process take?

**Mr Rees**—Each time we break the seal it would take three to five minutes to subside to hardly anything noticeable to the human eye.

**Mr HAASE**—During that period of time, the problem would be determined by the direction and velocity of the wind—is that right?

**Mr Rees**—Yes. But, surprisingly enough, the visibility of the dust is more pronounced in very still conditions, because the ultrafines have a very low terminal velocity; in other words, it settles very slowly. Because you are loading the alumina at about 65 to 70 degrees Centigrade, the air is quite hot so there is an updraft of warm air, and these fine particles go up. If there is no wind to exchange with that hot air, then it just sits there in a halo, and it is very noticeable by the public. But when it is a little windier, it is not so evident.

**Mr HAASE**—What is the source of the high temperature?

**Mr Rees**—It is a very good insulator. Some people use alumina for making refractories as a by-product. It holds its temperature extremely well. It leaves the refineries from its chemical process there in the calcination building. It leaves those facilities quite hot and it stays hot in the rail carriage—it does not want to transfer its heat. It passes into our storage bins and maintains the heat and goes into the ship and maintains the heat.

**Mr HAASE**—Good place to be on a cold night.

**CHAIR**—Mr Rees, thank you very much for coming in today. Thank you for your evidence. We will follow up with other executives of your company on those other questions.

**Mr Rees**—Thank you very much for the opportunity. I just add one other point on the last submission that I heard. The question was asked: how big is Busselton? Busselton is a very rapidly growing township. It is opening up a new town alongside called Vasse. It has the Dunsborough township sitting right on its border. To the south of that is the Margaret River area,

which is quite famous and popular for its wine making. It is a very rapidly growing area, and I would think that in 10 to 15 years time the population there would be considerably higher and there would be people making noises about running a railway line from Busselton to Perth.

**Ms HALL**—What is the population now?

**Mr Rees**—I do not know for sure, but it would be somewhere around 20,000.

**CHAIR**—Thank you.

[2.22 pm]

**BRUN, Mr Anthony, Executive Manager, City Development, City of Bunbury**

**TREVASKIS, Mr Greg, Chief Executive Officer, City of Bunbury**

**CHAIR**—Welcome. We are not going to place you under oath, but I have to advise you that these are proceedings of the federal parliament and consequently warrant the same respect as proceedings of the House itself. It is customary to remind all witnesses that the giving of false or misleading evidence is a serious matter and can be considered a contempt of the parliament. Having said that, I also say you are most welcome. I am glad you have come forward, because one of the things that has phased us about this inquiry in Western Australia is the lack of input from local authorities, so your attendance today is most welcome. We have not received a formal submission from you at this stage, have we?

**Mr Trevaskis**—No. I have recent submissions that we have presented to our state government which embody a lot of our issues. We are happy to leave them with you.

**CHAIR**—Rather than that, talk to us today about the issues you consider important and then follow it up with a submission in the terms of what you have said today—if you need some guidance, we will be sending you a copy of the *Hansard* for today and you can build your submission around those points. Would that be okay?

**Mr Trevaskis**—That would be very good, thank you.

**CHAIR**—Give us five or 10 minutes on your key issues here, so that we can start asking you some questions. Can you give us a bit of background about the population of your city, the surrounding shire and so on?

**Mr Trevaskis**—I can certainly do that. I will present the circumstances of Bunbury to give you a bit of context and then I will ask Tony to talk more specifically about infrastructure issues and particularly their interface with the port. The Bunbury area has gone under the radar for some time in Western Australia and particularly nationally. That is primarily because the area is made up of four local government areas and when data is collected they tend to go by local government areas. We are saying that is a false premise and it is misleading in understanding the dynamics of the Bunbury region.

