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Official Committee Hansard

**HOUSE OF  
REPRESENTATIVES**

STANDING COMMITTEE ON TRANSPORT AND REGIONAL  
SERVICES

**Reference: Transport networks inquiry**

WEDNESDAY, 8 MARCH 2006

ALBANY

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

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

**Wednesday, 8 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, Dr Jensen and Mr Neville

**Terms of reference for the inquiry:**

To inquire into and report on:

- the role of Australia's regional arterial road and rail network in the national freight transport task;
- the relationship and co-ordination between Australia's road and rail networks and their connectivity to ports;
- policies and measures required to assist in achieving greater efficiency in the Australian transport network, with particular reference to:
  - land transport access to ports;
  - capacity and operation of major ports;
  - movement of bulk export commodities, such as grain and coal;
  - the role of intermodal freight hubs in regional areas;
  - opportunities to achieve greater efficiency in the use of existing infrastructure; and
  - possible advantages from the use of intelligent tracking technology;
- the role of the three levels of Government and the private sector in providing and maintaining the regional transport network.

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**Committee met at 9.07 am**

**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 19th public hearing of this inquiry and is part of an extensive program of public hearings and visits designed to gather information from people directly involved with the main issues of this inquiry—in other words, the arterial road and rail systems, their connectivity to the ports, the efficiency of the ports and the need or otherwise for transport hubs.

On our visit to Western Australia, members of the committee have been to Geraldton and Bunbury and we are looking forward to our hearings here in Albany today. We will follow these hearings today with further hearings at Esperance and in Perth. Today, the committee will hear from a number of witnesses directly involved in these issues, and we hope this will add to the fabric of our inquiry.

I say to all witnesses who are here today in the gallery and otherwise that it is not necessary to give the committee a long introduction; we have your submissions. What we really want you to do in your opening statements to give us an overview of your reports or to highlight the key things you want us to take on board, and then we will flesh out the other matters with questions and interaction between members of the committee and the witnesses.

[9.08 am]

**FRETTON, Mr Simon Sherwin, Project Manager, Albany Port Authority**

**WILLIAMSON, Mr Bradley Richard, Chief Executive Officer, Albany Port Authority**

**CHAIR**—Welcome. We will not place you on oath, but I remind you that these are formal 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 could lead to a contempt of the parliament. Who is going to lead?

**Mr Williamson**—I will start off.

**CHAIR**—Would you like to give us a five- to seven-minute overview of your submission, highlighting the key points you want us to take on board.

**Mr Williamson**—Certainly, Mr Chairman. I want to make four key points. I have not made a written submission. I will start by giving a very quick overview of the port. You are visiting the Albany port at quite an opportune time because we are entering an exciting period in the port's history. Traditionally, we have been a small port. In fact, we are the smallest bulk product port in the state. We have been very grain dependent, so if we have had a bad year in terms of rainfall our exports and our revenues have collapsed. So at times we have been quite a struggling port. The advent of woodchips from blue gum plantations has changed all of that. Woodchips will double our exports, and there is also the very strong potential of iron ore. We are working closely with an iron ore mine. We are looking at quadrupling the amount of trade through this port in the next four years.

From being quite a small, Cinderella port, over the next four years we are going to quadruple our trade. That has happened very quickly. Twenty years ago, no-one would have thought of woodchips. Certainly even 3½ years ago, when I came here, no-one was thinking of iron ore. I guess that is also a sign of how quickly trade can emerge for ports. That is a theme you would have heard as you have travelled around.

That trade has brought great challenges. With respect to woodchips, there has been great debate in the community about the freight task to the port—truck versus train. Fortunately, the iron ore is being brought in by slurry pipeline. The iron ore will be ground up and pumped to the port, so there is not such a freight debate. But certainly there has been one with woodchips.

There are some key themes that I want to talk about. The first is urban encroachment. This is certainly a national and to some extent a global issue. Urban encroachment means that people live near ports because they like their views and their character, but then, to their horror, they find that the port does not close at five o'clock on Friday. Ports make noise, dust, odour, light, and they have trucks and trains coming and going. Basically, my job is to run an industrial site right in the guts of a lifestyle town—Albany. Most industrial sites are outside of a town; mine is right in the centre. That presents a lot of challenges. People complain about that; they put

pressure on politicians, councils and environmental regulators, who then put the squeeze on ports. This leads to unrealistic expectations in the community about what ports can do. We try to minimise our impact, but ultimately we will always make noise, dust, light and odour. We will always have trucks and trains coming and going. But this unrealistic expectation in the community causes us a lot of grief and even creates unrealistic ideas, such as moving a port, which is almost impossible.

Fortunately, this port has a good relationship with the council and with the state government. We are not dealing with a crisis, but these relationships can change and it is a constant problem that ports have. I mention that because I think there needs to be government-wide recognition that, for a trading economy, particularly like that of Western Australia, ports need to have a policy priority, and so do our freight routes. Therefore, we cannot have incompatible land use around our freight routes and ports.

Freight routes are absolutely critical to a port. A port is just the interface between the land and the sea, obviously, and without good road and rail access ports cannot operate efficiently. AusLink does not recognise regional freight routes to ports in WA; therefore AusLink funding to ports such as Albany is not possible. Rail, in particular, needs to be upgraded to ports to ensure that the maximum amount of freight can go on rail to minimise adverse community impacts. We have a policy of trying to get as much freight off the roads and onto rail as possible. Since the privatisation of rail, it has been very hard to get funding for rail. Private operators have high investment hurdles and unless they can get a satisfactory return on their investment they basically will not invest in rail. It is then reliant on government—and sometimes the pressure is put on ports.

I have a case in point: there is a place in the port where I need to put a bridge over a rail, otherwise I cannot get long enough trains in. The bridge will cost about \$3.7 million, and the rail company says, 'There is not enough in it for us and we are not going to fund it.' There is absolutely no revenue for the port, because whether something is delivered by truck or train to the port, it does not produce any more revenue. If it goes by truck instead of train it is still going across the port; but in that case I am having to part fund it, the port is, to ensure that we can get as much rail traffic as possible into the port. And the port will part fund that without a revenue source.

One final point about rail, just as an amusing anecdote: everyone wants rail into the port, until it arrives in the port. Then people complain about the noise of the rail. That just links into my previous point. The other point is that road routes are critical as well. There has been a huge debate in this town about the amount of truck traffic caused by the woodchips. Currently about 40 or 50 per cent of the grain is delivered by truck and about a third of the woodchips are planned to be delivered by truck. This puts pressure on urban road routes, there is concern about safety and amenity in the town and there is a need to fund bypass roads. One stage of a bypass road is funded, the other stage is not yet funded, but getting those bypass roads to get off pressure points—such as big roundabouts, as we have in town—is absolutely critical.

I was looking at your terms of reference, which look at regional development. One area in which the federal government has caused enormous grief to this port has been in not assisting the port with the munitions that were dumped in the harbour after the war. After 1947-48, some munitions were meant to be dumped out to sea; but, in the process of loading them onto barges,

they were spilt in the harbour. These were dug up in 2000-01, during a dredging campaign. The port incurred \$2.6 million in extra costs.

The bombs are still down there, and the costs to remove them are estimated to be somewhere between \$2.6 million and \$12 million. The Commonwealth have steadfastly refused to compensate the port for that. We are currently taking them to the Supreme Court. We have the absolutely ridiculous situation where the smallest port in the state is having to sue the biggest litigant in the land—which is the federal government. Two arms of government are fighting each other. The federal government are at the moment spending more in legal costs to defend this case than it would cost to compensate the port. It is absolutely absurd, and I am getting absolutely no assistance. I will leave that thought with you. I have got no assistance from anyone on this one, and I am spending a lot of money on legal fees.

**CHAIR**—You should make that a separate section of your written submission and spell all that out to us.

**Mr Williamson**—I am happy to do so.

**CHAIR**—I would like a little bit more history, if you would not mind. We have not got a full written submission. We have got a synopsis that has been done by our secretariat, which is quite good. Your tonnage last year was about three million. Could you give us a breakdown of that?

**Mr Williamson**—Eighty per cent of that would be grain, and there would be 10 or 15 per cent woodchips. Those percentages will switch over the next four years to about half woodchips and half grain. What that does is to take the seasonal dependency out for the port—

**CHAIR**—When does the iron ore come on stream?

**Mr Williamson**—That will come on stream in about early 2009. That will be about another seven million tonnes. Last year we had a record year of three million tonnes, and the iron ore alone will be seven million tonnes.

**CHAIR**—The port is serviced by narrow-gauge rail?

**Mr Williamson**—That is right.

**CHAIR**—From where?

**Mr Williamson**—It goes north to Katanning, through the centre of the Great Southern, and then there is a spur line that goes further east, out towards Lake Grace.

**CHAIR**—And it links back into Perth, does it?

**Mr Williamson**—It comes to here, but it can eventually link into Perth, yes. It is feeding into the port.

**CHAIR**—Is this the focus of that line?



**Mr Williamson**—Yes.

**CHAIR**—We will have to get a map from Mr Larsen before we go much further. What is the condition of the track?

**Mr Williamson**—I hear reports that it is average to poor in places and that it needs money spent on it.

**CHAIR**—Have you had complaints from the suppliers of either the grain or the woodchip that that is the case?

**Mr Williamson**—No, I have not.

**CHAIR**—We heard conflicting evidence, which Mr Larsen was good enough to put into perspective for us. I do not want to use this inquiry to criticise things unless we can establish that there is a case and that it is not just hearsay evidence. What is the draught in the port here in Albany?

**Mr Williamson**—In two berths it is 12.2 metres and in another two berths it is 10.4 metres. So we can partly load Panamax ships. Panamax ships are the largest ships that can fit through the Panama Canal. In terms of tonnes that means the maximum we can load a grain ship is about 55,000 tonnes.

**CHAIR**—But a Panamax goes up to 100,000, doesn't it?

**Mr Williamson**—About 60,000 to 70,000.

**CHAIR**—It can theoretically go to 100,000, if it is in the right configuration.

**Mr Williamson**—Maybe some of the newest ones can. I did not think it was that high. We can fully load the new woodchip carriers.

**CHAIR**—Let us go to that business of dredging. Are there plans to dredge the port?

**Mr Williamson**—There is for the iron ore project, to get much larger iron ore ships in.

**CHAIR**—Obviously. What depth are you looking at there?

**Mr Williamson**—Sixteen metres to about 18 metres, to allow ships of draught 15 metres to come in.

**CHAIR**—Yes, if you are going to get serious about iron ore. Is this explosives problem in that channel?

**Mr Williamson**—The area over which we are litigating is not in that channel. But where that channel is there is also a concern that there could be explosives from another source, from the

firing of some guns on a hill. We are having to do what is called a magnetometer survey to try and clear that alignment. The area over which we are litigating is not in that channel.

**CHAIR**—Has there ever been an underwater explosion?

**Mr Williamson**—Not here. But the regulator, WorkSafe, would basically close you down until you developed a safe working method. That safe working method basically means you cannot suck up bombs but it also means you cannot suck up much else either in terms of dredge materials, so it slows your work method down enormously.

**CHAIR**—I see.

**Ms HALL**—I was interested to hear you talk about the fact that you have some critical issues with your urban roads, that you needed to look at bypass roads. Is there a designated freight route?

**Mr Williamson**—Probably the thing to do would be to show you on this map. It is hard to describe, especially if you are not from the area. Simon here is from main roads and he will ensure I get this right. You can see the port on the map down here. There is a woodchip mill just north of the airport. When logs are delivered, they particularly come from out this way. They come down to this roundabout and then come back out again. Then they are delivered by train, which comes around here into the port. So there is pressure on that roundabout but, in addition, when grain trucks come from out here—

**Ms HALL**—What street is that roundabout in?

**Mr Williamson**—What is the official name of that roundabout?

**Mr Fretton**—Chester Pass Road.

**Mr Williamson**—It is Chester Pass Road and this is Albany Highway.

**Ms HALL**—Does that go through a main population centre? From that map, it looks to me like it does.

**Mr Williamson**—This is a built-up area; this is an urban area. Grain trucks come through there to get to the port. They go around this roundabout. Infill chipping trucks do, too. The timber can also be chipped at the mill or chipped in the field and delivered direct to the mill. They come from all sources through this roundabout, so this roundabout is a real pressure point. The concern is to get a bypass road, which is the big blue alignment, to get around this roundabout. Only the first part has been funded by the state government. That is called stage 1. The other stages have not been funded. What the community is concerned about is the pressure on that roundabout. Would you say that is right, Simon?

**Mr Fretton**—Mainly, yes.

**Mr Williamson**—This is the bypass road through here.

**CHAIR**—What is the cost of completing that bypass road?

**Mr Williamson**—The last figure I saw was \$70 million.

**Mr Fretton**—The estimate of \$70 million is a concept level estimate. The plan at this stage is to do staged construction, because the final version or alignment would be a dual carriageway with grade separated intersections.

**CHAIR**—And that is in the \$70 million?

**Mr Fretton**—That is correct.

**CHAIR**—What if it was just a single carriageway for the time being? What would the cost then be?

**Mr Fretton**—Probably between a half and three-quarters of that.

**Mr HAASE**—Of that \$70 million?

**Mr Fretton**—Correct.

**CHAIR**—It would be about \$50 million—something like that.

**Mr Fretton**—Correct. The one thing you always have to allow for is the road reserve width. If your final route is to be a dual carriageway you would plan at this stage for your road resumptions to have that size alignment. However, you could always go and construct a single carriageway within that.

**CHAIR**—What is the state government's attitude to funding that?

**Mr Williamson**—As I said, this part has been funded and this other part has not yet been funded.

**CHAIR**—Your argument in your opening remarks was that because you are not an AusLink board and there are no longer any roads of national importance you miss out on that sort of assistance.

**Mr Williamson**—Yes. We cannot tap into that source of funding. I know Fremantle port did, but I think that somehow qualifies for AusLink funding.

**Mr HAASE**—Because it is the major point. Has the sector of the road that has been funded been funded through a normal main roads process?

**Mr Fretton**—Yes.

**Mr HAASE**—So there would in fact be some Commonwealth funds in there, because we fund the state main roads task, don't we?

**Mr Fretton**—You do. But in the case of this road it is entirely state funding.

**Mr HAASE**—Okay. Can you tell me the distance from the proposed new roundabout on Albany Highway through to the port?

**Mr Williamson**—Are you talking about this alignment here?

**Mr Fretton**—It is around 12 kilometres.

**CHAIR**—Is the bit that the state has already put in a dual carriageway?

**Mr Fretton**—No. The plan is to ultimately develop the whole route to dual carriageway standard.

**Ms HALL**—This is the first section.

**Mr Fretton**—It is funded to resume land to allow for a dual carriageway but to construct a single carriageway.

**Mr HAASE**—That sounds rational.

**CHAIR**—And that is required for grain trucks?

**Mr Williamson**—It is really aimed at the woodchip industry. With grain trucks using it, there would actually be a reduction in total truck traffic in the town. What is driving it is the increasing truck traffic from the woodchip industry, but if the grain trucks diverted to that as well you would have a net reduction in total traffic in the urban areas.

**Ms HALL**—How many truck movements a day in and out of the port are there?

**Mr Williamson**—Currently or projected?

**Ms HALL**—Both.

**Mr Williamson**—The projections we are looking at—and there are different assumptions—are around 300 movements a day into the port.

**Mr Fretton**—Currently, there are about 120.

**CHAIR**—Where is the iron ore deposit? Is that on the map or further out?

**Mr Williamson**—It is not on this.

**CHAIR**—Just give us a rough idea.

**Mr Williamson**—It is 90 kilometres to the east, at a town called Wellstead.

**CHAIR**—How do you plan to bring it in from there?

**Mr Williamson**—Through a slurry pipeline.

**Mr HAASE**—I would like to clarify the traffic movements before we go any further. In your projections, are you talking about 150 in and 150 out or are you talking about 300 in?

**Ms HALL**—I said in and out.

**Mr Williamson**—One movement is one direction, so—

**Mr HAASE**—So 150 in, 150 out.

**Mr Williamson**—Yes, that is right. Basically the slurry pipeline comes from the east. It will come to the airport area, swing around to the west and come back in along the foreshore to the port.

**CHAIR**—Why wouldn't you bring it down the new road corridor?

**Mr Fretton**—Mainly for environmental reasons and the sort of working space that is required to construct the pipeline.

**Mr Williamson**—Just to make the point: we are talking about the munitions and this is the amount of dredging we need to do with the iron ore. The area we are litigating about the bombs is further to the west—

**CHAIR**—Where is the city?

**Mr Williamson**—The city is up here.

**Mr HAASE**—And the harbour?

**Mr Williamson**—This is Princess Royal Harbour here.

**Mr HAASE**—Are your facilities presently in there—where are they?

**Mr Williamson**—We are here, and the port is here. So we are litigating over bombs that were dumped here but we need to dredge—

**CHAIR**—Right in the channel or just next to the join of the channel?

**Mr Williamson**—Yes. They were loaded off an old jetty, off an old wharf. They were spilt 30 metres either side of the wharf that we pulled down and they are just on either side of that wall. This is where we need to dredge, and we know there are some old forts out here that used to fire at targets that were dragged across King George Sound. There is a risk that some of those shells are lying on the seabed. Before we dredge out here, we need to do a magnetometer survey, for which we are currently seeking tenders—which the Commonwealth is also not assisting us

with—before we can put a dredge through there. That is why I say the iron ore has some munitions issues, but they are different to the ones of bombs that were dumped.

**Ms HALL**—With the munitions issue that you are litigating about, have you got plans to do something in that area?

**Mr Williamson**—Not at the moment, no. It is not a problem that is right on top of us. What we want from the Commonwealth is to be compensated for the extra costs when we build that woodchip berth and also to remove that future liability. We might not dredge there for—who knows when we will need to dredge?—five, 10, 20 or 30 years, but—

**CHAIR**—What is your advice on the stability of these ordnance? Over time they become more and more fragile, don't they?

