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Official Committee Hansard

**HOUSE OF  
REPRESENTATIVES**

STANDING COMMITTEE ON TRANSPORT AND REGIONAL  
SERVICES

**Reference: Transport networks inquiry**

THURSDAY, 9 MARCH 2006

ESPERANCE

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

**Thursday, 9 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, Mr Neville and Mr Ripoll

**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 8.48 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 rail and road networks and their interface with the ports. This is the 20th public hearing of the inquiry. It is part of an extensive program of public hearings and visits designed to gather information from people directly involved with the main issues of the inquiry, namely, the arterial road and rail systems, connectivity for ports and whether or not there is a need for hubs.

On our visit to Western Australia we have already been to Geraldton, Bunbury and Albany. Tomorrow we will be holding the hearing in Perth. Today the committee is really interested in listening to witnesses from the Esperance and Kalgoorlie-Boulder areas. The adjoining shires have come to give their take on this important issue. This committee has always tried to fit Western Australia into its outreaches. I remember on a previous occasion when we were studying radio we did Albany, Denmark and Walpole. In fact we nearly called our report *Where's Walpole?* to highlight to the government that there were parts of Australia, Walpole included, that still did not have radio or TV. The committee since then has been split into two: a communications committee and a transport and regional services committee. We are now operating under a brief originally given to us by John Anderson, and more recently endorsed by Warren Truss and Jim Lloyd, to inquire into these particular issues.

I would like to welcome the mayor, Mr Mickel, and thank him for the courtesy and cooperation that he and his council have extended to the committee in helping facilitate this meeting. I would like to make an opening comment about the hearing—and we have a fairly large gallery, so presumably we have quite a few of the witnesses already here. There has been a bit of a tendency in the west to go through the already lodged submission ad nauseam, to the extent that one witness took nearly 30 minutes of his 45 minutes telling us exactly what we had written in front of us. I ask that you confine your overview to either a five- or seven-minute summation of your submission. Alternatively, you can pick the points that you want to ram home to us. We will flesh out the other issues by way of questions.

[8.51 am]

**MICKEL, Mr Ian, Shire President, Shire of Esperance**

**NULSEN, Mr Richard, Chairman, Esperance Port Authority**

**WITHAM, Mr William John Andrew, Manager, Southern Region, Goldfields Esperance Development Commission**

**CHAIR**—Welcome to witnesses from the Shire of Esperance, the Esperance Port Authority and the Goldfields Esperance Development Commission who have lodged a joint submission. We will not be placing you on oath but I have to remind you that these are formal proceedings of the federal parliament. Consequently they warrant the same respect as proceedings of the House itself. It is customary to remind all witnesses that the giving of false or misleading evidence is a serious matter and may be considered a contempt of the parliament. Having said that, you are most welcome. Who is going to lead off?

**Mr Mickel**—I am.

**CHAIR**—Would you give us a five- to seven-minute overview of your submission.

**Mr Mickel**—The intent is that I will make some brief opening comments, Mr Nulsen will follow on and then I will endeavour to give you the heart of the issues we want to raise with you. I would just like to extend a very warm welcome to you and your fellow committee members to Esperance and the Esperance goldfields region. It is great to have a committee such as yours with us. I will give a quick overview. Esperance, of course, is about 730 kilometres from our capital city in Western Australia, Perth. We are very much the port for the goldfields as well as our own strong agricultural region around Esperance, along the south coast and into the Ravensthorpe Shire as well. The population of Esperance currently is about 14½ thousand people. About 12,000 of those reside within three kilometres of where you sit this morning, actually in the town of Esperance. We believe on all estimations that within 20 years our population will be 25,000. The growth rate has been quite astronomical in recent times. That is continuing, typical of regional towns right across the state of Western Australia and, I understand, nationally as well.