Recently the Australian Bureau of Statistics have started to look at places like Bunbury—such as Geelong, Ballarat and Coffs Harbour—as urban centres and to collect data on a statistical district. At the last census they looked at Bunbury as an urban area and they found that it has a population of around 53,000, it is the fastest growing regional centre in Australia—

**CHAIR**—Is that the strict urban population within the city boundary?

**Mr Trevaskis**—Not the city boundary; we are talking about what you would call Perth and what you would call Melbourne—not the City of Melbourne or the City of Perth.

**CHAIR**—Greater Bunbury.

**Mr Trevaskis**—We say it is Bunbury, just like you would say it is Melbourne. It is really the area zoned residential—

**Ms HALL**—Like Bunbury, Busselton—

**Mr HAASE**—What are the local government areas that you are talking about?

**Mr Trevaskis**—Harvey, Dardanup, Capel and the City of Bunbury. Bunbury city is the commercial hub, and those are overspill. Those areas are really just the suburban areas that people go home to sleep in. They work, play, recreate, go to hospital and go all over the place in the whole area. If people from Australind went to Sydney and were asked, ‘Where do you come from?’ they would say, ‘I live in Bunbury.’ That is where the ABS is collecting their data from now. It is quite clear and distinct. The population is around 53,000. The fastest-growing places are Mandurah and the Gold Coast. They had grown by 3.8 per cent in last census. Next is the Sunshine Coast, which is made up of four or five towns and had grown by 3.5 per cent. Bunbury had grown by 3.4 per cent. After that it is all pretty small beer.

The difference is that those other areas, Mandurah, the Gold Coast and the Sunshine Coast, are virtually metropolitan outposts. Bunbury is quite different. It is a regional city growing very quickly. Why is it growing so fast? The resources sector in this region is probably equal to, and will pass, that of the goldfields in Western Australia very shortly. As you would know, there is a lot of resource activity here in Western Australia right now. Something like \$5 billion is committed for works to occur in this region over the next five years, including in Worsley, Alcoa and a whole range of other places, which will impact on Bunbury. As you would know, over 20 per cent of the world’s alumina goes out from this port. We believe with China’s expansion and activities the region is going to continue to grow. We have a university and we are well resourced in health and other services. So this is a very important consideration. It is growing strongly and it is an economy by itself. Out of the capitals, Perth has the lowest unemployment rate; Bunbury has a lower unemployment rate.

**Ms HALL**—What is the unemployment rate?

**Mr Trevaskis**—It is four per cent or something like that.

**Mr Brun**—It is around four per cent.

**Mr Trevaskis**—Over the last year the house prices in terms of supply and demand have gone up by something like 47 per cent. The median price in Bunbury is greater than it is in Perth. I think only Sydney has a higher median house price. The dynamics of the economy are quite an unusual and important story in terms of the nation. A lot of this information has failed to have been recognised, particularly in Perth. We seem to be getting more recognition in terms of investment now in Sydney, Brisbane and Melbourne as people start to understand the dynamics of the region. It is a very interesting story.

**CHAIR**—What is the population of the city within its boundaries? I do not ask that question to play your number down, but that is what the development load falls back on. That is your rate base.

**Mr Trevaskis**—That is right. It is 31,000 people.

**CHAIR**—Some of the things that have to be done are a big ask for a city of 31,000.

**Mr Trevaskis**—Absolutely. Infrastructure is our whole issue. Our problem is not that we want to get a better deal than anyone else; we just want people to understand what is happening in this region so that when people are planning for infrastructure they have a better idea why we need a bypass road and better access to the port. That interface with the community is a critical issue. Because we have these local government boundaries, we are often overlooked. People are calling up their databases and missing the point. We are very keen for people to understand, not to extend or exaggerate but to recognise, what is going on in this region. You are dead right. Because we are the largest council and we have the most resources, we are very much dedicated to planning for the whole region. We see ourselves with a commercial focus for the whole south-west.

**CHAIR**—Do you have some joint boards or funding models with the four shires?

**Mr Trevaskis**—We have some cooperative arrangements in terms of economic development.

**CHAIR**—What about water, for instance? Do you have a water board?

**Mr Trevaskis**—No, water is supplied by the old Bunbury Water Board, which is now operated by a state corporation called Aqwest, and that is only within the city. It does not even do the whole Bunbury area.