**Mr Williamson**—Yes, they do, but you stick them through a dredge machine, and everyone backs away in terms of their safety. I think they are very low risk, but a dredge has a cyclonic suction action which can prime them. They go into a pump house, and they can go bang. There have been cases overseas where World War II bombs have gone bang in a pump house, and that is an enclosed space, which is dangerous. Ships can go over them, and you could probably hit them with a hammer okay, but it is only when you stick them through a dredging machine that—

**CHAIR**—How do you remove them then?

**Mr Williamson**—This is a problem, because—

**CHAIR**—Some of them would be in sand and mud by now, wouldn't they?

**Mr Williamson**—Basically I think you need to identify where they are and get Navy divers down to take them away. We were looking at using grabs to pick them up, but there may be problems in sea-dumping them because of environmental issues. It is a major drama. The Commonwealth have, I think, 1,000 contaminated sites and they have a policy position of not assisting us here because of precedent reasons, but it is not very helpful to us.

**Dr JENSEN**—With the ordnance in King George Sound that you are concerned about, where the shelling took place from land bases, is it known that some of the ordnance did not explode?

**Mr Williamson**—It is not known, but it is highly likely, knowing how ordnance behave, that that is a possibility. In terms of the measures I need to take for occupational health and safety, I have to assume that there is a risk there—but I think it is a very low risk. Personally I think we probably will not find anything but, with safety legislation, basically I go to jail if someone gets killed—not that I want to kill anyone anyway. We have a duty of care, so we have to assume there is a risk there. But I think it is quite right.

**Ms HALL**—So the rail corridor comes in—

**Mr Williamson**—The rail comes in through here and then it comes out this way, off the map.

**CHAIR**—Has there ever been a rail service direct to Perth?

**Mr Williamson**—Yes, there has.

**CHAIR**—Part of that has been pulled up, has it?

**Mr Williamson**—No, I think it just no longer operates because it goes via a town to the east of Perth, Northam. I think it would take something like seven or eight hours to go. Bus routes are much cheaper and quicker and there is a daily air service, so it is just not practical.

**Dr JENSEN**—What is the current capacity of your port?

**Mr Williamson**—The capacity is, certainly for the iron ore trade and the woodchips, 12 million tonnes.

**CHAIR**—What is the first stage of the iron ore? What will that take you up to, from three million to what?

**Mr Williamson**—In the first year they will shift seven million tonnes, so that will be an additional seven million on top.

**CHAIR**—Will grain stay reasonably stable?

**Mr Williamson**—I think grain will increase from around 2.2 to about 2.7 million tonnes. Woodchips will go from 900,000 to about two to 2½ million tonnes and there is the iron ore on top of that.

**CHAIR**—So by the end of the decade you will be at 12 million tonnes?

**Mr Williamson**—Yes, I predict 12 million tonnes.

**Dr JENSEN**—With no infrastructure development now, what capacity will you have in the future?

**Mr Williamson**—You would need further infrastructure to go beyond that 12 million tonnes.

**Dr JENSEN**—So you can get 12 million tonnes with the current infrastructure?

**Mr Williamson**—No. For 12 million tonnes, we need to do dredging. We need to spend \$57 million. We need to do that dredging and we need to build a new berth. It is an enormous investment on the part of the port.

**Dr JENSEN**—That is to get to 12 million tonnes. To get beyond the 12 million tonnes?

**Mr Williamson**—It depends on what the trade is. If it is another large bulk product, we may need more reclamation for a stockpile area. If it is something like containers, we could cope with some smaller investments. It depends on what the product is.

**CHAIR**—Where will the iron ore jetty be?

**Mr Williamson**—The jetty will be just to the east. We will go there today. It will be here on the map. That is a reclaim area to the east of the woodchip berth, so we have to reclaim more land, which is quite common when you do a dredging program anyway, put big sheds in there and dewatering facilities, because it comes in as a wet slurry. We will build a berth, do that dredging and build a ship loader on top of it.

**CHAIR**—How will you fund that?

**Mr Williamson**—The port will do all the marine assets, which are the reclamation, the berth, the channel and the nav aids, and we will borrow that money from the state treasury.

**CHAIR**—On a current three-million-tonne turnover, it would normally be very expensive for a port authority to fund that, wouldn't it?

**Mr Williamson**—It is not expensive on treasury rates, in terms of interest rates. But we would have take-or-pay guarantees from the iron ore companies. We also have them with the woodchip people. Treasury would want comfort that they have the ability to take that liability, so we would put them on take-or-pay contracts.

**CHAIR**—Do you mind if we keep those maps until this afternoon so other witnesses can refer to them if we need them to?

**Mr Williamson**—Certainly. So we would reduce the port's risk to a very low risk.

**CHAIR**—Could you send us copies of those maps?

**Mr Williamson**—That might be a bit harder.

**Ms HALL**—Maybe you have some smaller maps?

**Mr Williamson**—Yes. I will get some in a different form. That might be easier.

**CHAIR**—If you could get them into electronic format and send them to us then, back in Canberra, we will accept them as exhibits to the inquiry. We cannot really accept them as exhibits in this form.

**Mr Williamson**—I have them all electronically, so that would be easier.

**CHAIR**—Or something similar.

**Mr Williamson**—Yes.

**Dr JENSEN**—I think you have largely gone through what I had to ask. In terms of your outlook, I assume you are looking out to 15 or 20 years in the future and what potential growth there will be. What is your outlook and what do you think is required to be done? You have mentioned what will need to be done for the 12 million tonnes but, beyond that, what is your projection for where the port will be in terms of capacity in, say, 2020? What product do you see that you will be dealing with?



**Mr Williamson**—I did an exercise recently looking back to 1948 at port predictions and all the reports. The common theme I found in them is that they were all wrong. Port predictions are very difficult because trade emerges in a way that is totally unforeseen at the time of writing a report. As an example, the woodchip trade 30 years ago was totally unheard of, and now we are going to be the largest woodchip port in the nation and one of the top five in the world. That was totally unforeseen. Similarly, when I came 3½ years ago iron ore was totally unforeseen. The deposit was known about, but another seven million tonnes was just not thought of. I guess the point I am making is that predicting port trade 20 years out has been proved in every case to be wrong—but you still have to plan for the future.

Regarding bulk products, I have done some work looking at the prospectivity of minerals in the port catchment—what deposits are out there. For example, Esperance port taps into a big prospective mineral area; Albany does not. We do not have any other known deposit that could feed into the port. The only wild card in that is coal. It is outside our catchment, but if Bunbury and Kwinana turned out to be unsuitable for exporting coal it could possibly come here.

I think oil and gas are a possibility. Geoscience Australia has been doing a lot of work on what is called the Bremmer subbasin, which is just offshore here. It is in deep water, it is frontier stuff and it is high risk, but when oil is \$60 a barrel it is possible. I think there is a strong chance that we could become an oil and gas supply base, so that is another trade. Other than those two, I cannot identify any other bulk product—the caveat being that things change quickly. Containerisation has a lot of problems. It is possible, but I see that as still a small trade. If I had to guess what would happen in 20 years, I could not see any other bulk product out there.

**Dr JENSEN**—As you mentioned, trade issues change quickly and something that has not been identified today could be there tomorrow. Can you see any immediate constraints on your port-handling facilities which might inhibit future expansion for one of these rapidly increasing trade items?

**Mr Williamson**—I think the freight route issues are critical. If there were a lot more truck traffic in town, I think we could alienate the community and cause a political problem that would then become a problem for the port. That links back to that urban encroachment issue. To some extent the traffic figures might be lower compared to a city area, but the local community in Albany can get very upset with any loss of amenity, and that causes an enormous problem for that trade getting up. The freight route issues are things like the bypass. The bypass road is totally taking that truck traffic out of this town and it is really critical. I see that as a threat. I certainly think that the rail network will need some upgrading further up the line out of the port. But, in the port itself, there are no fatal flaws in the foreseeable future—unless we have another very large bulk product that needs a big stockpile area. Then there would be some problems because we are fairly land constrained.

**Mr HAASE**—So that we can have on the record a specific answer to that question of future requirements, if you could nominate just one critical milestone that you wish to achieve for the present and future, what would it be?

**Mr Williamson**—The second stage of the ring-road would be the No. 1 issue that the community is facing with its port.

**Mr HAASE**—And we have plenty of evidence as to the nature of that.

**Mr Williamson**—Yes.

**Mr HAASE**—Do you have any idea of a proposed duration of the iron ore project that you mentioned?

**Mr Williamson**—The deposit is half-controlled by a company called Grange and half-controlled by Rio. The part that is controlled by Grange has a life of around 23 years, but if the Rio deposit were developed at the same time, which makes commercial sense and is very likely, you could add another 10 or 15 years to that. So we are talking a 30- to 40-year lifetime.

**CHAIR**—Perhaps not a joint venture; they just happen to be located roughly in the same area.

**Mr Williamson**—Basically Rio controlled the exploration lease, which cuts through the middle, and Grange controlled the mining lease. When it was pegged it was pegged in that way. Grange controls most of the deposit and the best part of the deposit. You would imagine that Rio and Grange would do a deal in some form and that it would be developed contemporaneously.

**Mr HAASE**—In relation to woodchips you spoke about the field chipped truckloads coming directly into town. Quite obviously they do not have to go to the out-of-town location for chipping.

**Mr Williamson**—Yes.

**Mr HAASE**—Is there any way that the state can mandate that those loads go onto rail?

**Mr Williamson**—Yes. There is an act called the Transport Co-ordination Act, which I think can be used as an instrument to control that sort of trade. The government has not taken the decision to do that, but I believe there are legislative instruments like that that can be used.

**CHAIR**—Just on that point, are all the plantations within reasonable distance of either the train line or the development of potential railheads?

**Mr Williamson**—No, they are not.

**CHAIR**—So some have still got to come by road? What proportion will come by rail and what proportion comes by road?

**Mr Williamson**—One-third will come by road. They are the infield chippers. The others, which are delivering to a mill, are on the railhead. They are taking the logs to the mill to be chipped.

**CHAIR**—By rail or by road?

**Mr Williamson**—By road. They are taken by road to the mill and then they are chipped and railed into the port.

**CHAIR**—So everything coming into that chipping mill is by road?

**Mr Williamson**—Yes.

**CHAIR**—Is there a potential to use rail further out?

**Mr Williamson**—Not really, no.

**CHAIR**—There are no plantations up the line, so to speak?

**Mr Williamson**—It is not seen as an economic prospect to deliver it—

**CHAIR**—That was not my question. The question is: are there plantations along the track?

**Mr Williamson**—There would be, but there are only two rail alignments. The plantations are scattered west, east and north, so it would have a small catchment, I think.

**CHAIR**—We look forward to a written submission from you, Mr Williamson. Your evidence has been very good and very much to the point. In your submission could you break it into two sections: what you see in the short to medium term as the requirements of the port and obviously the community—in other words, short- to medium-term achievable goals; and the wider vision. Try not to blur them, so that we can see the two steps.

We are seeing common themes, whether it be in Mackay, Gladstone, Portland, Geraldton or wherever. Dredging is a problem in just about every port in one form or another—channel widening or dredging. Ring-roads seem to be a common theme. The inability of some of the ports to receive AusLink funding is a common theme—for about three-quarters of them anyhow. We would like you to highlight those points in your submission.

We have asked your colleagues in the other towns to provide a map that we can use in our report to the parliament showing the existing road and rail corridors in black and then showing in red what you would desire. Could you provide that too? There is a purpose in that. We want to be able to show the 10 or 12 port cities—it might be 15 or 20 by the time we are finished—and we want to get these maps in a common format, so that as other members of parliament and cabinet ministers go through the report they can see those common themes diagrammatically as well as in argument.

**Mr Williamson**—Yes. That makes sense.

**CHAIR**—We look forward to your report. Thank you very much for your attendance.

[9.50 am]

**EMERY, Mr Robert, Board Member, Timber 2020**

**PAVLOVICH, Mr Christopher, Owner/Manager, Southern Haulage Industries; and Board Member, Timber 2020**

**FORBES, Mr Kevin, Chairman, Great Southern Timber Industry Road Evaluation Strategy Group; and Shire President, Plantagenet Shire Council**

**SAWERS, Mr Denis, Deputy Chairman, Great Southern Timber Industry Road Evaluation Strategy Group; and General Manager, Production, Albany Plantation Export Company**

**CHAIR**—Welcome. We will not be requiring you to give evidence on oath, but I remind you that these are formal 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 lead to action under contempt of parliament. Who is going to lead?

**Mr Emery**—I will.

**CHAIR**—I have asked all the witnesses not just to repeat their submissions. What we would like to hear from you in this overview is the key points you want to bring to the committee. We have had five or six witnesses in Western Australia who have spent a half-hour of their 45-minute presentation telling us exactly what they have put in their submission. We want you to argue the case for the key points of your submission, so could you give us a five- to seven-minute overview, or the key points of the submission?

**Mr Emery**—Firstly, it is right to explain that Timber 2020 is an incorporated body set up in the nineties to represent the various participants in the then fledgling plantation timber industry in the Great Southern. It was at that time Timber 2002 but, like everything else, time has caught us with us and it has now changed its name to Timber 2020. Timber 2020 is open to plantation managers, local government authorities, contractors, service providers and small business, state government agencies, farm forestry managers and forest product producers. In other words, it covers all aspects of the industry and sections of the involved community and is considered by state and interstate authorities as the most appropriate body to speak for the plantation and farm forestry industry in this area.

The Great Southern region of Western Australia covers an area of 53,000 square kilometres, with the City of Albany in the south of the region providing a port, an airport and major industrial, commercial and retail companies for the region. With a rapidly increasing population, there are strong demands to update our ageing infrastructure and provide employment through additional primary production and manufacturing, as well as encouraging value added industries based on the plantation and timber industry. Exports through the port are booming, as you have heard, and will increase dramatically as grain, woodchip and mining production develop. Now,

with federal government assistance, value-adding industry—for example, Lignors—will be coming online, with consequent transport demands for containers.

The main thrust of our submission is focused on roads, but, in order not to duplicate other submissions, I will only quickly mention our full support for the TIRES project, which has proved itself a huge success and is a fine example of what can be achieved when all sections of a new industry and state and local government work together. This of course could be greatly enhanced with a similar cooperation from the federal government, to which, after all, the plantation industry owes its origin. We trust that this message will fall on fertile ground.

**Ms HALL**—Excuse me; I hate to interrupt you, but did you say the TIRES project?

**Mr Emery**—TIRES is the Timber Industry Road Evaluation Strategy, which has been formed to develop the roads, the local roads and the road structure here in a cooperative way with the industry. That will be a submission that will come forward from GSDC later on, so we do not want to go into that in great detail, but it is highly important from the timber industry point of view.

The other important messages which we wish to highlight are, firstly, that regional production and exports are restricted to a certain extent by virtue of the physical capability of infrastructure to handle large increases in production, as you have heard from the port, resulting in additional cost of transport. This particularly applies to the plantation industry, which by the nature of its 10-year cycle has spasmodic harvesting in various areas but which still requires good local road infrastructure—however, on an ad hoc basis.

Secondly, the advantages of transporting to the port by rail are acknowledged, but they are restricted by the antiquity and location of the current system and the high cost of upgrading and constructing new lines to achieve this mode of transport.

Thirdly, the opportunity now exists to develop a coastal shipping service with the implementation of the new industrial legislation and the ability of government to contain the antics of the MUA, the Maritime Union. Given that Australia is, after all, an island, my own opinion is that there is an opportunity to set a commercially practical operation in place which could relieve the considerable pressure on both road and rail intrastate and interstate traffic. Elsewhere in the world, sea transport is the cheapest method of carriage over 1,000 miles, and I do not believe Australia is any different, given reasonable agreement with the MUA.

Fourthly, there is the ability to make exports more competitive by dissuading state and federal governments from levying various taxes on production, transport and ports that push the FOB price of the commodity up and make it difficult and in some cases impossible to market competitively. It should be appreciated by government that the time to tax is on the profits after the sales have been satisfactorily concluded. It is also not appreciated by many that it is important to keep control of the marketing of commodities by selling on a CIF basis and not only FOB. Our international freight task is only half complete, because we have virtually lost any merchant marine presence. With few exceptions, half our international sales task delivered from Australian ports to buyers' ports is controlled by overseas interests. We leave ourselves highly vulnerable to the whims of our buyers. Shipping freight costs are in many cases, and in some commodities, more than the FOB price itself, and control of freight is the key to selling

and opening up new markets. As an island producer, Australia should have some control over its shipping freight to the rest of the world.

Fifthly, it would be advantageous to everyone if there could be a regional transport panel set up to assess submissions and, if found warranted, channel federal funding directly to local governments for local roads when there is an urgent need to assist an export trade. This should not affect funding for local roads by the state government through the regional roads groups, which would continue in a more community based and democratic manner. As the committee now sees, there is a western side to Australia, and we ask you to contribute to our industry's future development.

**CHAIR**—Mr Emery, you make the point about federal government placing more funding directly with local government. I think that is the current policy, as I understand it. Roads to Recovery is one example of that. You might have noticed the report last week of the number of local authorities in Australia that have reduced their own road funding in the light of the federal government's contribution. That, I imagine, is going to be an issue to be dealt with in the future.

More to the point, what we have found in some of the regional ports is their lack of access to AusLink, the federal government's new road and rail integration and management program. In the past, roads like the one we have been talking about this morning, the ring-road for woodchip and grain, may be eligible for Roads of National Importance funding but some of these regional ports were not eligible for AusLink. That might be one of the difficulties that you will encounter. It might be in your best interests to make a supplementary submission on that basis.

What is the greatest single thing that you would like to see the federal government tackle in this area? I am not asking you for a wish list; what is the greatest single current impediment that you think the federal government could contribute towards?

**Mr Emery**—I believe it is roads, to be frank. The timber industry is somewhat unusual to the extent that it is not producing from one specific area on a consistent basis; it is producing from one particular area once in every 10 years.