The Esperance port is the major port for the region. It is a very deep port. Mr Nulsen will give you the details about that in a few minutes. When you think that product is going through this port from as far north as Wiluna, some 750 kilometres to the north, it is quite significant to this region—as well as all of the activities in the mineral-producing areas of the goldfields. The Esperance economy is driven by a whole range of issues. Certainly, its local economy is based on agriculture. From the 1950s, when it was found that the nutrient deficient soils on the sand plain could be brought into strong production, it has had agriculture as its base. Mining occurs within the whole region, of course. Kalgoorlie is well known for it, but so much has happened with nickel in recent times. Most recent is the big development happening to our close west with BHP Billiton's operation at Ravensthorpe. Tourism is a growing industry through this region, and for us here in Esperance no doubt the fishing industry will tick along steadily and add to our



local economy. I will ask Mr Nulsen to provide you with the detail concerning what is happening at the Esperance port so you have a good background of that.

**Mr Nulsen**—Esperance port development began in the early sixties when, as Councillor Mickel pointed out, the tracts of land were opened up and agriculture really started to boom in this area and the nickel from Kambalda, from Western Mining Corporation, was exported through the port. The transport corridor—the ring-road, as it was originally known—was constructed at this time to facilitate the safe and efficient transport of grain and nickel to the port and fuel to the goldfields. At the time, the population of Esperance was about 5,000. Today, of course, it has grown to 15,000 and is growing very rapidly. The ring-road now runs through the middle of the residential areas.

Esperance port is the largest exporter of nickel concentrates in the Southern Hemisphere and, with the prices of nickel at record levels and the opening of the new mines in the northern and eastern goldfields, the amount of product being shipped through Esperance is expected to increase significantly. Esperance port also at this time handles about two million tonnes of grain from the surrounding agricultural area, and all of this, bar a small amount which comes from the north by rail, comes into Esperance by road. So this transport corridor is beginning to load up with road trains.

In the early 1990s we began to handle iron ore from Koolyanobbing, and that figure rose in 2005 to 5.3 million tonnes. By the end of this year or early next year we expect eight million tonnes per annum to be coming down the rail link. That is a significant figure. All of this iron ore, of course, goes to China. As you will see when you visit the port later in the day, there is very little evidence of any iron ore being handled through this port. We believe we are the cleanest iron ore port in Australia, if not the world.

We have recently started exporting lead carbonate from Wiluna, which is about 1,000 kilometres north of Esperance, so it has got a long way to travel. It moves by road to Leonora and then onto the standard-gauge rail at Leonora and down through the transport corridor into the port. The tonnage of this is expected to increase to about 20,000 tonnes in the next 18 months to two years. At this point in time, we do not import a lot. We bring some fertiliser in for the local agricultural industry and we also bring in fuel for the goldfields.

Esperance port is important to the economic growth of the town. The port workforce today numbers more than 80 people and the port injects more than \$11 million into the local economy annually. We expect that when Ravensthorpe Nickel comes on stream early next year there will be another 10 employees required at the port.

We have kept abreast of regional developments and the needs of the customers to ship products through the port. We spent more than \$80 million to facilitate increased tonnage of iron ore in 2003, and we deepened the port then to 19.5 metres, which we believe makes it the deepest port in southern Australia. We can handle cape-size vessels up to 200,000 tonnes at berth No. 3, and at berth No. 2 we can fully load Panamax vessels. So we certainly have a freight advantage for our shippers there. All the iron ore in the port is stockpiled undercover and all the conveyors are completely enclosed. This keeps the dust in, and we have very efficient dust extraction systems. The nickel and the lead are also kept undercover, so again we fix the environmental problem there as far as the dust is concerned.

The increased iron ore and nickel exports are testing the capacity of the transport corridor. Most of the trucks bringing products into the port are triple road trains. That is not quite true: in this part of the state we are not allowed 53-metre road trains, so they are 37.5-metre 2½-trailer road trains. This was causing delays and annoyance at rail crossings. Noise from both the trains and the road trains is another major problem along this ring-road, as we call it, through the transport corridor, running through the area of town where there are private residences.