**CHAIR**—Who supplies water to the urban areas of the shires?

**Mr Brun**—The Water and Sewerage Corporation. Water and sewerage in WA are state not local government matters.

**CHAIR**—Does it come from sources within Bunbury? Does it come from your dam, for example?

**Mr Trevaskis**—No. The Yarragadee aquifer is the supply base for the shires. We have done a lot of planning. We are doing a lot of the planning for all the shires in this region, because it is difficult to coordinate and the state government is sadly placed in terms of its strategic planning. We have been looking at growth statistics and demographics and doing the planning and consultation, and issues like infrastructure are critical to us. That is why we are pleased to talk to you today. Tony will expand on the specifics of our infrastructure demands.

**Mr Brun**—Given that the focus is on ports, I will start off with the work that we have been doing with the port.

**CHAIR**—And the arterial road and rail systems that lead to the ports.

**Mr Brun**—That is even better. I will start at a port because that is the primary driver of the bulk of freight in the area, and it all spills out from there. The city has been working for some time on developing a comprehensive planning policy for the port. We fought for some time with the port about relocating the outer harbour and closing that operation down—the bit on the edge of the CBD—and focusing all the attention on the inner harbour. The city strongly supports the inner harbour and believes that that is critical to its success and the viability of Bunbury and the south-west. Despite some differences of opinion over time, the port are now developing the structure plan themselves. They have taken it over. They are funding and developing it. They probably would have shown you the plans of their ultimate 13-berth capacity. We are strongly supportive of that, because we see it as being a critical investment to secure Bunbury's future.

We understand that 25 per cent of Perth's container freight originates from the south-west region, and we would like to see containerisation of the port, rather than transporting it to Perth, as being a critical issue. There is a lot of primary and secondary treatment of raw materials to a point where they can be put into containers. That is happening in the industrial precincts of Forrestfield and Welshpool in Perth rather than in the south-west. The state government now has massive transport problems with getting the freight through an urban area, and they have a perfectly good port down here where the resources are. So the city is strongly supportive of the expansion of the port and we believe that—

**CHAIR**—Do you agree with the estimate of 34,000 boxes?

**Mr Brun**—We do not have the estimates of the operation.

**CHAIR**—We got that in evidence. I wonder what your take is.

**Mr Brun**—I could not comment on that. I know the bulk figures from within the state. I can say with confidence that 25 per cent of the resource that is getting converted into containers is originating from the south-west. Our concern is that we have plenty of industrial land in the Preston industry precinct and Kemerton which could be used to process that, create regional employment and reinforce the area of Bunbury and the south-west. We would like to see that happen. We believe the port has the capacity to do it, and it works quite well within the city.

It is quite unique to have a port that is so integrated into an urban area but with not as much impact. There are some points of conflict around East Bunbury and some of the older residential areas, but they are not things that we cannot overcome. They are easily fixed with some good planning. Most of those areas are due for redevelopment. Our strategies include higher densities as part of catering for population growth and, by encouraging higher density, encouraging high building standards so that they can take high noise loads. Those things are done in the new unit developments in the north of the city near the port access road to the outer harbour, and they work fine. Heavy trucks go right past apartments and there are no noise complaints, because they are built for that purpose. We believe that we can overcome that quite easily.

The issue for us is that we are bewildered, to say the least, that what we understand to be about a \$700 million total investment to get Bunbury port up to a fully operation standard with 13 berths, as compared to the Cockburn option in the metro area, which is \$2 billion—

**CHAIR**—What is the difference again in quotes?



**Mr Brun**—We understand that to get Bunbury port to its ultimate standard, the future maximum capacity, it will cost \$700 million, and the Cockburn option will cost \$2 billion. It is a strange twist of logic for that to be the preferred option in the state government's mind.