**CHAIR**—Rotation.

**Mr Emery**—Therefore, there is pressure on local roads, which may be quite sufficient to cater for three or four farms. It may be a gravel road and suddenly half-a-million tonnes have to come down it. It has to be upgraded in order to get that through.

**CHAIR**—On that point: you tend to harvest in blocks. Is that what you are saying?

**Mr Emery**—Yes.

**CHAIR**—I come from a sugar cane growing area and each farm has a five- or six-year rotation plan. They cut the cane off and the stool regenerates. Each farm has a plan, and part of the farm stays fallow in rotation. The way you describe it is that you go into a particular block and you harvest it out. Is that the idea? And then you replant it?

**Mr Sawers**—There are multiple plantations. You are going back over the same roads fairly consistently—local shire roads. It is not as if you use just one road on a 10-year cycle—you come out and use the road and then not use it for 10 years. There are other plantations in that area.

**CHAIR**—I see what you mean.

**Mr Sawers**—So the roads are used pretty consistently.

**CHAIR**—Do you think the committee could have a map of the district showing the plantation areas and existing roads?

**Mr Sawers**—The TIRES group that you will talk to later on and the MRD—Main Roads—have done a lot of very good work on that. They will be able to give you a lot of detail. I can get you a copy of that later.

**Mr Forbes**—I can elaborate a little further on the question you asked. One of the biggest issues local government has with smaller local roads is, as was said, that they originally serviced a couple of farms that ran a few sheep and cattle. A bit of fertiliser and wool was about the extent of the transport on the roads, and the biggest vehicle you saw was a semitrailer. All of that transport corresponded with seasonal conditions. Now we have an industry that is carting road train configurations all the year round. Just to give you an idea, in the last 12 months, 2005, we had a 40-inch rainfall year in my shire. That was the average for the centre of the shire. We had log trucks working on dirt and gravel roads right through the year, so you can imagine the damage and problems we are having. Even bitumen roads are sinking badly under those conditions.

**CHAIR**—I understand what you are saying. I do not want the action to be coming from this side of the table, but the federal government is responsible for the national highway, these days through AusLink; the former Roads of National Importance, which is now incorporated into AusLink; FAGs grants to the local authorities, of which there is a road component; Roads to Recovery, which was paid directly to local government; and the National Road Safety Black Spot Program. That is a pretty fair slice of the national road task. When you are talking about sealing gravel roads, you are virtually asking the federal government to come into those sorts of roads. Is that not the role of local authorities and the state government?

**Mr Forbes**—Every local government in the state gets all those grants that you have just talked about. If they have been a grain-growing shire for the last 100 years, they still get those road maintenance type grants that you are talking about. We have had an exceptionally heavy transport industry dumped on our local authority with no warning. Probably 50 per cent of the roads in our shire were never built for that type of transport. There is no way that any of the grants that you are talking about, which are the average for all shires over the nation, will pick up that problem. We are struggling with those grants to keep up with our road preservation anyway. Half of our shire is seriously going backwards. There is no way in the world that we can allocate all those grants to those areas. We have other very important roads in our shire that carry a lot of transport that need those grants as well.

**CHAIR**—Notwithstanding what you say, I think your best opportunity for getting into the loop is to get the area recognised for AusLink.

**Mr Forbes**—For the heavy industry project based grants?

**CHAIR**—Yes.

**Mr Forbes**—We are looking at that and we have already got a submission in.

**ACTING CHAIR (Mr Haase)**—How do you see the area that is presently under production for *Eucalyptus globulus* expanding over the next period of time? I ask this question in relation to social trends, the acceptance of tree planting and the maturation of existing plots. I am not sure how old the industry is here. How do you see the escalation in chip production happening over the next decade?

**Mr Sawers**—I think I have been landed with that one. The company I am with have planted what we are going to plant, so I am not too sure about the plans of the prospectus companies increasing the hectares. We think there are about 180,000 hectares in the region now. The expansion will depend on the cost of land, the suitability of the land and the rainfall. As for what land is left that is suitable for blue gum, I am not too sure of what the expansion of that will be. Blue gum is going to have to compete with other crops, cattle and sheep, so whether blue gum farming will expand will depend on the cost of land. This is going to be one of the biggest blue gum areas in Australia. There are about 180,000 hectares. I am not too sure what that will grow to. As for the recycling, we do a 10-year cycle then we regrow the crop or replant. That will continue. Some plantations will fall out because they were poor plantations, but I do not see a big decrease in the hectares.

**ACTING CHAIR**—What sort of chip production will that amount to each year?

**Mr Sawers**—It depends on your yield per hectare. There are some pretty varied numbers there. If you use 150 tonnes a hectare you are going to end up with about 2.8 million tonnes a year going through the Albany port.

**ACTING CHAIR**—What was it for woodchips last year?

**Mr Sawers**—The port is reporting about 900,000.

**ACTING CHAIR**—So you are going to more than double it.

**Mr Sawers**—Our chip mill went from 350 last year to 700 this year. We will go up another 20 per cent next year.

**ACTING CHAIR**—Whilst you were in the gallery you might have heard a question I aimed at the harbour people in relation to the mandating of truck movements. Is the chipping facility that you have a jointly owned facility or appropriate to one company only?

**Mr Sawers**—It is jointly owned by two Japanese companies, and it is currently toll chipping for Great Southern Plantations. So you have four players: Timber Corp, ITC, Great Southern



Plantations and APFL. APFL is Japanese. Great Southern Plantations are toll chipping through the mill. So either that will continue or there will be two mills. The other two companies have chosen to go infill chipping, and they will go direct to the port.

**ACTING CHAIR**—Which you are saying, I imagine, will go by road.

**Mr Sawers**—Yes.

**ACTING CHAIR**—You indicated whilst I was questioning the harbour authority that the likelihood of getting those woodchips onto rail completely is pie in the sky.

**Mr Sawers**—Yes. I think it would be very difficult because of where the plantations are. We actually take logs to the mill and then rail in. You are going to end up with about 50 per cent of it, I would suspect, on road direct to the port and 50 per cent on rail.

**ACTING CHAIR**—So you would agree, then, that the creation of the bypass road for that trucking movement is important.

**Mr Sawers**—Absolutely.

**ACTING CHAIR**—Do you know if that bypass is included in the TIRES submission?

**Mr Sawers**—We used the money that has already been committed to building stage 1 of the ring-road as part of our submission.

**ACTING CHAIR**—Mr Emery, you mentioned the taxes, state and federal, that are contributing to cost FOB. Would you like to illuminate us a little as to what exactly they are?

**Mr Emery**—Yes, I would, to the extent that I know this is also going to be covered by the port users group in some considerable detail. The taxation on the port profits—that is, I think, on gross profits—is, as it is in Queensland and all the ports, very high indeed. In a small port particularly, like Albany, the profit the port makes is virtually handed over to the state government, and then they have to borrow it to do maintenance. These are the sorts of costs which commodities really suffer from to the extent that the port authority has to put the port charges up to cover those borrowing costs. Obviously that goes onto the price of the material. If the taxation was on the companies that were selling after they had sold and made a profit, it would enable a much easier method of being able to market.

**ACTING CHAIR**—Of course that does take place now, doesn't it? Federal taxes are on those profits.

**Mr Emery**—It does now. It happens both ways.

**Ms HALL**—If the only tax you pay is on your income and the income goes to the Commonwealth, and the port is state, how would that work?

**Mr Emery**—That really is, I guess, the big problem.

**Ms HALL**—Have you thought it through?

**Mr Emery**—If Australia wants to export then it has to look at it as a whole and not as what the state is getting and what the Commonwealth is getting. Maybe the Commonwealth has to subsidise the states further. I do not know if they are going to get rid of that. Certainly export of material and commodities has got to be made cheaper if we are going to be competitive.

**ACTING CHAIR**—I will not prompt you too much. You mentioned taxing by various levels of government. You have explained the taxing by the state. What of the federal situation? What did you have in mind?

**Mr Emery**—From the federal point of view, they obviously tax any profits which come out of the companies. That has got to be weighed, I think, against the additional profits and additional sales which could be made by those companies so they could in fact increase their take from the companies if the companies could sell more.

**ACTING CHAIR**—But if we were not taxing them we would not increase the tax.

**Mr Emery**—No, I am not suggesting that the federal government does not tax profits; I am suggesting that the state governments should not be taxing before sales.

**ACTING CHAIR**—All right. I am not a tax professional so I will not delve further there.

**Dr JENSEN**—You mentioned the road upgrades that need to be undertaken around your plantation areas. Have you got any costings on approximately how much that would be?

**Mr Forbes**—We will provide all that in the evidence this afternoon from the TIRES Group and the GSDC—a very detailed presentation on that.

**Dr JENSEN**—Okay, good. Of the points you made in your submission, some of them are interesting and I would like to expand on them, but some of them are somewhat contentious in my view. For example, you state that with increased traffic going into the ports there will obviously be noise and so on, and that it is the home owner's responsibility to effectively insulate their homes from noise. It seems like a bit of a double whammy in that increased traffic movements are going to, in a relative sense, decrease the value of the homes in the area and then home owners are also going to be slugged with the charge for insulating their homes. Surely it is the exporters who are getting the economic benefit of those increased traffic movements and so, to some extent, it should be the exporters who are partially responsible for making sure that the people living in the area are not too greatly—what is the word I am looking for?

**ACTING CHAIR**—Disadvantaged?

**Dr JENSEN**—Disadvantaged.

**Mr Emery**—Yes, Dr Jensen, that is quite correct. I think that the situation in a small port area like this, with a growing trade, puts a particular amount of emphasis on the shire—the City of Albany—and on the various shires around that are involved in the timber industry ensuring that

any new buildings that are created are built to a specification that is not going to have a major problem.

**Dr JENSEN**—You are talking about new buildings there?

**Mr Emery**—I am talking about new buildings in that respect. We are also looking in Albany for a major foreshore development. Now, we have a port that has been here longer than Albany and we have buildings being put up by people who love watching ships, watching trucks and watching everything going on until the noise starts getting a bit annoying—when they have a child or whatever it happens to be. Their circumstances might change and suddenly they become totally anti the port. Our view is really that, if the port is there, it is the centre, it is the most important economic benefit we have in this whole region and we cannot afford to let anything detract from that.

Consequently, we are saying that the port is there and it has to comply with the regulations regarding noise, dust and all the other things which go on. However, it is necessary to ensure that if houses are going to be built in that area—or even for houses that are there currently—there is an onus on the home owners, as much as on the port and the transport companies, to ensure that the noise is not a major issue. In other words, trucking companies have to ensure that the noise from their trucks is down to a certain level and ports have to do the same thing. Home owners must obviously have their own responsibility to ensure that their houses have double glazing or whatever.

**Mr Sawers**—And it is an existing corridor; it is not as if we have put a new corridor in the city.

**Dr JENSEN**—I guess the issue is that, if you have increased traffic levels, obviously there is going to be increased noise, so to what extent would the exporters then be responsible for meeting some of those costs. You mention that the government should encourage competition between road and rail. How should the government go about that?

**Mr Emery**—In this area it is difficult to dictate how people are going to move stuff. The rail line that we have was originally built for passengers going down from Perth but essentially around the grain operation. It does not cover vast areas which are now plantation, so there is no way that that stuff can go on rail unless it is brought into a central area and checked. One company has decided to do that in the initial stages and set up everything accordingly; the others have decided that that is not the way and that they can do it cheaper and better by bringing it straight into the port. So, unless the rail set-up is increased dramatically, at huge cost, I think it is very unlikely that we are going to persuade more people than there are at the moment to go on rail.

**Dr JENSEN**—How is the government supposed to facilitate that competition? That is one of the issues that were brought up in your submission.

**Mr Emery**—I was essentially trying to say that there is a community and general public thought that it is better these days to bring stuff in by rail. It is less environmentally damaging. I think that has to be weighed with the cost, and I suppose this is a government decision as to

whether or not they feel that that environmental requirement justifies the expense of extending some rail.

**Dr JENSEN**—You were talking about the loss in effect of our merchant marine to overseas concerns. You said that an inherent problem was that it effectively meant that your buyer had control of your shipping. Surely the fact that many shipping companies are owned by concerns in all sorts of different countries in the world would mean that there would be competition, so you would have access to shipping regardless of whether your preferred user went somewhere else.

**Mr Emery**—The question of shipping is more dear to my heart than most other things. I am a ship broker by trade and I have spent most of my life involved in marketing and shipping. It is not always possible, but if it is possible to have control of shipping then you have much better control of your marketing and pricing. I am thinking particularly from the timber industry point of view. We are looking at value added industry now. We are looking at Lignors coming in, which is based on plantation industry and producing building materials, beams and that sort of stuff.

**Mr HAASE**—Excuse me, Mr Emery. I am sorry to interrupt you, Dr Jensen. What is this term ‘Lignor’ that you are talking about? You mentioned it preciously and I did not butt in at that stage.

**Mr Sawers**—There are two major projects in the pipeline for the region: one is Beacons, which is a powerhouse that will use residue from the plantations which will go out to the timber precinct; and the other is Lignors, which chips blue gum or karri and turns it in to board or beams. That is a project that we are trying to get up in Albany at the moment.

**Mr HAASE**—Thank you.

**CHAIR**—Is it a particle board type thing?

**Mr Sawers**—Yes; or engineered beams.

**Mr HAASE**—Lignors is a proprietary limited company or something, is it?

**Mr Sawers**—Yes.

**Mr Emery**—It is, and it has federal government primary industry approval at the moment. It is one of five which have considerable support from the federal government.

**Mr HAASE**—Go ahead with your answer to Dr Jensen.

**Mr Emery**—Within the timber industry here, we are trying to make a consolidated, sustainable industry where you have power from the biomass from the timber and you have water from grey water, which is going to be used in the power generation. We have the Lignor operation coming in, which is going to use the timber, and we are getting into a value added set-up. That is going to be producing something like 30 containers a day. At the moment, they are looking at getting that up to Perth by rail or road, but in the future—we have to look towards the

future—there is no reason why this sort of material should not be sent to the east coast by sea. It is the cheapest way to do it under normal circumstances.

It is only the historic problems we have had around the coast here with the Maritime Union that really killed the maritime industry off completely. I think the circumstances which we have now give the federal government a very good opportunity to try and start this whole thing off again on the right foot. But certainly from an export point of view, in my experience with CRA or Rio Tinto, for a cheap commodity it is essential to have control over the shipping because that is a major cost of the total C and F price.

**Ms HALL**—I was not going to talk about shipping, because that is outside our terms of reference, but—

**CHAIR**—I was going to make that point. While I understand what you are saying, it is really not within our terms of reference to examine the failure or otherwise of the Australian coastal shipping industry. I understand your concerns, but we have been given the arterial road and rail systems and their connectivity to the ports and the need for hubs, so the more we concentrate on that the more likely we are to get a result.

**Ms HALL**—Yes, thank you. I was just going to ask you one question on that. When we are looking at the Australian shipping industry, don't you think that the continuing-voyage permits and the single-voyage permits may have contributed to the loss of shipping within Australia? That is basically handing it over to overseas shipping companies, isn't it?

**Mr Emery**—I think you are exactly right and I think that should be corrected. But I would also say that the reference to coastal shipping is in order to try to alleviate the pressure that is being put on road and rail interstate, which is heavy.

**Ms HALL**—I note in your submission you talk about the role of intermodal freight hubs in regional areas and you go through a few points here in relation to a freight terminal at Mirambeena industrial estate. You have basically discounted the appropriateness of an intermodal freight terminal in that area. Would you like to expand on that a little bit more for the committee? In doing so, there may be some other areas for intermodal hubs that you have looked at. How appropriate is it for your industry? It may be totally inappropriate for your industry, which I think I might be hearing, but I would like you to expand on that.

**Mr Sawers**—There was a government study on whether they could set up an inland freight terminal. I am not too sure of the details of that, but it turned out at the end that it was not economical. What is out there now is blue gum chip, which is going to be 1½ million or something like that. But then, when you try to move grain from the port out to an inland hub to then take it down by rail, most of that grain is already going in by rail—not all of it but a lot of it. I think the state government's report on that ended up saying that it was not economical, and it has never gone any further than that.

**Mr Forbes**—It created a lot of double handling of product, and every time you double handle a product you lose product—

**Ms HALL**—It increases costs.

**Mr Forbes**—and you add cost to the product.

**CHAIR**—Yes, we have seen a lot of that.

**Ms HALL**—The other issue that has really interested me when I have been listening to your evidence is that you picked up on some of the things that local and state governments are doing together. There has been some reference to the role that the federal government has played in some areas and could play in other areas. Do you see a role for all levels of government to work together in this area to support your industry and the port here? If so, what areas and what strategy or structure should this take?

**Mr Forbes**—I think there definitely is. The AusLink road project based funding could definitely be of use. I believe the guidelines for final submissions to that just came out in the last few days. I know there was an initial fund that was mostly absorbed with the last election, but that is what happens. I think that type of funding base could be very useful for an industry such as the plantation timber industry, where there is an enormous freight task being put on roads, basically without notice and without any opportunity to do anything about it, particularly in the case of local government—and I know the state is grappling with the same problem with its highways in this region. The roads suffered enormous damage last year and they just cannot repair or upgrade 200 kilometres of state highway every year to keep up with the industry. Enormous damage is occurring, particularly when there is a very wet year. So, particularly for local government, yes there is a role. Later we will discuss the work we have done and what we feel the federal government could do to help us.

**Ms HALL**—You are talking about it from a roads perspective?

**Mr Forbes**—Particularly from a roads perspective, even if the state were to put extra rail lines in our region. The current rail line basically runs north-south; the timber industry goes east-west from the port, essentially on the coastal strip. Even if they were to put a couple of spur lines east-west to meet up with that line, all they would be doing is duplicating state roads. The local road network would still suffer under all the freight of the product from the farm to the rail line. The issue of local government is still there no matter what rail does.

**Ms HALL**—We talked of taxation; I am sure there are other areas where you feel there could be a better relationship between all three arms of government to deliver better outcomes to your industry and to the region.