All of these issues will be further exacerbated once BHP Billiton start their operation early next year—in fact, I think the first shipment of sulfur is due late this year. Five-hundred thousand tonnes of sulfur and 40,000 tonnes of magnesium will be transported by road to the mine near Ravensthorpe and containers carrying the hydroxide will be transported by road back to the port. This operation will run 24 hours a day, seven days a week and involve 52 truck movements a day over the 25-year mine life. We are currently spending \$37 million on upgrades to the port to accommodate the BHP Billiton products. A sulfur shed is being constructed right now. At present our CEO is returning from China having negotiated the final documents on the purchase of a container crane. All of these things are happening so that eventually nickel hydroxide can go to Queensland.

It is envisaged that in 2008 we will start exporting woodchips. A critical mass of trees has been reached around the area and the extension of that is that, in 2008, the annual production of pulpwood to be exported to Asia from local tree farms will start at about 300,000 tonnes. The product will be chipped on site and transported directly to the port by road, which will involve more than 60 truck movements a day—30 in and 30 out. Again, you can see that the transport corridor is being loaded up.

In conclusion, total trade through Esperance port has grown from less than 500,000 tonnes in 1970 to 7.8 million tonnes last year. By 2008 this figure is expected to be more than 11 million tonnes and will continue to grow. All of the commodities handled by the port are transported into the port along a transport corridor that was built in the 1960s to handle significantly lower volumes of traffic than are using the network today—and the problems are going to get worse. Esperance port relies on the corridor to service its customers' needs and the town relies on a busy and viable working port to continue to play an important economic role in its future.

**CHAIR**—Do you wish to add anything, Mr Witham?

**Mr Witham**—I will discuss the regional context a little later, is that is okay, and allow Mr Mickel to make some comments now.

**Mr Mickel**—I want to focus on the main issues that we urge the committee to take away and include in its report. We consider the most important issue to be the Kalgoorlie-Esperance transport corridor and the fact that it has been left out of the AusLink plan. On examining the AusLink map, we are staggered that among the various rail lines and highways crossing Australia—very densely concentrated in the east coast—we do not see the Kalgoorlie to Esperance rail line and road corridor, which are all within the one area of land tenure. We see that as being a major disadvantage to us in the future as we try to convince bureaucrats that we need federal cooperation in whatever might happen in the future. This corridor has been serving Australians, in particular by linking industry in the goldfields and the port of Esperance, for

many years. We believe that it is a major oversight by the people who drew up and adopted the AusLink corridors plan that they did not include this linkage.

**CHAIR**—Have you objected to that?

**Mr Mickel**—We certainly have. We have taken the issue up with the current Minister for Transport and Regional Services. We presented him with a paper expressing the importance of the issue and we have given him substantial information. I will not go into the information at length today; that is in his hands and we can provide it to you as an additional document.

But the fact is that that corridor has the significance of the movements of product that Mr Nulsen has just talked about. He spoke about fuel, and I think he said, ‘Not much fuel.’ I can point out to you that Shell import through the Port of Esperance more fuel, mainly to go into the goldfields, than they sell in the whole of Victoria every year. That is brought in for the earth moving equipment in the goldfields.

**CHAIR**—Say that again.

**Mr Mickel**—Shell import more diesel fuel through the Port of Esperance than they sell in the whole of Victoria every year. Those are the figures that were provided to us. The significance of that is that that rail corridor is moving product both ways for this nation. A lot is happening in the goldfields, and this is their port. They move it up and down this corridor and through there. While we are speaking about fuel, the fuel burnt in motor cars across the Nullarbor comes mainly through this port. Mr Nulsen’s business handles all the fuel and supplies the service stations out to the state border at regular intervals—carting fuel out there so that people enjoy the trip across the Nullarbor. So fuel is not a minor item, in my opinion. The product is moving up and down here—this is the biggest nickel exporting port in the Southern Hemisphere. That nickel is coming from the inland goldfields region. It is coming out of that green belt. It seems to ever extend. It is now down as far as Ravensthorpe. It runs from Ravensthorpe right through to Mount Keith in the north, to Wiluna. It is the biggest nickel exporting port in the Southern Hemisphere, as I said. When you see the ships sail out of here with \$50 million worth of nickel in them, you know we are contributing significantly to the quality of life that people in Western Australia and Australia—probably more around Australia—enjoy. So it is a very significant corridor. The nickel will be moved to this port about 50 per cent on rail and 50 per cent on road. Those figures will change slightly when the nickel hydroxide starts coming from the west into the port. There will be an increase at that level. We believe that it is essential that the significance of that corridor is recognised and that we see the correction to those corridors so that we do not have to start from way back beyond base 1 when we start fighting with federal bureaucrats next year or in 10 years time.