**CHAIR**—You are better to do this one—upgrade the rail services and roads to Perth.

**Mr Brun**—Definitely. And, within that \$700 million, there are some key things that would really make us viable. One is that we need to be connected on national rail gauge to the metropolitan area—that is, to the Midland-Forrestfield sort of precinct. It is about \$200 million to achieve that. That is part of the AusLink network, and we are grateful for the Commonwealth government having put that in—

**CHAIR**—You are talking about standard gauge?

**Mr Brun**—Standard-gauge rail; that is right. At the moment, we are still on the state narrow-gauge connection. But we believe that that should be a priority project. It is not identified in this five-year funding round of AusLink, but we believe it should be prioritised in any future—

**CHAIR**—But you do have other problems. I would like to examine this a bit. If you decide to go for standard gauge, there are implications for the aluminium industry and for the coal industry as well. I would be interested in your comment on the evidence of a previous witness that perhaps the government should be looking to extend the rail to Busselton. What is your view on that? If so, would it have to be standard gauge too to be efficient?

**Mr Brun**—Why would you go to Busselton?

**Mr Trevaskis**—It would only be passenger movement.

**Mr Brun**—The passenger rail has been investigated, and there is limited potential there, in all honesty. Within a 30-year time frame, we would like to see the passenger rail that is being built to Mandurah extended down the freeway extension, the new Peel Deviation, through to Bunbury, but we believe that that is a 30-year horizon, when the population of Bunbury will be 113,000 and you could justify that type of expenditure. We were part of a committee that looked at rail options around our area for passenger rail and found that Busselton would never stack up as being viable. The reason for that—I noticed that the previous witness made reference to the size of Busselton and its growth. It is 20,000; it is forecast to be 45,000 people by 2031.

**CHAIR**—I can remember as a Queenslander when they pulled up the railway line to the Gold Coast, and within 20 years they had to put it back down again—an infinitely more costly corridor. That is why I asked the question.

**Mr Brun**—It would be a nice thing to have, but it would only be for passenger rail; it would not have any impact. As I mentioned, our option would be to relocate the passenger services off the current line onto a new rail, but we do not believe that that could be reasonably justified within a 20- to 30-year horizon. The option is there. But, in any case, the current line needs to be duplicated. Definitely from Brunswick through to Picton, the last section through to the port, is already over capacity and is experiencing major problems. Mundijong through to Brunswick is

also fairly well under pressure, so we really need to get that duplicated. What we would be hoping for is that a project needs to duplicate that narrow gauge—

**CHAIR**—That other one was Mundijong?

**Mr Brun**—Mundijong, which is just south of Perth. Armadale is the major—

**CHAIR**—I see: right up near Perth.

**Mr Brun**—Effectively, that is just north of Wagerup, and that is where the traffic really kicks up again, heading south.

**Mr Trevaskis**—Tony, there is also a problem on that cluttered sort of railway link. Even the passenger traffic for the Australind has to give way to the freight. That is a very ineffective service right now, and it is just impacting on this—

**CHAIR**—That was not the evidence.

**Mr HAASE**—We have had substantially contrary advice, inasmuch as healthy trains remain healthy and continue to run. If a train is late because of self-fault, it gives way to healthy trains. There is no special priority or special status given to passenger trains.

**Ms HALL**—It was stated that there was no legislative—

**CHAIR**—But if you do not believe that to be—

**Mr Trevaskis**—It may well be anecdotal, and we have not done a particular study—

**Ms HALL**—But it is the second time we have heard it.

**CHAIR**—If you do not believe that, do not be inhibited in saying it.

**Mr Trevaskis**—We do not.

**CHAIR**—You are under parliamentary privilege.

**Mr Brun**—Look, our advice is that, whilst it is not a policy statement as such, they are impacted. It is just a fact that the line is that congested. Some of those sections of the line are at 80 per cent, which in effect is over capacity. Even if it has right of way, it still sometimes means that another train has to pull off, move over and allow it, and during that period it comes to a stop—and it is regular. If you talk to the commuters—for some reason there are 30 people who catch the train to Perth every morning and do a two-hour ride to commute—they will tell you of a lot of experiences of being caught behind that train, stopping and waiting.