**Mr Sawers**—I think the infrastructure is the big one—that is coming from a narrow point of view of just the timber industry. They have basically tried to re-fund local government roads in the same way as in the past. Then a whole new industry is dumped on top of that. TIRES was trying to attract funding to address the new export industry on top of what is normally in place. The problem with the state funding is that it just keeps funding what has happened in the past. There is no influx of new money to address the new industry, and that is where I think the federal and state governments could help. Federally, there are the main roads, which need upgrading, and the local shires are really struggling to keep up with the impact of the new industry. Somehow we have to get some infrastructure funding to upgrade that to allow the shires to keep up with their normal road maintenance.

**Mr Emery**—The other thing, which will come out in the TIRES submission, is the fact that the timber industry is one of the only industries to actually go along with the federal government concept of unity of purpose—where the industry contributes to roads, which it is doing, together with local or state government.

**CHAIR**—That is an impressive commitment by the timber industry in Western Australia. We heard similar evidence in Bunbury the other day, and I think the fact that you are prepared to put some of your own dough in does enhance your case dramatically.

**Mr Sawers**—The cooperation between industry and local government is excellent. Part of the reason is that we have contributed money towards their roads, but they have also been very good with us. It works.

**Ms HALL**—I do get the feeling that you have a close relationship in this region. Mr Pavlovich, would you like to add anything?

**Mr Pavlovich**—We were involved with transport before the timber industry came along and we are now quite heavily involved in deliveries both direct to the port and to the chip mill out of town. We have seen the whole road system degrade very rapidly in the last four years since the export of woodchips has come about. On an operational level—to back up what Kevin said—we see it deteriorating; we do not see any funding to try and nip this in the bud. It is heading towards a quite serious situation in some areas. The money TIRES have spent on local government roads ahead of the transport task on the predetermined early haulage routes has been a huge success. From the operational level, the industry need to be assured that there is going to be that funding so that they can keep working ahead of future demands for haulage routes.

**Ms HALL**—So is there a need for more forward planning? Is what is happening at the moment more reactive than proactive?

**Mr Pavlovich**—I think there has been a lot of forward planning and there is a lot of industry and government departments, as in the room here, who have done a huge amount of work on that. But we need to get the dollars on the ground.

**Ms HALL**—That is an important message for us.

**Mr Sawers**—You will find the TIRES report that you will get later on is very detailed, right down to which roads need to be done first, how much and the whole lot.

**Ms HALL**—It sounds good.

**Mr Sawers**—It is getting the funds to do it.

**CHAIR**—Is the timber industry now in a defined area or is it an expanding thing? Are there more and more plantations going in? What is the dynamic that drives it? Are grower groups supplying a particular chipping organisation or miller? What is the organisational dynamic of timber?

**Mr Sawers**—WAPRES, which is Marubeni in Bunbury, and us are both Japanese owned, and we spend our own money to plant our plantations and start the cycle. There are three other companies which are prospectus companies that raise public funds to plant plantations.

**CHAIR**—So there are five companies essentially.

**Mr Sawers**—Yes.

**CHAIR**—Are there any independent growers outside of that who sell on the spot market, so to speak?

**Mr Sawers**—Yes, there are. In this region we think there are about 30,000 hectares that are independent, so they could either go infill chip or to the mill.

**CHAIR**—What is the total coverage?

**Mr Sawers**—About 180,000 hectares in this region.

**CHAIR**—How many tonnes does that generate a year?

**Mr Sawers**—That is a good question. I can give you 15 different answers.

**CHAIR**—Sorry.

**Mr Sawers**—That is all right. It depends on the yield, and we do not know what the yields are going to be at the end of the day. But, if you use 150 tonnes as an average, it will give you an idea. That will be about 2.8 million tonnes of chip.

**CHAIR**—You said earlier that there was a federal policy that started this off. To what extent is that still driving this initiative?

**Mr Sawers**—I think the federal government has probably done its job. I think the prospectus companies are the ones that are growing the plantations now.

**CHAIR**—Now you would like us to come back with some asphalt.

**Mr Sawers**—Yes. That is right. It should have been in the original package.

**CHAIR**—So you have got five companies—two of them overseas owned and three others—and then about 15 or 16 per cent are independent growers. Do they tend to get more money or less money?

**Mr Sawers**—No, the same money. There are two other companies I did not mention: Hansol is a Korean company in Bunbury and also Nippon has got plantations over in the Bunbury area as well.



**CHAIR**—Have most farms or plantations gone exclusively to timber or do they use timber in conjunction with another crop?

**Mr Sawers**—You have got a mix. The early plantations started off with agroforests where you have got a lot of small areas mixed with farming, but the later trend was to go bulk plantation, which brings costs down. You can see the reason for it.

**CHAIR**—Thank you to the 2020 organisation for coming before us this morning. We will take on board your views. Is a map of the various growing districts showing the road systems likely to come in with later evidence?

**Mr Sawers**—Yes. Can I add one thing?

**CHAIR**—Yes. You asked the previous witness what was the most critical thing. I would say with the plantations it is access to the port 24 hours, seven days a week.

**Ms HALL**—That reminded me when I read that in your submission. Do you have 24-hour a day, seven days a week access?

**Mr Sawers**—Yes, we do now.

**CHAIR**—Is that under some threat with the development?

**Mr Sawers**—Yes. If people get uptight with the number of trains and trucks, those pressures will come on board. They usually do if you are mixing industry with people, but it is critical.

**CHAIR**—Hence the necessity of that ring-road.

**Mr Sawers**—Yes.

**CHAIR**—On that note, thank you very much.

**Proceedings suspended from 10.39 am to 11.07 am**

**PEACOCK, Mr Ian Wayne, Chairman, Albany Port Users Liaison Group**

**WETTENHALL, Mr David, Consultant, Albany Port Users Liaison Group**

**CHAIR**—Welcome. I have to remind you that these are formal proceedings of the federal parliament and consequently warrant the same respect as proceedings of the House itself. It is customary to remind you that the giving of false or misleading evidence is a serious matter and can be regarded as a contempt of the parliament. Have you an opening statement to make?

**Mr Wettenhall**—I have a page of notes to which I would like to speak, and I would like to emphasise some points as I go through.

**CHAIR**—Is it the wish of the committee that the submission be accepted as evidence? There being no objection, it is so ordered.

**Mr Wettenhall**—Thank you. The City of Albany has developed and been enveloped by the port, creating the common issue of conflict between urban enjoyment, tourism and port access. If Captain Lockyer had the foresight of 200 years, he would have put a 500-metre buffer around the port and there would not have been any houses or commercial developments overlooking the Princess Royal Harbour. However, he did not and that is the situation we have. There are a couple of other forecasts which have been quite notable in the plantation forestry industry which has developed in this region: one was a forecast made by the industry of social benefits to the region as it developed; the other forecast made by the industry back in the mid-1990s was of road impacts, and that has also come to light. Recent research has identified many social benefits of the plantation industry in this region and that has been recently published by Jacki Schirmer through the Bureau of Resource Sciences. Indeed, several times you have heard, and you will hear it again today, about the impact of heavy freight haulage on particularly our local and regional roads.

Mr Peacock and I would like to talk about the road access to the Port of Albany, particularly coming from the east of Albany, from where about a third of the plantation estate and 98 per cent of the grain is sourced. There is a well-developed access route to the port from Chester Pass Road through the intersection with the Albany Highway, down Hanrahan Road and Princess Royal Drive to the port at the end of that. I hope that you have some maps available to you to understand what I am talking about. Chester Pass Road was projected by GHD to carry 92 per cent of the road haul grain and 38 per cent of the woodchips, estimated to be a total of 333 loads per day by the year 2010. The figures that Mr Sawers mentioned this morning show that that will be increased, in fact. The most direct route from Bakers Junction, east of Albany, to the port is via Chester Pass Road, Hanrahan Road and Princess Royal Drive. The full proposal for a ring-road adds 9½ kilometres to this journey, and 9½ kilometres in approximate terms would add a dollar per tonne to the freight cost.

**CHAIR**—For every load?

**Mr Wettenhall**—For every tonne. About 10c per tonne per kilometre is a reasonable—

**CHAIR**—Isn't some that stuff coming in from 130 kilometres and so on?

**Mr Wettenhall**—Yes, but this is an additional 9½ kilometres.

**CHAIR**—Do you see that as a negative?

**Mr Wettenhall**—Yes, I see that as a negative—to add the cost of a dollar per tonne to the freight haulage.

**CHAIR**—Can you suggest an alternative? Can you put the map on the table so you can see it and we can see it?

**Mr Wettenhall**—What we are saying is that 333 loads per day are going to come from this direction. Three hundred and thirty-three loads per day are going to try to get from here to the port down here. We are saying the sensible way to do that is to go through this existing route down here to the port. To go via the proposed ring-road requires an extra 9½ kilometres circuiting around the city.

**CHAIR**—What about the social and environmental impacts of going straight down that road?

**Mr Wettenhall**—This has long term been identified as a transport corridor.

**CHAIR**—When you get into town is there the capacity there for an overpass or something?

**Mr Wettenhall**—The main problem is this intersection, which is a roundabout at the moment. There are no traffic lights there. My feeling is that with some reasonable engineering you would be able to make that a reasonable corridor.

**Ms HALL**—Do you not think that by continuing through the built-up area you have the potential to create conflict and this could impact on the long-term viability of the port. By going around, through areas that are less populated, you are ensuring the long-term access to the port that is so vital for getting your commodities out, as opposed to going through an area that could impact on the long-term viability of the port?

**Mr Wettenhall**—I am sure there will be conflict.

**CHAIR**—I do not want to discourage you, and please argue your case, but we have been to nine or 10 ports now and this is the first time we have heard someone arguing for a direct route through a town. Everyone else has been saying, 'What a shocking, dreadful, uncompromising thing it is to bring these heavy trucks through our shopping centres, towns or suburban areas. We've got to have ring-roads.' You are the first person we have heard who has argued the other case. I am not saying you are wrong, but I would like to hear your case.

**Mr Wettenhall**—Indeed this is the point of difference between me and the previous presenters. They are advocating and I am supportive of that section of the ring-road because that services traffic going north to Perth as well as to Mirambeena.

**CHAIR**—They do not have to drag through town to get there.

**Mr Wettenhall**—But what I am questioning is the sense and the environmental impact of requiring all of the trucks that want to go direct to the port—the grain and the wood chip trucks—to go an extra 9½ kilometres rather than going through this long-term heavy haulage route that has been clearly identified for a long while. I have only lived in Albany for eight years but this section of the road here has reasonably recently, probably in the last 20 years, been upgraded as a heavy haulage route.

**Dr JENSEN**—I am assuming that there be no stops or anything like that on the bypass route and that the speed limit would be higher than on the direct route. How much trip time are you actually adding? Nine and a half kilometres can sound a lot but if you are doing 120 kilometres an hour, that is a mere five minutes. Just to use a number, that is less than five minutes. How long would it take to use the direct route?

**Mr Wettenhall**—Your question is a valid one but there is a delay here on this route and inevitably there normally would be. There will always be a delay at this intersection. This is the Albany Highway, the main route to Perth.

**CHAIR**—Is the big roundabout there yet?

**Mr Wettenhall**—No, there is not even a road constructed here yet.

**CHAIR**—But you can build a roundabout on those things big enough to take traffic. There is a huge one as you come into Rockhampton, for example. You could separate five semi-trailers on the four segments of the roundabout.

**Mr Wettenhall**—More or less, that is what I am saying we should be looking at here. I am not a traffic engineer but I would imagine that the traffic that we are talking about would pale into insignificance compared to some of the metropolitan traffic volumes that you are talking about.

**Dr JENSEN**—What is the speed limit on the existing road?

**CHAIR**—From where that urban bit starts.

**Mr Wettenhall**—Presently it is 90 kilometres to here then it is 60 kilometres for the rest of the route.

**Dr JENSEN**—What is the proposal for the bypass route?

**Mr Wettenhall**—I would presume that that would be 110 kilometres—

**Mr Peacock**—It is 100 kilometres maximum.

**Mr Wettenhall**—This is uphill and down dale on this section so they would not be able to do 100 kilometres an hour on that section. This is the South Coast Highway so it has to cross a major tourist route there. It has not been decided whether the route for this section is going to the north of the railway line or whether it is going to have to cross the railway line and go along—

**Dr JENSEN**—So you are saying that with the two highways you are not going to have grade separation?

**Mr Wettenhall**—As I understand it—and there may be other witnesses available to ask—they are not proposing to have grade separation at those intersections.

**CHAIR**—We have the city council in next so we will ask them about it.

**Mr Peacock**—We are saying that for the grains industry there is a cost in going that extra distance. I think that we heard this morning that there is a cost of \$70 million to complete the ring-road—\$7 million on the first section that has already been funded by the state. If grade separation were put at that pinch point, which is the roundabout at the Albany Highway and Chester Pass Road, the cost of getting heavy haulage to the port is significantly reduced. You would not need anywhere near \$7 million, much less \$70 million.

**CHAIR**—There is a \$6 million or \$7 million flyover or something like that.

**Mr Peacock**—So you have virtually spent the same that it cost you for the first section of the ring-road. We would agree that the first section of the ring-road is needed because it is taking the log trucks that are going to the chipper at Mirambeena off that major roundabout at the end of the Albany Highway. It is section 2 and section 3 which we would query as being economically efficient when it comes to shifting stuff from the east.

**CHAIR**—What sorts of trucks carry the wheat and the woodchips to the port?

**Mr Peacock**—Grain trucks now range from road trains of 50 tonnes to road train B-double combinations of up to 90 tonnes.

**Mr Wettenhall**—The woodchip trucks going directly to the port are like a Woolworths van full of chips in a single semitrailer. Some of them now are more like a road train rather than a B-double, a double combination.

**CHAIR**—While you have that map there will you show us where Mirambeena—

**Mr Wettenhall**—Mirambeena is approximately here. You turn off just north of the airport.

**CHAIR**—And that is a hub, is it?

**Mr Wettenhall**—No. Our main concern is the grains and the infield chipped woodchips which will want to go direct to the port. The logs that need to be chipped will invariably end up at Mirambeena. That is why we continue to be supportive of stage 1. Stage 1 of the ring-road also services quite rapidly growing communities here and gives them access to the Albany Highway to Perth.

**CHAIR**—You say here that the proposed inland port of Mirambeena adds 6.2 kilometres of road haul plus 23.5 kilometres of rail haul to the journey plus unloading and reloading costs. What is your alternative to that?

**Mr Wettenhall**—Our alternative to that is to go directly through to the port, at which point the grain or the woodchips are unloaded directly into the stockpile. If they have to go out here it is an extra 6.2 kilometres.

**CHAIR**—But that is where the chipping mill is. Where would you put those?

**Mr Wettenhall**—But these do not have to go to a woodchip mill because they would be chipped.

**CHAIR**—Some of these are chipped on-site, are they?

**Mr Wettenhall**—These are chipped in the field.

**Ms HALL**—The Western Australian government did a study that basically said that intermodal hub at Mirambeena would not be suitable.

**Mr Peacock**—Yes, the heavy haulage freight study and the inland port freight study showed that it was not viable, but we believe it is still on the agenda.

**Ms HALL**—I thought it had been taken off the agenda.

**Mr Wettenhall**—This penny keeps on popping up.

**Mr Peacock**—We believe that it is still on the agenda, hence we are bringing it before this committee.

**CHAIR**—What is your counterargument?

**Mr Wettenhall**—Our counterargument is that it is way more efficient to make this a satisfactory urban route. It is not very far away from it now. There is mainly commercial development and a little bit of residential development along Chester Pass Road.

**CHAIR**—We might drive out that way to the airport. We will go up that road and go to the airport on the top road later.

**Mr Wettenhall**—There is no road there but you can go and have a look.

**CHAIR**—Is that top road there yet?

**Mr Wettenhall**—No.

**CHAIR**—We can still go up and have a look.

**Mr Wettenhall**—We would say it is essential to give those trucks the option of continuing to go straight through, and let economics sort out which is the cheapest.

**Ms HALL**—That is from a cost perspective.

**Mr Wettenhall**—A cost and environmental impact perspective. Adding 9½ kilometres to 330 trucks a day—and that is loads, not trips; you can double that number for trips—is going to burn a lot more diesel.

**CHAIR**—You have to recognise, however, that Albany is becoming a lifestyle town. I am sure you can present a very good economic argument but the question is: what is the environmental counterargument? Do not think we are just a pro-green committee; we are not. We are a very practical sort of committee. As I said, this is the first submission we have had that has argued the contrary case.

**Mr Wettenhall**—There is a lot of concern on the environmental side. I am concerned about pollution—I live in Albany so I do not want Albany's lifestyle and atmosphere to be polluted. However, pollution is often a function of concentration as well as quantum. Albany is a very windy place so pollution is going to be dispersed—the concentration of emissions from the port and from diesel trucks servicing the port is going to be rapidly dispersed. I would be very surprised if there was a plausible case for pollution from that level of traffic.

**CHAIR**—Let us argue the other points. Go down to GHD's—

**Mr Wettenhall**—On the one hand we are questioning the merit of stages 2 and 3 of the ring-road—

**CHAIR**—Yes, I follow that.

**Mr Wettenhall**—certainly as a priority. In the long term it may be a desirable development for Albany to have anyway. However, as a priority we would like you to recognise that the primary production of grains and woodchips for export are grown on a dispersed network of the local roads. By that, I mean roads under the auspices of local government and regional roads which have been suffering declining funding over the years. There is no AusLink road or rail system here in Albany at the present. I hear what you say—that we should be arguing for it. I accept that. I think that was well received.

**Ms HALL**—Do you agree with that?

**Mr Wettenhall**—I would be very pleased to see it, yes. But we think that, as a priority to the development of stages 2 and 3 of the ring-road, we should be giving priority to supporting the development and maintenance of our local and regional roads, which are currently the crisis point in our transport effort. It is not getting the traffic off Hanrahan Road; it is getting the traffic to the major networks so that you can get product off the farms.