The second one is the actual corridor through the town itself. Typical of many coastal towns, many port towns where there has been a build-up of urban population—and Mr Nulsen touched on it—the shire took up, in 1996, a transport corridor study. We identified all the undeveloped land all the way along the corridor, and we have made town planning scheme amendments so that that cannot be developed, to protect the corridor. We have also placed on all those developed properties conditions that if they redevelop they have to do it in certain ways and means which will be more costly to them but which will protect the corridor: quiet house design—a whole range of issues like that so that there is a noise management factor. We believe that, as a

community, we have worked pretty hard to make sure that we have in place the best protections we can. We do know that the infrastructure is not going to handle the increased loads, and Mr Nulsen has given some—

**CHAIR**—I do not want to stop you, Mr Mickel, but, rather than describe it for us, let us hear your solution—what you want us to do in respect of the corridor. Firstly, you want AusLink. Tell us what the actual problems are in the urban area of Esperance and to the port. Do you have to reroute the train line? If so, where to? What is the cost? Do you have to reroute the road? If so, what is the cost? Will they be in the one corridor? Tell us where you are going so that we can question you about it.

**Mr Mickel**—Thank you very much for that, Mr Chairman. If that is the way you want it, it is quite simple. We believe that the road and the rail will stay very much where they are. There needs to be a slight rerouting of the road so that there are not a number of stops and starts for trucks. We believe that a grade separation is absolutely essential.

**CHAIR**—How many places?

**Mr Mickel**—One at this stage. We believe quite clearly that one would be a solution.

**CHAIR**—What is that—about \$6 million?

**Mr Mickel**—It would be a bit in excess of \$6 million. I think it would probably be covered safely with \$8 million. There is limited property to be secured at the present time. Much of it is held in public hands, so we have the ability to move forward.

**CHAIR**—So you are saying that along the corridor where they do not want to move houses are going to have to double windows and that sort of stuff.

**Mr Mickel**—Exactly so. We have put those conditions on it within our town planning scheme. Our concern is to make sure that corridor is open to operate 24 hours a day, seven days a week. That is why we approached our town planning scheme with amendments to put that in place. I might add—if you have not already worked it out because we are here together—that we do work very closely with the port. They are a major corporate citizen in our town and we as a shire work very closely with them. So we are saying it needs a funding commitment put into that area. There will be, perhaps, in due course, the need to have some double-up, particularly to give access both ways on the rail line. That is a future vision; it is not in the immediate term.

**CHAIR**—You want a duplication of a section. How long a section?

**Mr Mickel**—I believe that the rail yard into the port itself, which is about three kilometres, is going to need it. So we are making sure we are guarding up on the width.

**CHAIR**—Is that a WestNet problem? Isn't the Western Australian model that the ports themselves do the duplication within the ports?