**CHAIR**—So people actually commute to Perth?

**Mr Brun**—Yes. It is a small group, about 30 people at the moment, so it is not a major part of any strategy. It is obviously lifestylers.

Getting back, then, to where we are going with the other infrastructure: obviously some big things are happening with the Peel deviation and the Roe Highway being built. The Peel deviation is significant in that it connects Bunbury and the port to Perth without any traffic lights, so you have a good freight network. The linchpin, effectively, though, is actually the Roe Highway link, because that then provides connection to the airport, Welshpool and Midland on freeway conditions. That is significant for us, because that connects that industrial area, the airport and all the logistics hub there, with us, on freeway conditions. By 2009 that will be available. So road-wise it is looking good but freight-wise not as good. There are issues with the narrow gauge and standard gauge.

**Mr Trevaskis**—What about the port access?

**Mr Brun**—The port access road is currently funded but only for stage 1—it has been funded for \$17 million in 2006-07. It is really about a \$24 million or \$25 million job for stage 1. The only problem with it at this stage is that stage 1 only links to the South Western Highway and will probably attract only 10 to 15 per cent of the traffic that would ever go on the port access road. So until we build the Bunbury outer ring-road—

**Mr HAASE**—Which is how much?

**Mr Brun**—The cost of the outer ring-road, at last estimate, was \$110 million. Our concern with that is that that specific network has not been identified on the AusLink framework—

**Ms HALL**—I was going to ask you whether the AusLink issue was an issue for this area?

**Mr Brun**—Very much so.

**Mr Trevaskis**—We are very pleased to be on the AusLink program, which brought about the Peel deviation, but our concern is that, in state planning, they have not really picked up the Bunbury outer ring-road for some time. It was on a 10-year program but it has been pushed out. We do not know where it exists now and whether or not it comes under the AusLink framework. But it is looming as a really critical issue and would make a significant difference in terms of the movement of traffic.

**CHAIR**—So you are saying that if governments are fair dinkum about decentralisation they have got to get on with that sort of stuff.

**Mr Trevaskis**—Absolutely.

**Mr Brun**—In terms of decentralisation, within Bunbury there is the opportunity, with very little pump priming of the economy, to get that to happen. With the right infrastructure it will flow, because the water resources are here to sustain it and the lifestyle opportunities are here. It is not an unliveable region to be in.

**CHAIR**—Are you the second city outside of greater Perth?

**Mr Trevaskis**—Yes, we are. And we are quite sustainable in our own economy, through the resource sector, agriculture and a whole range of other things. In fact, the growth is feeding itself, to a degree.

**CHAIR**—I went for a walk this morning and I noticed that, on the northern side up near the lighthouse, you are restoring a tower. It nearly killed me getting to the top of it, but we will leave that aside! That whole area looks like it has been rebuilt in the last seven or eight years.

**Mr Trevaskis**—Yes. It used to be the port. It was all tanks and railway heads and all sorts of activities—sewage farms, everything. It has been more like 20 years, I suppose.

**Mr Brun**—In the early 1990s it received Better Cities money. There was an original grant of \$18 million which helped relocate—

**CHAIR**—Take a bow, Jill.

**Mr Trevaskis**—It has been a fantastic story. The state government, with the city, is planning for that whole outer harbour. It is about relocating those tanks from the end of that peninsula to the inner harbour and completing the total redevelopment. It is a \$50 million investment for the state government. Hopefully, in partnership with the federal government, it will break even, but it will deliver something like \$2 billion in economic welfare.

**CHAIR**—It is very impressive, I must say. It is probably the most impressive urban redevelopment I have seen in a provincial city.

**Mr Trevaskis**—It goes back to federal money, to the Better Cities Program. It took away the old infrastructure and created the opportunity to do the development.