**CHAIR**—Dr Jensen, you are the expert on these scientific matters. What is your take on this and have you any questions?

**Dr JENSEN**—Let us assume that the ring-road was not completed. How long do you see Chester Pass Road being the viable route in through Albany until it becomes untenable for all sorts of social and other reasons?

**Mr Wettenhall**—I have to run the white flag up and say that I am not a traffic engineer and so I am not quite sure what its capacity is. What I do think is that it is an option which has been too easily dismissed by the attraction of having an alternative route skirting around. I think it should be examined much more thoroughly than it has been.

**Ms HALL**—Has your group discussed your proposal with any traffic engineers? How far has the planning gone in relation to it?

**Mr Wettenhall**—I was part of a TIRES group's planning back in 1998-99. I am not a part of that group at the moment.

**Ms HALL**—Why is that?

**Mr Wettenhall**—Because I am now a small businessman who does not get a seat at those tables anymore. In those days I was working for a forestry corporation.

**Dr JENSEN**—On the ring-road, you have thrown in this figure of approximately \$1 a tonne. Have you based that on any costings? The route through town has a low speed limit, increased traffic and therefore increased braking and acceleration. It strikes me that the economic advantage is not going to be anywhere near what you are suggesting.

**Mr Wettenhall**—I am fairly confident that the \$1 a tonne figure would be the cost of adding 9½ kilometres of distance to the journey. That is confirmed by the GHD study. It uses a figure of 4½¢ per truck kilometre on a two-way basis.

**Dr JENSEN**—People prefer generally—and find it cheaper—to drive along a freeway between a starting point and a destination than some inner route where there is additional traffic stopping and starting and all the rest. So really, in some ways, you are not comparing apples with apples.

**Mr Peacock**—We are. What we are suggesting happens is that we have a grade separation at that pinch point which would allow the heavy haulage traffic to go straight through rather than having to stop and wait for traffic coming around what is now a very narrow roundabout. I see that it is about to be expanded somewhat but expanding the roundabout is not necessarily going to solve the traffic problem. What we are talking about at that pinch point is grade separation so that the heavy haulage traffic coming from the east, which will always come from the east in some form, is able to go straight through to the port.

**Dr JENSEN**—But you are still mixing with other traffic at the same time.

**Mr Peacock**—Yes, and the ring-road will do the same thing because traffic other than heavy haulage will tend to use parts of that ring-road from time to time to get from point A to point B. The first stage of the ring-road, we acknowledge, will take traffic and direct it onto Albany Highway, which also then takes domestic traffic off the roundabout. Stage 1 of the ring-road also takes that eastern log traffic off the roundabout and puts it onto the first stage of the ring-road to Mirambeena. So you are taking pressure off that roundabout by doing that first section. It is the second section and the third section that we are querying.



**Dr JENSEN**—I do not like to speak for the chair, but I think it would be beneficial if there were an economic analysis done of the ring-road versus the direct route. What you are using at the moment are averaged-out figures, in effect, rather than something that is specific to this case.

**Mr Peacock**—We are using figures from the Albany heavy haulage freight study, which did not necessarily compare one with the other. It was a study that was set up to say, ‘This is the cost of going around here.’ It did not look specifically at what it would cost to upgrade the roundabout.

**Dr JENSEN**—That is a different issue. TIRES and others will give us data for the ring-road and so on. What I am wanting is a comparison between the cost of getting product to port using the ring-road versus Chester Pass Road.

**Mr Peacock**—It has not been done.

**Mr Wettenhall**—I would be delighted for that study to be done too. Mind you, it needs to be done with an open mind.

**Dr JENSEN**—Certainly.

**Mr Wettenhall**—There has been a study on the potential for an inland port, and some of the assumptions in that study were quite skewed to favour the proposition of an inland port.

**Ms HALL**—It was discounted.

**Mr Wettenhall**—Even at the end of that study, with the skewed assumptions, it came to the conclusion that it was not economically viable. Yet we are still getting pressure from the community and from government to consider an inland port.

**CHAIR**—What are the other components of the port besides the chipping mill?

**Mr Wettenhall**—I understand that there is a proposal for a grains interchange there.

**Mr Peacock**—The proposal for the inland port as far as grain goes would be to take the grain that comes from the east, which is road traffic. There are no railway lines to service the eastern area, which is the predominant grain growing area for the region. It would be taken via the first stage of the ring-road to Mirambeena, where it would be unloaded, stored, put on rail and taken the 27 kilometres into the port on rail. The cost of that, according to the study, was about \$156 million in capital works for grain. That broke down to about \$40 a tonne for the infrastructure and the ongoing maintenance and running of the facility. If you want to break it down further, it gets down to cents per tonne kilometre. I think the rail component of that was about 8.1 cents per tonne kilometre for both capital cost and—

**CHAIR**—What happens now if trucks go straight to the port?

**Mr Peacock**—The grain from that area goes directly to the port via Chester Pass Road, Hanrahan Road and Princess Royal Drive. I have been in Western Australia for 47 years, and that has been the major heavy haulage route from the east for all that time. Granted that grain has

gone from a few thousand tonnes 47 years ago to a peak of 2.8 million tonnes, of which about 1.2 million tonnes came by road and the rest came in by rail. That is the situation still; we are at around 2½ million. I think the forecast of 3.4 million is probably realistic in the next decade or less—probably in the next six years.

**Mr HAASE**—What sort of thing will create that substantial increase in grain through this port?

**Mr Peacock**—The same thing that was driving it before: economics. The thing that drove grain production in the last decade has been the decline of the wool industry—predominantly in my area, and I am 160 kilometres east in the Jerramungup Shire. That was a wool producing area. We produced very little grain. We produced wool, sheep meat and cattle. Now that has changed. It is a major grain producing region, the biggest barley producing shire in the state. With the advent of canola, that has been another thing. The same thing will drive it in the future: economics. Grain is basically the only thing we have left to make an income out of. We increase our hectares almost yearly to stay ahead of the game.

**Mr HAASE**—And you do not believe that that will be impacted on by the plantation industry?

**Mr Peacock**—You asked the plantation industry this morning whether they are going to expand. They have expanded now into the Shire of Jerramungup, particularly along the coast, where there is, in old terms, 30- to 35-inch rainfall. They are expanding north off the coast in that shire, which has a wheat belt rainfall of around 18 inches or 450 millimetres. The plantation industry is now 150 to 170 kilometres east of Albany along the coast.

**Mr HAASE**—So it will have a limited impact on your wheat planting. Back to the roundabout. Did you say you are 160 kilometres out?

**Mr Wettenhall**—Yes.

**Mr HAASE**—So it will add 9½ kilometres to your total trip. It strikes me that you would not have to have much rerouting of your existing path to add that small percentage to the total trip. I can understand your point of view philosophically, but I cannot see you winning the argument at this stage. If the ring-road were created as drawn, I could see it linking the South Coast Highway to the Albany Highway without going through or anywhere near the urban area. Had it been planned in the first instance, I am sure everyone would be happily using it today and allowing the ambience of the centre of Albany to develop uninterrupted. I am not a betting man, but I can see that the powers that be will probably promote that ring-road in the long term, because you would eventually be stymied on the Chester Pass Road, coming into the roundabout. As you agree, in the 20- or 30-year plan the ring-road would be a necessity and perhaps we would have some economies by creating it sooner rather than later. Anyhow, enough of that. We do not have anyone here who is directly involved with the woodchip industry, do we? You are certainly not these days, are you, Mr Wettenhall?

**Mr Wettenhall**—Yes.

**Mr HAASE**—I want this question answered because it was alluded to during the tea break. Royalties paid to the federal government on woodchips—do they exist?

**Mr Wettenhall**—No. The sale price free on board has deducted from it the costs of the port, so, to the extent that there are federal taxes and recovery there, I am not aware of them. There are the port charges and the handling charges, which are paid to a contractor. There are also the haulage costs and the harvesting costs, which are paid to a contractor. There is a management fee for the manager of the sale. The residual goes to the benefit of the grower of the trees, upon which he pays income tax.

**Mr HAASE**—But there is not a specific royalty, as there would be on a mineral deposit being removed?

**Mr Wettenhall**—No.

**Ms HALL**—You talked about no longer being a member of TIRES because you are a small business man. Do your community groups exclude small businesspeople?

**Mr Wettenhall**—No.

**Ms HALL**—I would have thought that there would be some benefit.

**Mr Wettenhall**—I have to say that I have lost track of the process of TIRES being appointed.

**Ms HALL**—Talking about group membership, I notice that there are 30 paid-up members of the Albany Port Users Liaison Group. What bodies or people are members?

**Mr Peacock**—The membership includes port users as in the grains industry—Co-operative Bulk Handling, the Wheat Board, the Grain Pool of Western Australia; all three fertiliser companies; the Farmers Federation, the Pastoralists and Graziers; and then we have community members, and I would be considered, as chair, to be a community member—I do not represent a specific industry as such. Any concerned or otherwise community member who wishes to be part of a liaison with the port—

**Ms HALL**—Where do the community members tend to come from?

**Mr Peacock**—Anywhere. We have three categories of membership. There is industry, which are those major port users; there are service providers—Mr Pavlovich is a service provider in the transport industry and there are other service providers to various industries; and then we have a membership which consists of people like me who have an interest in the port, how it functions and why it functions.

**Ms HALL**—Are there any residents of Albany?

**Mr Peacock**—Most of members of the port users are residents.

**Ms HALL**—Members of community groups—maybe green groups?

**Mr Peacock**—The Farmers Federation member on the port user group, for instance, is local. Likewise, with the major industries—Co-operative Bulk Handling often appoint a local representative.

**Ms HALL**—There are two main issues that I would like to suggest may be helpful. I do not know which is the best solution. We have one group telling us one thing and you telling us another. To be able to properly determine which is correct, we need a cost-benefit study to look at all the issues you have raised. We need to actually look at the environmental issues in relation to what you are proposing and the environmental issues in relation to what the other group is proposing and the cost-benefit to the community. I would encourage you to place that in a submission.

The other thing that I am very unclear about in relation to your study—it is something you cannot give us an answer on—is the need for a traffic engineer to look at it and come up with some proposals. If you are asking us to consider something, we need some facts to back it up and we need some authoritative reports. I suspect that TIRES have been working on that and will come up with that type of report. For us to seriously consider what you are putting to us, we need to have the other. Believe me, my mind is completely open on it. We need facts.

**Mr Peacock**—I am not sure that TIRES will address the issue that we are trying to address here. We put an alternative point of view based on the studies that have so far been done.

**Mr Wettenhall**—Might I add that the emphasis of TIRES has been on the twigs and branches rather than on the main trunk roads. That is a point that we would like to emphasise in the submission. We are suggesting, as a priority, the diversion of the funds from the second and third stages of the ring-road to upgrade the local and regional road network. That is going to make our transport situation much more efficient than the second and third stages of the ring-road.

**Ms HALL**—But we need supporting data.

**Mr Wettenhall**—Okay.

**CHAIR**—On that note I think we will wind up.

**Mr Peacock**—Can I make two quick points, Chair. As we are talking about regional road funding, which is the first point on your list, this is what has happened to regional road group funding over the past five or six years. This is significant and shows what has been happening. In 2001, \$3.4 million went to the regional road group; in 2002, \$3.7 million; in 2003, \$3.2 million; in 2004, \$2.4 million; in 2005, \$4 million; and the budget for 2006 is \$2.6 million. Even though it went up last year, in 2005, \$4 million does not make up for the \$1.6 million from the year before—and this is for the Great Southern region of Western Australia, which produces \$600 million worth of export income in grain coming through this port.

**CHAIR**—Who did that funding come from?

**Mr Peacock**—That is regional road funding.

**CHAIR**—State funding?

**Mr Peacock**—Yes, that is state funding. You can see from the figures—they came from Main Roads a couple of days ago—there has been a steady decline over the last three years in regional road funding. It is those roads that we have been talking about all morning—the port authority, Timber 2020 and now ourselves—that are not being funded. They are the roads that are carrying the bulk of that traffic onto the main arteries into the port. Just to touch again on what Mr Emery said about taxation: we have a tax regime driven by the national competition policy arrangements which allows the state government to charge a national rate equivalent on land within the port. It also allows the state government to charge a national tax equivalent on the ports, as if the ports were a business. We would suggest, as Mr Emery did, that those taxes are a tax on exports and are contributing to our inability to compete in some markets. We would prefer the federal government to look at taxing the profits from those exports after they have been exported, and to take some of that tax burden away. An example of that, I believe, is that the Canadians now have withdrawn some of those port taxes and charges to allow their grains industry to be more competitive in the world market. I think the federal government should look closely at the effects of national competition policy on ports in particular and what that does to our ability to export.

**CHAIR**—Okay. On that note we thank you for evidence. Once again, thanks for your submission.

[11.53 am]

**HAMMOND, Mr Andrew, Chief Executive Officer, City of Albany**

**HUMMERSTON, Mrs Joanne, Chief Executive Officer, Albany Chamber of Commerce and Industry**

**CHAIR**—We are not going to place you on oath, but we ask you to remember these are formal proceedings of the federal parliament and they warrant the same respect as the proceedings of the House itself. The giving of false or misleading evidence is a serious matter and can be considered a contempt of the parliament. Having said that, you are most welcome. We apologise we are running behind schedule.

**Mr Hammond**—Thank you very much. I would like to address two of the terms of reference. The first one is the policies and measures required to assist in achieving greater efficiencies in the transport network, specifically land transport access to ports and the role of intermodal freight hubs. I would also like to look at the role of the three levels of government and the private sector in providing and maintaining the regional network.

Firstly, the role of the city is very important in the transport network, in terms of its role as a strategic land use plan. With regard to our recent land use planning strategy for Albany and the region, one of the major tenets of the exercise was 24-hour, seven-day-a-week access to the port. That was used as a precursor to any of the planning exercises. That does not only extend to the port; it extends also to all corridors leading to the port. That may seem to be a reasonably easy thing to do but, when we have a city of 30,000 people wanting a contemporary lifestyle which does not necessarily fit in with the demands of the mining or agricultural sectors, one finds oneself managing significant complex land use issues. One of those is the pressure of development of waterfronts or areas adjacent to waterfronts that may impact upon the access to ports. We have seen that in other ports, such as Bunbury and Fremantle, over time. They may well have talked to you about those issues.

At the moment we are in fact dealing with a major development adjacent to the entrance of the port. The state government's land development arm, LandCorp, is about to place a development concept in front of the council at the March meeting which will provide for a multi-use facility adjacent to the port. Council will consider the proposal in a favourable context only if the design can accommodate a priority heavy haulage route into the port and if there is absolute prohibition of permanent residential activity in that precinct. The city has signed a memorandum of understanding with the state government on these issues, so we feel confident that we can establish what will be a very important tourism, recreation and community hub and also not impact upon 24/7 access to the port. We do have the support of the Albany Port Authority with this development, as with a lot of other areas of the community. I might add that the other key indicator in the memorandum of understanding for this development was that there be free and unfettered access to the waterfront development so it would not be hindered by major, expensive development that kept out the rest of the community.

I say that to give you an understanding of the role a local government can play in terms of balancing community needs for high-class recreation, tourism and boat marinas while also understanding that the Albany port is actually the hub of economic activity in the region. It commenced economic activity in the region; it continues to foster and facilitate it. Our role in the future will see that, with the existence and emergence of primary and secondary production activities—and sometimes we do not know what is on the horizon—we have to be well aware of being able to establish those transport corridors.

The city obviously totally supports the ring-road and the proposed design of the ring-road. It was not that happy with it being staged. It considered that the staging of the ring-road was like saying the staging of a house, with stage 1 being the walls and stage 2 the roof. It is not functional until such time as it is totally there. We believe it will provide, notwithstanding that extra kilometreage, not a compromise but a realistic solution to a transport problem. That, quite frankly, is: if you have got developing heavy haulage you get it out of the centre of town because, whilst the extra kilometreage may be an economic factor, the conflict with small traffic and pedestrians—whether perceived or otherwise—has a huge impact on the social amenity of the council and the community. So I am probably at odds with the previous speakers.

**CHAIR**—Mrs Hummerston, do you want to add anything to that?

**Mrs Hummerston**—No. I believe that the chamber would certainly support—

**CHAIR**—Endorses the council's position.

**Mrs Hummerston**—Yes.

**CHAIR**—Okay. Go on, Mr Hammond.

**Mr Hammond**—On the role of intermodal freight hubs in regional areas, we have them in Mirambeena industrial area. It is well placed to become an intermodal—

**CHAIR**—Is that in your local authority?

**Mr Hammond**—Yes, it is. It is 15 to 20 kilometres north. It has good rail access. It has good road access. It is going to be close to the ring-road and it is five kilometres from an airport—the airport that you probably flew into this morning. That airport has the capacity to take 737 jets and can be easily expanded to take more. Our issue is like any of these issues with a new type of freight-handling situation. We do not want to create an economic burden to industries in terms of that nexus between road and rail. So that would be something for an industry to deal with in time. But we would see that any type of development that can keep heavy transport out of built-up and building-up regional areas is going to be of major benefit to us.

We are a recognised 'sea change' council. Our population growth at the moment is sitting at around 3½ per cent. That has increased by 50 per cent over two years. We see it getting up to about five per cent in another two years. So not only have we got these emerging regional primary and secondary industries happening, wanting to use our corridors; we have got all these people wanting to come down here and live in this beautiful city. They want amenity in lifestyle but we are actually having to separate them from the other areas. I think that is an important

thing to keep in mind. Those social and environmental benefits that you can get from an intermodal hub obviously can balance with the economic ones as well. That is something we believe industry should drive, because industry at the end of the day will be the ones that will be beneficiaries of it.