**Mr Mickel**—This is not within the port itself. This is in the area of the corridor outside the port.

**CHAIR**—You might raise that this afternoon with Mr Larsen, when we get to that point.

**Mr Mickel**—You have asked for specifics and what is needed. We are trying to protect the corridor to make sure that there is sufficient room for expansion in the future. We are not saying that it needs a duplication of rail in the immediate future; we are saying it would be needed in the mid to longer term. The port and the shire have worked together to establish the Shark Lake Industrial Park 14 kilometres out of Esperance. That is multiple purpose. The intention of an industrial park was to have it as a stockpiling point for a number of our products, such as grain. For some of the importing products—and we do not know exactly what they might be in the future, but certainly iron ore is one—because of shipping arrangements there are pressures built up. We are trying to establish that facility—

**CHAIR**—You are going to have stockpiles 14 kilometres out?

**Mr Mickel**—Yes.

**CHAIR**—So you are talking about some sort of transport hub—is that what you mean?

**Mr Mickel**—We are transport hubbing there in a minor way. We have identified an area of land. I hope you get to see it closely before you leave town. I understand it is on your program.

**CHAIR**—Yes.

**Mr Mickel**—The intention of that is to be able to collect quite a bit of product off road and get it onto rail to get it through the urban areas.

**CHAIR**—Is the rail link already there?

**Mr Mickel**—The rail link is not but it is within two kilometres. I think it is three kilometres of rail to get into it by the time you take into account curves and those sorts of things. It is adjacent to the corridor to Kalgoorlie and the gas pipeline that runs from the north-west shelf through to Esperance. It is in a prime position. It links in with our east-west roads. We were fortunate to secure something like 1,000 acres that we are developing at this stage. So we hope that is going to assist us into the future so that product can be stockpiled there, put onto rail and put onto our port, and we can work from there. That park has been, probably, a longer term vision. There has been strong cooperation. We have been through a huge environmental investigation to be able to establish it. That is all finalised now. We have the rezonings in place and it is ready to start operating at present. Already one tenant is in there, Co-operative Bulk Handling, our grain handlers. They have established about \$2 million worth of infrastructure and are moving to put a lot more of their development there. So we believe we have done lots of proactive things to make sure we are doing our part to see that the Esperance port can maximise its utilisation for the region. You said, ‘What do you need?’ It is always money.

**CHAIR**—That is going to be my first question: what do you need from the state and federal governments to make other things happen?

**Mr Mickel**—To have more activity or to make sure?

**CHAIR**—To make the port more efficient. Our major term of reference is the connectivity of the main trunk systems to the ports. What do you see as being required from the state and federal governments to bring this port to maximum efficiency and to allow for the growth you have just described?

**Mr Mickel**—We obviously need funding. That is the obvious thing.

**CHAIR**—Describe for the committee some of the things you need.

**Mr Mickel**—The issues are, firstly, the short realignment of the road at the bottom end of the corridor as you enter the port to make sure that there is full flow of traffic there with minimised stoppages and noise; secondly, the grade separation; thirdly, making sure we get rail into the industrial park to see that we can get the product in and out of there on rail—particularly out of there on rail, because it can be brought in and stockpiled there and moved onto the port. They are the essential projects that we need to pick up for the future.

**CHAIR**—Put a few dollar values on those.

**Mr Mickel**—Off the top of my head I cannot put on dollar values.

**CHAIR**—Can you help me, Mr Nulsen?

**Mr Nulsen**—No. I certainly agree with the \$8 million for the grade separation at the port entrance. I am not sure of any figures for the others. We have not really investigated figures. That is the immediate future problem area that we need to investigate.

**CHAIR**—Mr Witham, what does the commission say about this?

**Mr Witham**—We are looking at getting the multi-user rail spur into the new industrial park. I think in the first phase it is \$4 million.

**CHAIR**—That should not be a big job, should it?

**Mr Witham**—It should not be a big job but, as we have said, money is difficult, even for the port, which is a very—

**CHAIR**—Have you talked to WestNet about this?

**Mr Witham**—I believe WestNet have been in discussions. Issues have arisen like ownership of the land, ownership of the rail, who would operate the rail and whether the private operators would be willing to use the rail. It may not be a good investment in terms of rate of return. These days rail is very expensive and for a, say, two- or three-kilometre line it is going to be \$3 million or \$4 million. It would take a long time to repay that rate of investment. I think the state government has a good model. The economy is run quite well at the moment, and the port, when they want to do these expansions, are allowed to borrow the money for them at favourable terms.