**Mr Brun**—The advantage we have down here is that there is a ready market wanting to move down here and the commercial land values are such that once the infrastructure is there the rest flows on its own.

**CHAIR**—Why we were so put out that, for example, the City of Geraldton Council did not front up is that we are trying to advise the federal government on what the infrastructure problems are for provincial cities and a lot of this falls back on local government. I find in my area, and I am sure the other members do too, that state governments do not automatically put their hands up to take responsibility. They often look to the federal government. Local government says, ‘We cannot afford to do it’, and there is a bit of a three-cornered Mexican stand-off and nothing happens. So if we were asking you today what your top priorities are for infrastructure that affects your city—that affects general lifestyle but more particularly facilitation of traffic within your city—what would those priorities be?

**Mr Brun**—The Bunbury outer ring-road and the port access road—

**CHAIR**—Those two.

**Mr Brun**—have to be committed by 2009. The reason I say that is that, when the Peel deviation goes in, the current traffic crisis and chaos that is in Mandurah will be a problem.

Mandurah for us has been a bottleneck. It drip-feeds the traffic through. It stops the southward movement and it has protected us. In 2009, when the Peel deviation is built—touch wood; if everyone works together—we are going to have a major traffic problem in Bunbury. We really need that committed now, knowing that 2010-11 is not far away in our years.

**CHAIR**—Are both those projects within the scope of AusLink in the terms of its description?

**Mr Brun**—They can be interpreted as being part of it, but the state government, in their submission to the Commonwealth, did not identify those roads. Their claim was that they did not have enough planning in the southern end of the Perth-Bunbury corridor to identify projects. That was our greatest disappointment. We were happy that they worked with the Commonwealth to get Perth-Bunbury accepted as a network. The fact was that their sole focus was the Perth end. So they did little rail loops around Fremantle and great detail at the northern end. At the southern end, which we saw as being critical, they forgot to mention these projects. They did not even put them as projects that were up and coming, even though they have been on Main Roads books since the late eighties. The land has been reserved for the outer ring-road since 1982. They obviously know about this project. It is not a surprise to them.

**Mr HAASE**—This is something that is important, Mr Brun: is that reservation of land maintained to this date?

**Mr Brun**—It is still there.

**Mr HAASE**—So there has not been any diminishing encroachment.

**Mr Brun**—No. There have been some issues. The EPA, as part of the Greater Bunbury Region Scheme identified some wetlands, which has caused them to realign some of those.

**Mr SCHULTZ**—We have heard about the wetlands today.

**Mr Brun**—But the reservations are still there in part. The final point in terms of other infrastructure is the rationalisation of the rail industry in the late eighties. There used to be three railway lines connecting the wheat belt through from Bunbury to Collie. They used to connect at Narrogin, Wagin and Kojonup. When they rationalised, they rationalised all three. That has disconnected that whole wheat market from Bunbury port, yet Bunbury port is a prime wheat port. You can still see the old silos, which are getting converted into luxury hotel apartments at the moment. But the inner harbour is the perfect place from which to export wheat. We have less conflict than Albany port does and more accessibility than Kwinana, with the rail network.

**CHAIR**—What is the capital cost of re-establishing the links?

**Mr Brun**—Our understanding is that it is between 50 and 70 to upgrade the line through to Merredin. There is the line from Collie to Narrogin and then Narrogin on to Merredin, which is an existing rail. If that rail line was connected back to Narrogin and then was upgraded through to Merredin with a double gauge so that you had a standard gauge, that would provide another route for direct links to the national gauge, to the east coast. We would then be able to bypass Perth altogether.

**CHAIR**—Our map only goes to Darkan, Williams and Wandaring. That is as far as our map goes.

**Mr Brun**—The former railway line goes through Williams. Darkan is the one that connects to Wagin, and there is another one that heads south to Kojonup.