The last area I would like to talk about is the role of the three levels of government and the private sector in maintaining the regional transport network. Obviously our local roads are all part of the regional transport network and they carry all of the primary produce onto the regional feeder roads and to the state roads and to the federal roads to get them to the port or the rail or whatever. The current business model of local government as we see it now is flawed. I think that is recognised at a national level. To use places like Mandurah, Albany and Rockingham in Western Australia, and perhaps Kalgoorlie to a lesser degree—we have had a model in the past where our operating revenues have been used to fund the life cost of the assets and to deliver community services. That is not rocket science; that is what happens. The other fundamental basis of us doing business was: when a property developer came to town and wanted to release 2,000 lots, he could, but the deal has been, to this day, that he has got to provide us with the roads and perhaps a community centre and curbing and drainage and parks and playgrounds to our satisfaction.

The fundamental equation then is that an assumption is made that the rates that are derived from those properties will cover the future life costs of those assets and the services that they deliver. That is flawed. It has been flawed for some time. Most councils in Western Australia are likely to achieve about 55 per cent of that number. In the eastern states it is not so much of a problem—and I will get onto why it is not such so much of a problem over there—but we see it as being essentially unsustainable. If it is unsustainable, that is going to have a huge impact on the regional transport network, because we are simply not going to have enough money to manage the life cost of our roads. We are not saying we want federal government money to look after the roads—it is a local responsibility—but there needs to be a fundamental review of the way councils receive operating revenues in order to maintain these basic assets.

We looked at the Hawker report and we have looked at other reports that have come out. In 1973 and 1975 the Australian Grants Commission did reviews. On every occasion the recommendation has been from the Grants Commission that the funding distribution between the states is not done on a per capita basis but is based on real and justifiable need. In a Western Australian context, that has a critical impact on the way we can do business as a government organisation. That is because we have fewer people between the roads. It is as simple as that. We have more distance and fewer people.

Whilst this whole area of funding inequity continues, the basic standard of our infrastructure and our capacity to maintain the life cost of that infrastructure will be reduced over time. It is a time bomb waiting to happen. We have a price sensitivity with our ratepayers. We cannot belt our rates up 20 per cent a year; that is politically unpalatable. It is also perhaps not achievable in a lot of areas, so something has to give. I do not raise that as saying, 'Please come up with the magic solution.' I am raising it as a realistic issue about the sustainability of our local assets and our ability to deliver community services, particularly in Western Australia and perhaps South Australia because of the dispersal of populations.



To give you an example of the numbers that are involved, if based upon the 2005-06 allocations, the City of Albany would receive an extra \$1.6 million per annum, which, in an operating revenue of approximately \$26 million, makes a significant difference, particularly if that were applied totally to the management of the local road network. On that basis, I will close by saying that the issue of sustainable funding of local roads, particularly in Western Australia, because of the current federal policy of per capita distribution, is not helpful.

**CHAIR**—Mrs Hummerston, do you have something to add?

**Mrs Hummerston**—I do not really have anything to add. The chamber of commerce is a membership organisation that has approximately 480 members at this stage. Most of those who are integral to this process have been presenting today, and I think there is a greater advantage in your hearing their points of view.

**CHAIR**—Do you run a full-time secretariat?

**Mrs Hummerston**—Yes.

**CHAIR**—How many members do you have?

**Mrs Hummerston**—Just over 480.

**CHAIR**—So you fulfil the role of a development board as well as a chamber, do you?

**Mrs Hummerston**—No, there are other organisations that fulfil that role. We are mostly a membership service, and we advocate on behalf of business in town. We try to promote networking amongst businesses.

**CHAIR**—What is your general position on the Chester Pass Road and the roundabout? Do you want the ring-road?

**Mrs Hummerston**—We would certainly support the council's stance on that. We would like to see that extension stage go through. The current route suggested by the previous speakers going down through Hanrahan Road to the port would certainly have limitations in the long term, I feel, because it is a small strip of land and there is the possibility of a huge amount of traffic if we go down that route. It also abuts quite a built-up residential area.

**Ms HALL**—Does it have an impact on any of your members?

**Mrs Hummerston**—It would, I suppose, if it did go down Hanrahan Road, but our members are spread everywhere, so I think almost any changes or developments would impact in some way on our members. But I think it is a better alternative. We would definitely wish to see 24/7 access to the port, and reasonable and easy access is the major issue here. We would do everything we could to ensure that that did occur.

**Mr HAASE**—We will probably take the opportunity to drive that route at some stage before getting on an aircraft today, and that will inform us a great deal. With regard to the number of

trucks per hour, I was interested to know about the daily figure of 330. If you have 24-hour per day access to the port, it is not a constant stream, is it?

**Mr Hammond**—No.

**Mr HAASE**—Have you studied that? There was a call here for a costing, an analysis of the two routes on a per tonne basis. That has not been done as yet, I presume.

**Mr Hammond**—No. There have been a lot of projections on transport usage. Obviously, it is the spread of hours more than the 24 hours itself that can create the traffic. Perhaps you have more traffic coming through in daylight hours, and that is going to be the issue. It is probably not a matter of just averaging out the number and dividing it by 24. I am not fully up to speed on the traffic management issues of the road, so I could not comment on that.

**Mr HAASE**—I would suggest, Mrs Hummerston, that you do not have members that are growing wheat.

**Mrs Hummerston**—Yes, we would. The WA Farmers Federation is a member of the chamber of commerce as well.

**Mr HAASE**—As members, do they not appreciate the additional cost of the ring-road? And, having appreciated the additional cost, are they still voting in favour of the ring-road?

**Mrs Hummerston**—I would not feel qualified to answer that question, because it is not something we have put to them.

**Mr HAASE**—Are your woodchipper members all for the bypass?

**Mrs Hummerston**—I believe so, but we would be prepared to ask them and get those answers for you.

**Mr HAASE**—It is an interesting question, and it is raised simply because you are the Albany Chamber of Commerce and Industry and I would have suspected that amongst your membership there were many fewer rural members than commercial members from in town.

I have another question for the city. What benefits can you identify, other than the removal of Chester Pass Road traffic, in both stages of the ring-road? This is an important part of the argument. If you are going to sell the ring-road, you are going to have to sell it on more than just the fact that you would take the Chester Pass traffic out of that central roundabout.

**Mr Hammond**—You have to start looking at not just the amount of traffic that you are taking out, because you are looking at the amount of traffic that is impacting on what is happening at Chester Pass Road now. You have to look at it in terms of our growth strategies, and we cannot grow south; we can only grow north. The population expansion, the intensity of residential development and the intensity of commercial development are going to be in part around Chester Pass Road, so you are going to get more and more people living there and, in a transport sense, competing with traffic coming down Chester Pass Road. I would say that that is a very definite advantage when looking at the long-term impacts on Albany.

**Mr HAASE**—Those who argue against that attitude, of course, would argue that new residential development along Chester Pass Road should be independently serviced by independent routes, because Chester Pass Road is for heavy haulage. ‘We were here first’—that is quite rightly their argument.

**Mr Hammond**—That is an argument but not one that I would concur with. The ‘we were here first’ argument does not cut a lot of weight with contemporary opinions of residents coming to live in a city that is changing its focus from being essentially a rural service centre to a place that is a destination city in its own right. Whilst that is an argument that may be considered valid by the people who are using it, there are certainly a lot of other arguments. Ten thousand people are going to be living along this corridor in the next 10 years; what are you doing about it? That is a very valid planning argument. It is a valid argument about the amenity of that area.

**Mr HAASE**—I do not want to have a debate, but I simply put the point that philosophically—and you have mentioned it just now—planning is integral to all good management of society. The planning incorporated a heavy haulage route, and now you, or those who would promote this ring-road, want to ignore that planning and change it. It is simply that more commonly today we give way to the influence of the mass of people, to their attitudes and, at the end of the day, to their vote. We tend to change our planning picture to accommodate that populist attitude. Often, we do it for short-term gain and long-term pain. It is simply something that I would like to put on the record.

**Mr Hammond**—With reference to that—and I do not want to debate it either—if 30 years ago we undertook the same level of intensity of planning that we do now, perhaps Chester Pass Road would not be a heavy freight corridor. Perhaps one could argue that there was no planning for Chester Pass Road; it just happened to be the road that headed to Borden and Jerramungup.

**Mr HAASE**—A crystal ball would be a wonderful planning attribute, wouldn’t it!

**Mr Hammond**—Exactly.

**CHAIR**—The community might argue that, notwithstanding the importance of woodchip to the area, woodchipping was not an industry when that road was built.

**Mr Hammond**—Certainly not.

**Mrs Hummerston**—That is right.

**CHAIR**—If you want to come into our city then by all means come but do not come down that route. What is your take on the costs and the time frame for the bypass?

**Mr Hammond**—As a city we have not been involved in the costs because we have not contributed, other than to look at some minor works on the side. In terms of the timing—

**CHAIR**—Who will fund it?

**Mr Hammond**—The state government will fund it.

**CHAIR**—Totally?

**Mr Hammond**—Yes, totally. However, that will have an impact on the funds that are made available for other local road programs. You could say that it would have a negative on some of the other programs they are using around the place. In terms of staging, as I have said before, we have always been of the view that it will not become fully functional until it is all there. It will have some benefit now for the Chester Pass Road traffic when this stage is completed, but for the overall impact it needs to be all there.

**Dr JENSEN**—I would like you both to answer this in turn, please: what do you see as critical infrastructure that is required for the development of Albany, particularly with the increase that is expected in the exports from the port?

**Mr Hammond**—In a long-term or short-term sense?

**Dr JENSEN**—Both.

**Mr Hammond**—In a short-term sense, it is the ring-road and grade separation at the Frenchman Bay Road-Hanrahan Road intersection. In a long-term sense, it is some type of intermodal freight capacity that will reduce the amount of freight coming through the port on road.

**Mrs Hummerston**—I would concur. I have nothing more to add.

**Dr JENSEN**—On the intermodal hub, obviously, you have seen the report that was conducted by the state government that concluded that at the moment it is non-viable in their view. What time frame do you see for the intermodal hub becoming a viable proposition?

**Mr Hammond**—In my view, you start talking about the social and environmental benefits of having an intermodal hub in terms of using rail more. It is the old story: how do you balance that against the economic burden of the perceptions of double handling and things like that that come out of the intermodal hubs? I am not qualified to make that call but I think there needs to be some balance between the perceived economic burdens and the social and environmental benefits; however, the last thing we want is to have our industries, particularly our developing industries, burdened by higher logistics costs. That, obviously, makes it difficult, doesn't it, for the time.

**Dr JENSEN**—Certainly, that is an issue of concern. When we were up in the Northern Territory it became quite apparent that one of the reasons for the Alice Springs to Darwin railway, for example, was the ability for it to carry cattle. Yet when we were addressed by the cattlemen's association it was clear that they had never considered using rail because of the fact that they would be using three modes of transport instead of one. I have a concern that without the proper economic costing of it you might get some infrastructure developed that is not going to be used very much.

**Mr Hammond**—I would agree with that. There is the economics involved in saying, 'What is the life cost of a piece of pavement if it is having a reduction in X thousands of tonnes per day on it?' and balancing that against the freight costs involved in a hub. Once again, what is the

financial transaction? Do you get the guys that are looking after the road to pay a cheque to the people that are doing the freight as a subsidy? The real world says, 'That doesn't happen, does it?' So there is a problem in terms of where the money goes as well. Perhaps it gets down to size and scale. Perhaps these things reach a certain scale then they work out.

**Dr JENSEN**—Something that has struck me through these hearings is the importance of proper economic costing. My concern is that if we do not get proper economic costings of things we are going to have the same hearings in 10 or 20 years time.

**Ms HALL**—We were talking about the funding. Please clear this up for me: don't you also receive disability funding for local government areas which have a higher than normal number of roads that need to be funded? There is a level of disability funding that is made available by the Commonwealth.

**Mr Hammond**—Yes and no. That is FAGs funding—Financial Assistance Grants. They are the grants I was talking about. The actual pool of money that comes from the federal government is tied to per capita; it is not tied to need.

**Ms HALL**—Then there is this other pot that goes out.

**Mr Hammond**—Then there is other transport money, as well, which is based upon things like pavement widths, lengths of road—

**Ms HALL**—Isolation.

**Mr Hammond**—Isolation and whether you are a remote Aboriginal community are two of the factors. There are a lot of other factors. The bottom line is, though, that that normally achieves funding that is not worth more than 40 per cent to 50 per cent of the life cost of the asset.

**Ms HALL**—I have been a councillor and I wanted to clear that up. The question that I would like you to answer is this: what role do you think all levels of government—state, local, federal—can play and need to play in working together to develop the port and the infrastructure leading to the port so that all these great plans that you have can come to fruition? Once again, I would like an answer from each of you.

**Mr Hammond**—With the vertical—

**Ms HALL**—Wait—I will do it the other way. I will ask Ms Hummerston to answer first.

**Ms Hummerston**—I feel very poorly equipped to answer the question, because I do not have the understanding of where the various proportions of road infrastructure costs come from.

**Ms HALL**—No, I did not want you to come up with that sort of thing. Do your members think that there is a way that things could function better by all the levels of government working together to make your port thrive and to help get their products to the port? What about service support?

**Ms Hummerston**—We always make far greater progress and achieve much more when we have a situation where people communicate well with each other and cooperate on various projects. You said earlier in this hearing that you got the feeling from the Great Southern that it was an extremely cooperative area and one in which people worked well together. The local shires and the City of Albany work extremely well with the government authorities and planning commissions, both state and federal. It does work well here, and we have achieved a lot because of that cooperative approach. It is always welcome and is always sought and worked at.

**Mr Hammond**—The state and local governments get on very well together and have developed projects like the ring-road in conjunction with communities. We are very happy with that. The money thing would be helpful. At a federal level, you have infrastructure money. Obviously, if we can justify that in real economic terms it is going to add value, providing infrastructure money is the role the federal government can play. A more local issue is the bombs in the harbour. Realistically, that is a huge issue for me. Blind Freddy could see that the federal government would have had something to do with those bombs going in, and they are still there.

**Ms HALL**—What about AusLink?

**Mr Hammond**—Any program that can provide major infrastructure funding is a good program. The bottom line is the quantum of funds you can put into it. I am on the National Sea Change Task Force, and am aware of the huge amount of pressure that the cities like the Shire of Maroochy or Eurobodalla or Port Douglas are placing on funds like this. The programs are great, but it is the quantum that you can put into them at the start that you can get out of them at the end, and that is an issue for us all.

**CHAIR**—Tell me something, Mr Hammond: in addition to your Roads to Recovery money, did you maintain your own level of funding?

**Mr Hammond**—Yes.

**CHAIR**—It was maintained?

**Mr Hammond**—Yes.

**CHAIR**—Was it in line with CPI or better?

**Mr Hammond**—That is hard to say. It depends on the amount of capital works you do as opposed to reconstruction or restoration work—so generally, in a broad capital sense, yes. Our council works to an asset management program where there is no political involvement in resource allocation, so we do not have any squeaky wheels driving things, saying, ‘We want this road done before this road.’ So we have basically been able to do bigger jobs. People have had to wait longer for their roads, but we have been able to develop economies of scale and get things done a little bit better.

**CHAIR**—We had an earlier witness saying that the road funding here had gone down in recent years, but it had come back to \$4 million last year and looked all right for the coming year. What was driving it down in previous years?

**Mr Hammond**—I could be wrong but I think that would have been some reallocation of state moneys which would have gone to the regional road group, and they would have been diverted elsewhere, I would imagine.

**CHAIR**—The regional road group is made up of the shires, isn't it?

**Mr Hammond**—That is right, the shires and the city. We would have managed to maintain our level of funding here. It may well have been that we had perhaps one road that was put back a year or something like that in terms of our programming, but it would not necessarily have had a huge impact on us.

**CHAIR**—Although this is not central to your responsibilities, you have become the focus of it, so what is your view of the roads that go into the plantation areas? Do you feel there needs to be more money spent there and, if so, do you have a suggestion about what model might be adopted to fund that? It seems to be a common complaint in this area.

**Mr Hammond**—Yes. I think the model should be based on, firstly, not being opportunistic, so that it does not give you the opportunity to create a beautiful road that was not a beautiful road before simply because the program is there and an opportunity exists. I think, as a general test, it should be a program that provides for roads to be in the same condition after the harvest as they were before. That might mean some type of marginal cost to repair the road after the harvest, done through a recouping program or whatever. I think it would be unrealistic to expect any government, whether it be local, state or federal, to come through and say, 'There's a plantation there; let's just upgrade all the roads.' I think that might have been half the problem with this whole process over time. At the moment we have agreements with the plantation companies, and the agreement is that, where they possibly can, they will leave things as they found them, and they normally honour that.

**CHAIR**—They make a contribution as well, do they?

**Mr Hammond**—They do not have to, but they do.

**CHAIR**—And that would be—what did you call the group?

**Ms HALL**—TIRES, was it?

**Mr Hammond**—No, not through TIRES; this is directly with the plantation timber companies themselves.

**CHAIR**—No, what is the fund that runs the shire and—

**Mr Hammond**—The regional road group?

**CHAIR**—Does that money go into the regional road group?

**Mr Hammond**—No, it does not.

**CHAIR**—How do you know it has been spent? Under whose authority is it spent?

**Mr Hammond**—It is a relationship between the local government authority and the plantation companies.

**CHAIR**—In each shire?

**Mr Hammond**—Yes.

**CHAIR**—I see. And do we know what the quantum of their contribution is?

**Mr Hammond**—It depends on the amount of damage to the road and also on the relationship between the company and the council at any given time. It is something that is not enforceable and it is something that really is not sustainable. I think there needs to be a program in place where, based on demonstrated or perceived damage to roads as a result of the harvest, they are brought back to a trafficable level.

**CHAIR**—Notwithstanding you say there should be a responsibility to bring a road back to its standard prior to the harvest—it might be a single-lane asphalt road, it might be a multiple-lane road, it might be a gravel road—the mere volume of resources that are coming out of the forestry areas must be creating some new arteries into those areas. I am not saying ‘a lot’. But, if you have clusters of farms here and clusters of plantations there and there, a road that might have been an old grazing area or a dairy area, or whatever it was, now is not just the immediate feeder but might be a semi-arterial feeder.