**CHAIR**—At all the ports we have been to, I think, so far in Western Australia there have been these sorts of problems or requirements for ring-roads or rail rings and so on. In all instances the

state government has funded those or has funded the first stage of those. You have not had the same sort of treatment as Bunbury and Albany in that respect. Is that what you are saying?

**Mr Witham**—I would say that is true.

**CHAIR**—Your ask is a lot less than what we have seen elsewhere.

**Mr Witham**—Politically, you have to realise that we are in the seat of Roe, which is, I guess, a safe conservative seat. In some cases, where you are looking at some of these port towns—

**CHAIR**—Let me assure you that this committee is totally bipartisan.

**Mr Witham**—I am sure.

**CHAIR**—We are not really interested in the local argy-bargy. We just want to put in a report that makes sense. If it makes sense for Geraldton, Albany and Bunbury, it will make sense for here. So let us argue the issues rather than the politics.

**Mr Witham**—I think we need to work well together. We have to make a sound case for this investment, and hopefully we will get the funding to do these improvements.

**Mr RIPOLL**—How long have you been asking for this? When was the last time you made a submission to the state government or anyone else for funding?

**Mr Witham**—This year was the first time we made a submission to the regional infrastructure fund.

**Mr RIPOLL**—How long ago was that—weeks?

**Mr Witham**—No, it was at the end of last year.

**Mr RIPOLL**—So just a matter of months.

**Mr Witham**—Yes, it was in the second half of last year. There were not the necessary funds in that state fund.

**Mr RIPOLL**—So you are really at the starting phase of this and you have not been knocked back yet. You have just put the funding in and nothing has come back as yet. I am getting nods from others.

**Mr Witham**—Yes. We are in the middle of building our case on it.

**Mr RIPOLL**—That is fine. That is all we want to know. We just want to know where you are at with at and how that process is going.

**Mr Mickel**—The initial cost of that rail link is \$4 million. We have secured all the land for the entire linkage. We have dealt with three property owners to secure land to make sure we can put that rail link in.

**CHAIR**—So you have \$4 million there, and you have a grade separation of \$8 million and some re-routing into the port on the roads system of perhaps another \$2 million or something like that.

**Mr Mickel**—Maximum, yes.

**CHAIR**—So you are looking at \$14 million to \$15 million max.

**Mr Mickel**—Yes.

**CHAIR**—That is certainly not a big ask against that of some of the other towns.

**Mr Mickel**—We believe that we have done the work to make sure that we are safe for the future. We would just like to get some runs on the board.

**CHAIR**—So you are saying you do not have any resumptons and other things to worry about.

**Mr Mickel**—At this stage, no. We have achieved all of those issues ourselves.

**CHAIR**—Neither in respect of the industrial park nor the corridor coming into the port?

**Mr Mickel**—That is exactly right. We have secured all that.

**CHAIR**—You mentioned in your opening comments that you were a bit miffed that the link from Kalgoorlie to here has not been designated an AusLink corridor. We will ask Kalgoorlie this this afternoon as well. What is implicit in your comment is that there are some other issues further up the track—what are they, or is it just the stuff at the port?

**Mr Mickel**—I was saying that I believe that for the future of this region there has to be, firstly, a recognition of the significance of that line and what is doing. We have tried to get that across to you today.

**CHAIR**—The question I am asking you is: what are the failures on the road system to Kalgoorlie and on the track that might require it to be designated an AusLink corridor?

**Mr Mickel**—I am surprised that we have to show current failures.

**CHAIR**—No.

**Mr Mickel**—I believe that they are highways and it is a rail line and it carries significant exports and imports for the whole of the region. That is what I am suggesting to you—that the road itself is a highway. Part of it is state highway, yes, and part of it is national highway. The



rail line is a standard-gauge rail line and it would appear to us that, on the east coast, it would be an AusLink corridor. It links in with the national standard-gauge rail line. It is not a narrow gauge like we have in many of the wheat belt parts of the state and it is bringing product from Leonora. The rail line starts at Leonora, picks up all of the products in that north-eastern mineralised area of the state—a whole range of products—and brings them down and exports them through this port, and it takes fuel back up into that region. So we are saying that corridor must have significance. Our belief is that, if it is not within that corridor laid down by federal parliament, we will have a huge amount of problems in ever attracting federal funding to the significant investments that might be needed for the future.