**CHAIR**—When were they pulled up?

**Mr Brun**—In the late eighties and early nineties.

**CHAIR**—Is that all? It is the Gold Coast all over again, isn't it?

**Mr Brun**—Yes. The other thing is that the world's largest kaolin deposit is in Wickepin, to the east. Kaolin is a white clay which is used for paper. BHP owns the rights or licence to that. One of their major reasons for not pursuing it was trouble accessing the power to process and extract it. The other major issue was exporting it to a port. Albany port is not a suitable port for kaolin. Bunbury port is. Then they had to look at trucking it. The costs of upgrading those east-west road links were not viable. There was significant opposition at the time from the rural communities, such as Narrogin and Williams, because an inordinate number of trucks would have to go through their towns. But that deposit is sitting there, and with an east-west rail link that area would be opened up to Bunbury port. Technically, if you go out to Merredin, you really do open up the opportunities with the iron ore as well. With the coal resource you could get right out to Koolyanobbing. All those sorts of precincts open up. Steel smelters are viable in Collie. With kaolin and the timber industry down here you could start talking about pulp and paper mills. So there are some strategic advantages to that. The focus has been on wheat, but it has been lost.

**CHAIR**—I should not do this to Mr Schultz, but he has just passed me a note that says, 'Best evidence to date.' We like open, frank evidence like you have given today. What I would like you to do is to do a submission for us, but in two parts. Do the hardcore stuff that you have to have: the ring-road and—what was the other one?

**Mr HAASE**—The port exit.

**CHAIR**—And you need to get that roundabout issue solved. If there is one thing we have heard since we hit this town, everywhere, from the bus driver down, it is about that roundabout.

**Ms HALL**—The traffic going from the roundabout to the port.

**Mr Brun**—I know the one.

**CHAIR**—Put the reality stuff in. You could suggest to the committee that there needs to be some AusLink definition around Bunbury, that it should move from generality into specific areas. You can talk about the upgrade of the railway line. Make that the first part. Then perhaps in the second part you can talk about your wider vision for the re-establishment of the grain lines, why you think they should be re-established and what you think the cost benefits might be in terms of kaolin and various other products like that coming through. You could mention the combination of various raw materials perhaps leading to a pulp mill. Do not try and put it all into

one section—so that we can differentiate the hardcore stuff from the visionary stuff. Rather than looking like a wish list, it will look like a reality check on one part, with a wider vision for greater Bunbury on the other.

**Mr Trevaskis**—Do you need the infrastructure focus? Do you need the context in relation to population growth and what is going on with the drivers in Bunbury?

**CHAIR**—Perhaps showing the growth can be in your preamble. You can point out that it is now virtually the second city of Western Australia. You can talk about decentralisation and what that really means. There is that comparison of the \$2 billion against what you could do with \$700 million here and an upgrade to the railway line—how you could do it for half the price and take all that infrastructure out of Perth, how it would free up Perth and make this a more efficient port at the same time.

**Mr HAASE**—Does the \$700 million guesstimate for that situation envisage the deepening of the port?

**Mr Brun**—From our discussions with the port we believe that is the full cost.

**Mr Trevaskis**—That is for 18 metres.

**Ms HALL**—How many metres?

**Mr Trevaskis**—Eighteen.

**Ms HALL**—It is currently 12.7. I thought they were going to 15.

**Mr Trevaskis**—That is in the first stage. Their ultimate design will be for the largest—

**Mr Brun**—And that is only to the coal berth. It would then be graduated. So the channel would have to go to 18 and the first two berths to 18. Then you would have three berths at 15 and then the rest at 12. I think the evidence from Alcoa was that they did not need anything at 18 or 15.

**CHAIR**—Thank you very much for your evidence today. We will look forward to receiving your detailed submission. We will send you a copy of the *Hansard* transcript for any editorial corrections. We thank you for making yourself available at short notice today.

Resolved (on motion by **Mr Schultz**, seconded by **Ms Hall**):

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

**Committee adjourned at 2.54 pm**