**Mr Hammond**—So you have created a strategic corridor. I think the Regional Road Group would be the perfect vehicle to assess that need and fund that.

**CHAIR**—And fund it?

**Mr Hammond**—Yes. That is sort of competitive between the councils, which keeps it fairly honest.

**CHAIR**—I see what you mean.

**Mr Hammond**—The Regional Road Group is a good, robust process, I believe.

**Ms HALL**—So the Regional Road Group is competitive, but it is also a process that looks at the big picture of what is good for the region. So hopefully out of that the best possible solutions for the region’s problems are developed.

**Mr Hammond**—Sure. It is sort of competitive and collaborative at the same time. Mr Forbes of Timber 2020, who may have spoken to you today, has been the chairman of the Regional Road Group. It has a good knowledge of plantation forestry, of wheat users and sheep users and whatever. I know as a city we are fairly urban in our focus, but we certainly do support their aims and objectives.

**CHAIR**—On the note we might wind up. Thank you, Mr Hammond. Thank you for these excellent facilities here.



**Mr Hammond**—It is a pleasure.

**CHAIR**—We very much appreciate the way you have looked after us and the courtesy of your staff, with faxes and the like. To you, Mrs Hummerston, thank you for coming and for being so cooperative in doing a joint submission at short notice.

[2.37 pm]

**MANNING, Mr Bruce, Chief Executive Officer, Great Southern Development Commission**

**RYE, Mr Maynard, Deputy Chief Executive Officer, Great Southern Development Commission**

**FORBES, Mr Kevin, Chairman, Great Southern Timber Industry Road Evaluation Strategy Group**

**CHAIR**—Welcome. Although we are not going to place you 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 all witnesses that the giving of false or misleading evidence is a serious matter and could lead to a contempt of the parliament. Having said that, you are most welcome. Do you have any additional information you would like to add at this stage?

**Mr Forbes**—I have also been heavily involved in the Regional Road Group, which previous witnesses mentioned, so I can fill you in a bit more on that operation.

**CHAIR**—Good. We will grill you in a minute. Does anyone else have anything to add?

**Mr Rye**—I am also Executive Officer to TIRES.

**CHAIR**—Before I invite you to make an opening statement, the committee needs to formally receive the flip charts and maps from the Great Southern Development Commission as a submission and authorised its publication.

**Ms HALL**—I so move.

**CHAIR**—There being no objection, that is so ordered.

**Mr Forbes**—The maps were requested at a previous hearing I attended and we have brought them with us.

**CHAIR**—That is the forestry area?

**Mr Forbes**—That is correct.

**CHAIR**—The wording ‘location of projects’: do you mean forestry projects?

**Mr Forbes**—Yes.

**CHAIR**—I now invite you to make an opening statement, but can I say before you start that I hope that you do not just read something. I would like you to highlight the things that you want to bring to our attention. We have had a couple witnesses over the last two days who spent two-

thirds of their time reading from documents that we could easily have read ourselves. We would like you to come to the core of your arguments for funding or whatever and to highlight those. Then we can get into some interaction across the table.

**Mr Manning**—Absolutely. We plan to keep the first part of this to just five minutes, and we will take your direction. I would like to say how much we appreciate the invitation to address you today. We appreciate the movement of this committee out into the regions to hear things first hand. We will work quickly through the early part of this presentation. I have no knowledge of what has gone before me but I will give you a brief picture of the region.

**CHAIR**—Are we on the flip cards?

**Mr Manning**—We are on the flip cards. I am on the one that begins: ‘Key regional drivers’. We have a typical coastal region. The population is increasingly concentrated along the coast. We have a steady overall population growth between one and two per cent per annum but it tends to be static in the hinterland. We have a strong agricultural sector. We are about 70 per cent reliant on primary production for our economic driver. That includes the plantation timber industry and the grains industry et cetera. The region is about 40,000 square kilometres. Industry diversification is beginning to occur, moving away from a straight focus on agriculture, although we do not foresee that agriculture will be anything else than the main driver of economic activity in our lifetimes. Infrastructure investment is occurring. Industry is increasingly developing away from the agricultural sector. In the most limited and direct sense, we are moving into plantation blue gum timber. We have approximately 150,000 hectares of blue gums in the region at the moment. We will be exporting about 2.5 million tonnes of woodchips by 2008-09.

**CHAIR**—Is that per annum?

**Mr Manning**—Correct. We are diversifying heavily into viticulture. More recently, what were formerly tree companies investing in plantation timber are now diversifying into viticulture as well. There are 15 wineries with 65 labels. There is a strong aquaculture industry building, particularly in the east of the region. We have three companies starting: one already going, one midway and one to come. There is a potential production capacity of about 300 tonnes of abalone per year being produced out at Bremer Bay. We are increasingly trying to drive the tourism industry as well, so that is becoming a significant earner for us regionally. All of those industries, of course, are having significant impact on infrastructure and transport task.

**CHAIR**—Just on the mussels and particularly the abalone, is that done the same way as scallop spat farming? Is that the same thing?

**Mr Manning**—No, it is the complete cycle.

**CHAIR**—You grow the spat on land and then take it out?

**Mr Manning**—Correct. It is the complete cycle. They have only recently, in this region at least, perfected the ability to spawn and grow spat, but that is happening in its entirety at Bremer Bay using seawater. Most of the industry is established alongside of it. I understand the sea water along the coast here in the Great Southern is perhaps the best in Australia for abalone production in the land based sense.

To keep moving, over on the next page, there are a couple of major industrial developments we would like to tell you about. The first one is a significant attempt to add value to blue gums, and this would be the first time it has been done in Australia to our knowledge in this sense, and that is via engineered strand lumber. Basically it is a highly specialised and technologically driven process where small strips are torn off the blue gum and they are laid and overlapped with resin, and the great thing about this particular product is that it has the capacity to replace the use of native hardwoods or timber. If done well, in smaller sizes it can have up to 90 per cent of the structural strength of steel but has all the benefits of timber—you can rout it, nail it et cetera. Where we are with that project at the moment is that we have been told by the company they will reach financial closure by the end of this calendar year. All the necessary planning has been done for that in the development of a timber precinct. That will be 140 jobs and will itself consume about 500,000 tonnes of blue gum timber per year. That is a significant opportunity for the region in that it is something other than simply exporting woodchip.

**CHAIR**—Has a factory started up yet?

**Mr Manning**—No, the factory follows financial closure, so we would hope that construction would start early in the new calendar year. We have only got one substantial mineable mineral resource identified in the region at present, and that is out at Wellstead, which is about 90 kilometres to the east on the Hassel Highway, which is of significance in the road task. That industry will be about 250 jobs, and that is also flagged to reach financial closure in this calendar year. The mine is not significant in transport tasks, in that the fines produced will be piped into Albany but exported from the port. The major infrastructure required for that will be the addition of a berth 7 down here at the port, but that is emerging as a very significant opportunity for us in terms of diversification. We also have people proposing a biomass power plant using the residues from the plantation timber harvesting task. That would be a great synergy if we could get it up, but it is somewhat more lateral in terms of what needs to be done.

**CHAIR**—Yesterday it was explained to us that when you chip for export you have to chip down to a certain size and you cannot use branches or twigs below a certain circumference. Would this biomass plant take the remaining product?

**Mr Manning**—Correct. Basically your earlier statement can be qualified a little bit further. They can essentially only use the trunk of the tree, so all the branches, the leaves and the biomass generally, if gathered, can be used in the biomass plant. As I say, it would be a synergistic project if we can get it up.

**CHAIR**—Do you know how many kilowatts or megawatts—

**Mr Manning**—They are flagging initially producing about 45 megawatts of power.

**CHAIR**—And that is to be used by industry or sold into the grid?

**Mr Manning**—That is part of the issue in gaining financial closure on that project. They are unsure at the moment. What is happening in Western Australia is that we have moved to a disaggregation of the power provider into four elements. It is very difficult to read exactly what the electricity market is going to look like in even 18 months time.

Associated with these developments, we have various things here. I am getting more into the meat of infrastructure, generally speaking. We chair the working groups for these various major industry proponents, which bring the relevant public sector agencies to the table, but we have created a timber-processing precinct, and had that cleared through council, out on Down Road, which is about 10 or 15 kilometres to the north of us here. It is part of our industrial estate. This is in addition to that industrial estate.

**CHAIR**—What do you do there? In addition to chipping do you do particle board, laminating and all that sort of thing in different plants on the same site?

**Mr Manning**—Exactly. The engineering strand lumber plant would be the key industry to go there, but once we get that industry up it will be a superb resource to produce things like I-beams, doorframes, tongue-and-groove flooring et cetera. That forms a magnificent timber, albeit engineered, for that type of activity and we would hope that we can add further value to that timber.

**CHAIR**—You can actually make planks and tongue-and-groove flooring?

**Mr Manning**—The great thing about this is that you can shape the timber into whatever you like, as architraves, beams or whatever, so it is a great resource. Associated with that, at the moment the state government is considering a multimillion dollar infrastructure package to create that precinct. It is flagged that a further chip mill could be in there as well as the other value-adding elements that I discussed. As part of that, we are proposing a rail spur expansion to allow export of containers out of the region up the main rail line. When the strand lumber plant gets up it will be exporting about 30 containers a day, which we would like to see go up the rail line in the interim and out of the port in the long term.

Moving on, we have had significant issues with power in the region. In our ambition to get the mine up, the establishment of a new 220-kilovolt line is proposed from Muja to Wellstead, where the mine will be, which will go a long way towards addressing some major power issues we have had in the region.

**CHAIR**—Which mine are we talking about?

**Mr Manning**—The magnetite mine I flagged on the previous page. It is 90 kilometres to the east. Magnetite is a type of iron ore. Broader regional benefits will accrue from that. On the subject of roads, the road task is one of key interest to us. We noted some of your intensive questioning of previous witnesses, so we will discuss that in detail and I will ask my deputy, who is on the TIRES committee, to go into greater depth in a moment. The state government has made a significant contribution to addressing the timber road task. Now formally in the out years and ticked off are the Mount Barker northern bypass and the Albany ring-road to the tune of \$15.5 million. The state government has also come to the party with further support in recent times for our local timber industry roads.

**CHAIR**—Is that \$15.5 million the whole cost?

**Mr Manning**—That is the whole cost. I will clarify that: it is for the Mount Barker bypass and stage 1 of the Albany ring-road.

**CHAIR**—What is your take on the remaining two sections of that ring-road?

**Mr Manning**—I believe one of the previous witnesses indicated that industry does not support stage 2 of the ring-road. We do not necessarily believe that; we would turn to Timber 2020 and the industry generally when it comes time to fund that to confirm that that is necessary and an appropriate way to go. Our view is that we support stages 2 and 3 of the ring-road at this stage.

**Ms HALL**—I believe that that witness was speaking more about the group that he represented, which was the port users group. Its representation does not seem to comprise the plantation industry to a great degree; it seems to be very heavily represented by the farming industry.

**Mr Manning**—That could be the case.

**Mr Forbes**—The issue will be the same: it will be a longer route and will therefore represent a greater cost for freight, so they have to accept either that there is going to be a slightly increased cost or that they will have the hassles of heavy traffic in the community.

**Ms HALL**—The forestry group appeared to us to be a little more accepting of the bypass as opposed to the other solution.

**Mr Manning**—That would be our view.

**Mr Rye**—Continuing on from the road task, on the ring-road, the planning committee and Main Roads estimate that it will add an extra minute to the road task from Chester Pass Road if you take the ring-road.

**CHAIR**—So what you are saying is that, with the extra time to go round the ring-road, less the hold-ups, you come out at one minute net over.

**Mr Rye**—Yes.

**CHAIR**—That is the question Dr Jensen was trying to get to earlier.

**Mr HAASE**—But it is worth adding—and I am sure, Chair, that you would want me to do so—that the argument put to us by the port users group was that a flyover of the ring-road, as opposed to the ring-road, would perhaps not bring it down to a difference of just one minute. I realise that that is not a strategy you have looked at, but it was a point they made very strongly—that if you did not have the ring-road at the bottom of Chester Pass Road, but a flyover instead, there would not be a minute of time; the trip through Chester Pass Road would be much faster and therefore the difference would be greater. That was the point they made.

**CHAIR**—Let us go on to land development.

**Mr Manning**—Land development is only a passing issue here, but it is a major issue in the future of the region and the expected demand—

**CHAIR**—This is this lifestyle and sea change pressure that you have.

**Mr Manning**—But also, if two of those three projects get up, that will be a further 500 permanent jobs for people living in Albany, and we do have certain land development pressures here which also impact, of course, on the road task. I will get my deputy, Maynard, to go through some of this in more detail, because we think we can answer in greater detail some of the questions we overheard you ask at the last presentation. You might want to re-ask those questions.

**Mr Rye**—We knew, through Timber 2020, that local government roads were going to be an issue, so we established with our good friends from local councils and the companies the Timber Industry Road Evaluation Strategy Group, and you will see on page 6 that there are various reports we have done in documenting those roads. We had a good shot at presenting them to the federal government through the House of Representatives Standing Committee on Primary Industries and Regional Services back in 1999. Our deputy premier at the time met with the Deputy Prime Minister on the issue in 2000 and, more recently, our own minister, Minister MacTiernan, has been extensively lobbying on the region's five-year regional transport plan that we did in 2004. Also, the National Association of Forest Industries presented the five-year regional transport plan to Minister Anderson's office in December 2004. So we have been quite active in trying to engage the Commonwealth in the process.

Page 7 documents what is coming in by road—by chips—and what is going in by logs to the chip-mill. Page 8 gets to the actual infrastructure plan itself. We regard those roads as the priority roads that need addressing in terms of managing the transport task over the next five years. We know, as you can see, by road, what works need to be done. We did that by working with the shires and the companies, going out and driving each road and giving an assessment of what works need to be done and what money needs to be spent to get them up to a decent standard. On page 9 you can see the actual additional cost to maintain the road networks across state, regional and local government roads. There is close to \$10 million there.

**Ms HALL**—Could you explain a bit more, please, the additional cost to maintain the roads?

**Mr Rye**—Those are just general maintenance costs—for example, if a plantation is harvested.

**Ms HALL**—Because of the plantation.

**Mr Rye**—Because of the plantation this is the cost that needs to be spent, yes. I think it is estimated at 33c per tonne per kilometre. Then we come down to the actual financial contributions. You have to remember that this plan that we have developed is not just about seeking money; it is also managing the asset over the next five years. We have just updated it and it is now up to 2010-11.

**CHAIR**—Just explain the 'Commonwealth' column to me.

**Mr Rye**—That is the amount of money that would be needed from the Commonwealth. The Roads to Recovery money would be in that. If I could take you through the rest of the model, it will probably pan out a little clearer. You will see from the model that the private sector's main contribution is in the maintenance area—maintaining the roads and getting them back to a

standard. That does not include the substantial work they do in terms of planning for the harvesting task and the sorts of rigs they are getting with self-inflated tyres and so on to minimise damage on the roads. This is the direct contribution to maintaining the roads.

**CHAIR**—You have \$4 million for the Commonwealth for regional roads and \$3½ million for local roads. How much of that is currently being provided through existing schemes? Do we go down as far as FAGs or do we just talk about the special grants?

**Mr Rye**—Further on we will come across to the Roads to Recovery money. Of that \$7.658 million, the shires will be contributing \$1.511 million of Roads to Recovery money, which is Commonwealth money, to the timber road task.

**CHAIR**—I do not follow that.

**Mr HAASE**—Could you say that again.

**Mr Rye**—There is the \$7.658 million, which we are suggesting could come from the Commonwealth.

**CHAIR**—But you said there is a component within that that is already being supplied. What is that?

**Mr Rye**—That is the Regional Roads Group. That is Roads to Recovery money.

**Mr Forbes**—It is shown on page 12.

**Mr Rye**—Of that \$7.658 million, \$1.511 million is Roads to Recovery money.

**Mr HAASE**—This scale on page 12 shows a total of \$7-plus million over four years. Is that your estimate or are you quoting fact?

**Mr Forbes**—That is the total contribution of R2R to the four local governments over the four years.

**Mr HAASE**—Presently?

**Mr Forbes**—Yes, on the current plan.

**Mr HAASE**—So that is a given. So where is the figure that indicates what more you want to enact the plan?

**Mr Rye**—We will move on to that.

**Mr Forbes**—It is all there.

**CHAIR**—Are you saying that over the next four years the Commonwealth has committed to \$7.2 million?



**Mr Rye**—No, that is what we need from the Commonwealth, but they have committed through Roads to Recovery—

**CHAIR**—\$1.5 million.

**Mr Rye**—That is right.

**CHAIR**—Under what programs do you envisage that you would get this, or are you looking for a new program?

**Mr Forbes**—The AusLink capital grants program for an export industry. The guidelines have just come out this week, I believe.

**CHAIR**—Have you made that clear in this?

**Mr Rye**—We will be making that clear to you. What we are doing here is outlining a model as a pitch for what is needed. Page 11 shows the five-year financial plan, taking out the stage 2 and stage 3 of the ring-roads, with the state roads at \$18 million. The ones that we are focusing on now are the regional roads and the local government roads, which come to approximately \$12 million—that is on page 11. We then go to page 12 and you can see under ‘Funding assumptions’ that the local councils have committed a certain percentage of their Roads to Recovery money to timber roads. That is a formal sign-off by the various councils.

In addition, on page 13 you will see that the councils will also contribute \$1.052 million from their own revenue base. So in addition to Roads to Recovery money, they will also put in \$1.052 million. The state contribution over the next four to five years will be \$3.6 million. To date, the states have contributed, as you saw from Bruce’s presentation, \$4.8 million. But we estimate, based on the current level of commitment, that the state would be contributing \$3.6 million.