**CHAIR**—I see your point.

**Mr Witham**—Further to what we have been saying about investment, one thing in our submission which has probably become a bit outdated now is that we drew attention to the way that the track was operated. We had WestNet operating the below rail and the Australian Railroad Group operating the above rail, and there were issues only six months ago with access to the rail and things happening, but since then things have moved on. WestNet have invested in the rail. They have extended a lot of the sidings and crossing loops to allow better train efficiency. I am sure you are aware that a couple of weeks ago it was announced that Wesfarmers and the American company were selling the rail and WestNet was going to the Babcock and Brown infrastructure fund and the above rail was going to Queensland Rail. So in a lot of ways the issues in that part of our submission have probably been addressed and things have moved on. I am going to be really interested to hear Paul's talk later on today about that.

Another thing we are looking at is the investment. The money has to come but it has got to be invested properly. I think other recent developments which are of interest to me are the models that Babcock and Brown, Macquarie Bank and Alinta gas are setting up—the way that they fund infrastructure and how they pull fees out of funding infrastructure. That is also going to affect us here in Esperance if we are going to be looking for both private and government investment in the rail, like the multi-user spurs and industrial parks or whatever. How that funding occurs is going to have to be very clear.

**CHAIR**—What is your preferred model for this link to the industrial estate?

**Mr Witham**—I am only new to state government. My model would be that I would see that both the state government and private enterprise would see it as a fair return on the dollar. In my opinion, I would like to see some personal investment, and obviously the state government has followed that with the privatisation of the rail and the long-term lease, the 49-year lease, to WestNet.

**CHAIR**—You are saying you would get the state government to build it and lease it to WestNet—is that your preferred model?

**Mr Witham**—That is one model. I think we would just like a model that would work. It could be private, but I could not see a private firm owning just a spur. I do not see that they would get the return on capital that they would want.

**Mr HAASE**—On that specific question, the experience north of here in the goldfields has been that with private ownership there have been some exorbitant rates charged for very short distances, and I would have thought that local government would have best managed that facility, almost like an inland port. I would like to hear from Mr Nulsen and Mr Mickel, as local authorities, exactly what their preferred model would be.

**Mr Mickel**—I understood the discussion was on the rail line itself. We were quite frustrated and disappointed when the former Western Australian government sold the rail track and the rolling stock to the same company, although they had it in separate terms. We believe that the Australian Rail Track Corporation should have controlled that line top to bottom. It was commonsense. They had the east-west line and the north-south line in this region as a standard-gauge line. It seemed obvious to us. That did not happen, and one wonders if that is not still a corrective action that should take place. Then I think we would be part of a standard model right across Australia and it would allow us to see more competitive rates on those lines, because you have got a rail and track corporation controlling it, and the hook and pull people have a much more open—

**CHAIR**—I understand that what we are moving to in Australia, when you take out the suburban and near urban passenger services, is the ARTC controlling the lines from the Queensland border through New South Wales, Victoria to South Australia; WestNet over here; and QR with an access regime in Queensland. Most of the main trunk lines which are to carry minerals and those high-volume agricultural products will probably work on the model of someone owning the below-track operations, and anyone who wants to operate on the track who has the rolling stock and the competent staff would be able to purchase access to the track. Overall, I think both political parties agree that that model is the one that we should be working towards.

**Mr Mickel**—I believe that that is what have now—different to the remainder of Australia. As Mr Witham said, with the change of ownership that is starting to flow through, we might see a better picture. My understanding of the history in Western Australia, and that is particularly across the narrow-gauge lines that run around the wheat belt areas of the state, is that the company that took it over as a component—or having connections to the company with the rolling stock—very quickly rationalised those lines; and suddenly we saw all the grain movements et cetera going onto roads and not onto rail. I think that is a bit of a sad scene.