**CHAIR**—Are you confident the state will maintain that?

**Mr Rye**—They have for the last five years, since we presented the TIRES report.

**CHAIR**—Okay.

**Mr Rye**—Hence, in terms of the gap in funding, we come down to \$6.147 million. We will be inviting the Commonwealth to participate in that in a partnership arrangement across the three levels of government and within industry.

**CHAIR**—Has that got a sunset clause on it?

**Mr Rye**—Yes. That is to 2010-11.

**CHAIR**—And that would bring all your timber roads up to scratch?

**Mr Rye**—The priority roads up to that date.

**Mr Forbes**—As you can see, all the roads that are listed there for funding are clearly based on tonnages, use of the roads and standard of the roads.

**CHAIR**—Are we back on page 8 now?

**Mr Forbes**—Yes. We did a full assessment of all roads, as was outlined, and these were the roads that clearly came up as multiple use roads.

**CHAIR**—Are these the semi-arterial roads into the timber areas?

**Mr Forbes**—They are the multi-use roads that are going to carry big tonnages of timber. If a road has only one harvesting contractor on it at a time, they will repair the road and put it back as it was when they leave. If it is a multi-use road where you can have two, three or four companies operating on it at a time, there is no way of proving damage, no way of assessing the damage caused by any a particular company, so therefore they are the roads that we need to upgrade.

**CHAIR**—I think that is all very good. Are they all participating in best practice with tyre pressures and so on?

**Mr Forbes**—Yes.

**Mr Manning**—Absolutely. The industry here has been meticulous—

**Mr Forbes**—It is part of their contract to cart the timber.

**CHAIR**—That is excellent. This is one of the best submissions I have seen, because you take it down to the detail and we can see very clearly where the Commonwealth money would go if we could talk them into this plan. You are asking the Commonwealth for \$7.2 million, less the \$1.5 million already being contributed. Is that it?

**Mr Forbes**—I think it is \$7.6 million.

**CHAIR**—This is on page 12.

**Mr Forbes**—On page 10 we have asked you for a total of \$7.658 million, and on page 12 the \$7.2 million is the total amount of R2R funding the four shires will get over four years.

**CHAIR**—Could you say that again, please.

**Mr Forbes**—On page 10 our total ask is for \$7.658 million, which is all for local government roads. On page 12 the \$7.210 million is the total amount of R2R over four years that the four shires' local governments will receive.

**CHAIR**—Is that what they are receiving now?

**Mr Forbes**—That is the current amount. Divide that by four and that is the figure we are getting—about \$1.8 million a year for the four local governments. The local governments have said that on an average they will contribute approximately 20 per cent of that total amount to these roads.

**CHAIR**—You are losing me. When we spoke before, you said that, of this \$7.658 million, the Commonwealth was already contributing. Is that correct?

**Mr Forbes**—\$1.5 million, yes.

**CHAIR**—Which is what?

**Mr Forbes**—It is R2R money that we are prepared to spend on timber roads.

**CHAIR**—What is the \$7.2 million on page 12?

**Mr Forbes**—That is the total amount of R2R money allocated to the four local governments over the four-year period.

**CHAIR**—So \$7.6 million is the projected amount for the next five years?

**Mr Forbes**—No. The \$7.658 million is our shortfall of money between local government contribution and state government contribution that we need to fulfil this finance plan.

**Mr HAASE**—Is that \$21 million from the state an increase on what you are receiving now?

**Mr Forbes**—A lot of that will be for state roads. Some of that will be for the bypass through Albany, stage 1, and some of that will be for the Mount Barker northern bypass, which is a \$5 million project linking Muirs Highway to Albany Highway. At the moment, it uses town streets, so they are state contributions that are vital for this industry as well.

**Mr HAASE**—You see that they were additional amounts being paid that would be justified by the cause of the timber industry?

**Mr Forbes**—Yes.

**Mr HAASE**—If there is \$21 million there and a lot of it is justified because of the industry expansions, what would that figure be without such expansions? What would you normally expect to have come into the area from the state?

**Mr Forbes**—Very little for local government roads. We would only get our normal regional road group funding.

**Mr HAASE**—Which is worth what?

**Mr Forbes**—For the region of 12 shires, around \$2.4 million. It goes up and down a bit.

**Mr HAASE**—So there is an additional \$19 million in there?

**Mr Forbes**—Yes.

**Ms HALL**—Can I just clarify something. The bottom line is that you have your funding from the state, from local government and from Roads to Recovery but you still have a shortfall of \$6,140,000?

**Mr Forbes**—You have got it. That is spot on.

**Ms HALL**—Are you saying to the committee that you would like the Commonwealth to contribute that or to at least partially contribute to that?

**Mr Forbes**—We would like your support for that in the project based funding that is coming up very shortly.

**CHAIR**—In asking for that, were you allocated AusLink status, would you be asking for that \$6 million under AusLink?

**Mr Forbes**—We have already put a submission forward. We have a consultant from Canberra who did the work here who is updating our submission to comply with the guidelines that have recently come out, so we will definitely have a submission before you.

**Mr Manning**—We can leave you with a copy of that submission before we leave.

**CHAIR**—Okay. This is only a minor point. You talk on page 11 of a five-year plan and you talk on page 12 of a four-year plan. Which are we talking about?

**Mr Forbes**—We cannot go further than four years on R2R, can we?

**Mr Manning**—No. It is a four-year program.

**CHAIR**—I take your point. Have you projected in your five-year plan, however, that a similar amount would be available?

**Mr Forbes**—No, we have not. We should not make assumptions—it is dangerous.

**Ms HALL**—Yes, that is true.

**CHAIR**—If you were to get this five-year plan and if R2R were to continue for a third quadrennium, are you confident that you could get the roads up to the right standard?

**Mr Forbes**—We can achieve the plan we have submitted to the federal government and we are looking for funding to support it.

**CHAIR**—Okay, what say this iron ore project goes ahead?

**Mr Manning**—The iron ore project is basically transport neutral. The main transport task—

**CHAIR**—Because it will be slurry?

**Mr Manning**—It is slurried in. It is quite an interesting process.

**CHAIR**—But there must be other transport implications?

**Mr Manning**—Most of the people will live in Albany. There will not be many at site. We are projecting that they will either be in Albany or Bremer Bay. Wellstead, the mine site, is midway between here and a very popular spot called Bremer Bay.

**CHAIR**—How far away is Bremer Bay?

**Mr Manning**—Bremer Bay is about an hour and 30 minutes by road. The issue there is that we are anticipating some people will choose to live in that sort of holiday environment.

**CHAIR**—What is the population of Bremer Bay?

**Mr Manning**—In midsummer it is about 6,000. Right now it is about 250. It is a very popular fishing and holiday spot.

**CHAIR**—Which shire is that in?

**Mr Manning**—It is in the Shire of Jerramungup.

**CHAIR**—Are they keyed up to be able to handle that?

**Mr Manning**—They have had a number of land releases. They are about to release more land for blocks.

**CHAIR**—What I am trying to get as is, if we set up a plan like this and then the iron ore comes on, we don't want to hear, 'Listen, we underestimated that by \$6 million or \$10 million or whatever million dollars.' Does this take into account the basic road infrastructure needs notwithstanding the fact that the iron ore will be slurried?

**Mr Manning**—It does, and I will explain why quickly. The two projects which are most likely to possibly impact on the transport task are the engineered strand lumber plant—I have given you detail of that—and the mine. The mine is slurry driven. The engineered strand lumber plant will be attracting some hardwood timber from Manjimup, about two hours to our west, but that has been more recently costed into the TIRES plan. So there will be timber coming to add to the blue gum timber. The answer to your question is that that has been calculated within this most recent update of TIRES and the money needed. The mine will be basically a road transport task about getting miners back and forth from Albany or from Bremer Bay the other way; it will not be a huge ask on the road system in comparison with, say, large timber trucks or large grain trucks.

**CHAIR**—Okay.

**Mr HAASE**—You blokes have put in a good submission. There is no doubt about it; it is very well thought through.

**CHAIR**—The other thing you are saying to the government is: ‘We are prepared to do our bit of it.’

**Mr HAASE**—But I cannot overlook one fact, and you have it here in black and white—blue and black, if you like. Roads to Recovery funding was specifically designed to put money from the federal government directly into local government to allow them to overcome that budgeting impasse that they suffered every year with the state government of not being able to get ahead of the game, and fund all of those road jobs that they wanted to fund, because of the nature of budgeting and the relationship with the state finances. Over a five-year period, given that we continue with R2R, you will pick up \$9 million. You need \$7.6 million to do this job. One is struck by the fact that you could do it with the money you are getting from the federal government already.

**Mr Forbes**—I will repeat what I said earlier in the day. We have a lot of roads that are not affected by the timber industry. We have a lot of very significant transport routes, through these local governments. We are the hub of all the action that comes to the south coast in this region and we have a lot of serious road needs and preservation issues on roads other than timber roads, as any other local government in Australia does. This is an extra industry that has been dumped on top of us without any forewarning, and we have done our best from day one, as you can see from the reports and the work we have done. As the plantations have come along, we have assessed the tonnages and the roads, we have kept right up to date with it and we have kept the pressure right on the state. We are in the process of spending some more state money right at this moment. But it is very clearly an issue where R2R will not solve the problem, because we have all the other preservation issues, like every other local government which does not have timber does.

**Mr HAASE**—What did you do about those before we introduced R2R?

**Mr Forbes**—The same as every other local government did—we did the best we could and got miles behind with our resealing programs. Local governments in this region are still struggling to catch up with resealing programs, regardless of the timber industry.

**Mr Manning**—In answer to your query, if you go to page 12 of the document, you can see the relationship in what is allocated to the plan for timber roads of the R2R allocation.

**CHAIR**—The \$5.7 million will still be used by the council for roads other than the timber roads.

**Mr HAASE**—But it is purely arbitrary, isn't it? You could have made the 10 per cent 100 per cent.

**Mr Forbes**—We could not make it 100 per cent because we could not do it. We have other roads that are very significant to our region and to our shire that have to have work done on them. Our other ratepayers are saying, ‘You can't spend all of our ratepayers' money, whether or not it comes through the R2R program, on timber roads, because it is not equitable.’

**Mr HAASE**—I would have had the industry pay, quite frankly, and I think it is something that should have been organised with the industry before they moved to town.

**Mr Forbes**—We have had another issue with it. We have done well and got maintenance money from them for roads where they have damaged the road and put it back to an acceptable standard when they have finished. Can you tell me of any other transport industry that does that much?

**Mr HAASE**—No, but all the other industries fund sometimes 100 per cent. The iron ore industry in the Pilbara is 100 per cent self-funded.

**Mr Manning**—I guess you would have to look at context in answer to that. Are you going to ask the grains industry to directly fund you and support you with your roads? They will say, 'We are doing that via our licence structures et cetera.'

**Mr HAASE**—Indeed. That is the argument.

**Mr Manning**—It is in context. We are not talking about building a mining town, as we do in the Pilbara, and then having an expectation that the mining company, with their sorts of levels of profits, will drive it. Here, we have a context in which we have introduced industry after the fact.

**Mr Forbes**—The other issue is that, with a mine, you have a direct supply point and you have a delivery point. With the timber industry, you are using over 2,000 kilometres of local government roads from all over the region, as long as they are within the rainfall belt. At certain times, you have enormous pressure on that road, and the next week it will be on this road. It is not constant, but the road has to be accepting of that amount of tonnage.

**CHAIR**—I find one point in your submission disingenuous. It is related to what Mr Haase has been saying but not quite the same. You are saying: 'This shocking, dreadful timber industry was dumped on us. Without any warning, this dreadful curse came upon us.' I reckon that when you go out and say what a good place it is to come to live, you say it is the hub of a new vital and vibrant timber industry, and that the farmers or the plantation owners—whatever you want to call them—who have previously been in sheep, wheat and other things and who now have these timber stands and are possibly making two to three times as much money are not saying that this was dumped on them. They are probably laughing every day they go to the bank. Although there will be some small growers who will not have got the scale—I understand that—there are some growers here who have done incredibly well, as well you know.

**Mr Forbes**—Yes, I do not argue with that.

**CHAIR**—It is like me, coming from Bundaberg, saying, 'We've got a cane industry worth \$150 million, but we have had this dreadful, shocking small crops industry dumped on us with \$250 million. What are we going to do about our roads?' We are going to adjust our rates system to make sure that it covers not only the cane but the small crops, surely. I just ask this question: given the peculiar and particular nature of the timber thing, and given that it is quite remunerative in its outlook, is there power within your local government act to have differential rates for different types of property? If so, have you looked at that as a method of getting more rates for timber country?

**Mr Forbes**—We looked at that issue—and I will deal with that one first—about six years ago when we had a state TIRES group running. We worked through the process with some consultants, and there was no way, for instance, that we could differentially rate a property that had frontage to a state road, because it was not affecting a local road. The task of assessing which properties—and I think the rule within our act is that you can only differentially rate to 20 per cent over and above your normal rate in that area—meant that it was not a viable option. It was seriously looked at and seriously assessed.

**CHAIR**—I just might say that this dreadful, shocking timber industry has just been dumped on me, in the Miriam Vale Shire in the middle of my electorate, and I am not complaining.

**Mr Forbes**—I think you have taken my comment a little bit out of context. As far as I am concerned, it was dumped on us by the federal government in their 2020—

**CHAIR**—Perhaps I was being a bit harsh.

**Mr Forbes**—Yes, you were. I have a very good working relationship with the timber industry, and I am proud of it. As far as I am concerned, industry probably has done our region a lot of good and it has done a lot of farmers a lot of good. As you talked with one this morning, you are well aware of that. I just feel that a little bit of cost shifting has gone on here along the way. I raised that exact point with Jim Lloyd at one point.

**CHAIR**—We have had a very good run down this end of the table; I have neglected Dr Jensen and Ms Hall, and I want them to have a fair go on this.

**Dr JENSEN**—I have just got one question. You have probably heard a previous submission where the claim was that the ring-road was going to add something like \$1 per tonne to the cost of transportation to the port. The figures, with all due respect to them, seem to be somewhat woolly. You have obviously done some study on it, given the one minute extra that you have calculated. Have you calculated the extra cost of haulage as a result of the extra 9½ kilometres?

**Mr Rye**—Main Roads has and we can get that study for you. It is pretty detailed.

**Dr JENSEN**—I would appreciate that, thank you.

**Mr Forbes**—If I could just expand on that: they talked about the inland port as a facility and rail-freighting everything in. The extra increase in freight through double handling was over \$11 on some commodities. So you have to really look at the benefits of that against the ring-road and put things totally in perspective.

**Ms HALL**—Does that study you are referring to also make allowance for the excess costs associated with stopping and starting in a built-up area?

**Mr Rye**—Yes, it does. In particular, the main ring-road into Albany is a crunch point. It takes into account having to stop there.

**Ms HALL**—Good. Who makes up the membership of TIRES?



**Mr Forbes**—Good question. The four local governments involved have a representative each, as do the four major plantation timber companies that are operating in the Great Southern. The Main Roads department, being a state agency, and the Great Southern Development Commission also have representatives, and other government agencies with an interest come along if they think there is something they can contribute.

**Ms HALL**—There are no community representatives?

**Mr Forbes**—No. It is purely based on local government road infrastructure. So we have kept to that basis and there has not really been a need when we are not interfering much in the City of Albany.

**Mr Rye**—However, it is the local councillors that are the representatives.

**Ms HALL**—Good answer, good comeback!

**Mr Rye**—As well as shire engineers, of course.

**Ms HALL**—Thank you. That is all; I have asked questions as we have gone along.

**CHAIR**—Notwithstanding that we might have been a bit robust there, this is an outstanding submission, it really is, and I am sure my opposition colleague here would agree with me. If you can go to government with an argued case and say specifically what the other funding partners are going to do, you are in a much better position. I have mayors in my area who come to me and say, ‘Listen, Paul: you get \$5 million or \$6 million out of the Commonwealth government and I’ll shame the state and the other local authorities into it.’ It does not work that way. You have come the other way. You have put your cards on the table and said: ‘This is what we can afford. This is what we’re prepared to do. We’ll put an incremental amount across from Roads to Recovery but not the whole package—we won’t frustrate the purpose of the package.’ You have put it all out on the table. And you have put a sunset clause on it, so it is not something where the Commonwealth thinks, ‘If we go into this it’s going to come back over and over again.’ From that point of view, it is very clear and it is well reasoned and it is quite descriptive in its format. So I congratulate you on that.

**Mr Forbes**—Thank you.

**CHAIR**—You said that you wanted to present us with another report.

**Mr Manning**—This is the detailed report, the five-year regional transport plan. This is the detailed work that is the product of the Canberra consultant we have used—

**CHAIR**—It is not a public document yet?

**Mr Manning**—That is Kevin’s call, really.

**CHAIR**—Let me explain: if we receive that as an exhibit, it is automatically available for publication. So are you able to present it at this stage?

**Mr Forbes**—I think, as the funding around everything is just coming up, it may be better if we do not.

**CHAIR**—Hold onto it. Once it is a public document locally, send it in as an additional exhibit to your submission. It would be very handy for Courtney, from our secretariat, who is going to be doing a lot of the writing on this, to have access to that. If it is not going to be publicly released in the next couple of months, then we might look at receiving it on some sort of confidential basis, as a background document.

**Mr Manning**—The key things would be the funding assumptions and the commitments articulated in the submission you have in front of you anyway, but in slightly less specific terms.

**CHAIR**—Thank you for coming today. We trust we can come back to you if we want more material, perhaps including that document if it is released. Thanks to Mr Larsen for providing us with a map of all the railways in south-west Western Australia. Could someone move that we take that as an exhibit and authorise it for publication.

**Dr JENSEN**—So moved.

**Ms HALL**—Seconded.

Resolved (on motion by **Ms Hall**, seconded by **Mr Haase**):

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

**CHAIR**—May I convey my thanks to all those who have assisted the committee coming here, particularly the agencies, including those of you at the table, community groups and in particular the Albany City Council for the courtesies they have extended to us today. On that note, I declare this public hearing at Albany closed.

**Committee adjourned at 1.24 pm**