With the new arrangements with Queensland Rail being above and the other company being below, we may see something different here in Western Australia. But we are caught up in that, because this line, a standard-gauge line, is drawn into that—to the point where grain is not going onto rail, although this year I noticed there were some rail wagons bringing grain down from Salmon Gums and Grass Patch. That could all travel on rail, and over the last two years 99 per cent of it—perhaps all of it—came down on road. So we are not getting utilisation of rail.

**CHAIR**—Forgive my ignorance, but were there spur lines into this Esperance-to-Kalgoorlie corridor?

**Mr Mickel**—It only links with the east-west line at Kalgoorlie. That is all that happens. It is a straight line north. There are no spur lines running in. All agricultural product coming off of farms, halfway to Perth basically, from the other side of Lake King, all comes in by road. We

have a huge transport network of trucking companies here in town. All we have got is the main line north, bringing down the mineral products, and a little bit of wheat out of Salmon Gums and Grass Patch, which are on that line running north. The rest of it is done by truck.

Our shire runs 4,500 kilometres of road, and we built every kilometre of it to carry the same road trains that the highways carry, because that is the only efficient way we can operate—4,500 kilometres of it.

**Mr RIPOLL**—Following on from your comments about the AusLink corridor, and the fact that it is not included in the corridor—obviously you are disappointed in that—I understand that you have made a submission to the federal government to have it included. Specifically you are looking for funding to upgrade that corridor and make some adjustments to the corridor. You have had no response on that, I am assuming.

**Mr Mickel**—We have not had any response, and we were not listing immediate needs with that. We are anticipating investment needed in the future, and we do not want to be at a point where we are told, ‘Sorry, you cannot get anything out of AusLink, because you are not on the map.’ That is our fear.

**Mr RIPOLL**—Are you also working with the state government to try to keep that issue of the future of this corridor front and centre of the priorities? You are doing everything you can in terms of making sure that they are priorities for state and federal governments beyond just the submission to AusLink?

**Mr Mickel**—We are certainly pursuing the state government wherever we can get assistance and cooperation. As has been said before, we put applications in for re-funding for extensions or the spur into the industrial park et cetera. We will not let the state off the hook, if that is what you—

**Mr RIPOLL**—I am not talking about letting anyone off the hook. I am interested in the practical nature of what you want to do and what sort of funding you need and what your time frames are. I will have another look at your submission but that is what you have included in what you have submitted to this committee. You are trying to make sure that we understand what this corridor needs in the future.

**Mr Mickel**—As there are increasing loads on it, we believe there will be need for significant funding. We do not want to be caught in a position where the federal government says, ‘Bad luck, you are not on the corridor. Go back with the state and put your own money in and do all that sort of thing.’ As a local government we try to throw in whatever we can, but our issue is the fact that we are not on there. We are not saying that we need somebody to throw \$10 million or \$100 million or a billion dollars at it now on these specific points. We are saying that we should be on there because of the significance of what it does for the economy of this nation.

**Mr RIPOLL**—But you have detailed the specifics of what needs to be done in the future?

**Mr Mickel**—I am not an expert to say that 50 kilometres of line has to be replaced between here and Norseman—

**Mr RIPOLL**—I am just trying to get to the pressure points where you have identified the best-placed people in the region to understand what needs to happen, and your submission actually covers that. This committee will understand what you are trying to get through.

**Mr Mickel**—We believe that it should be listed so it gets its fair share of federal investment in national infrastructure to service ports. That is what I have said from the first point. I can assure you that we will be going to Canberra sometime later this year or early the following year and we will be bringing with us a very substantial submission on that along with a number of other infrastructure needs for the region. But at the present time we would like your committee to make recommendations that this should be listed because it is so significant in the infrastructure needed for the economy of the nation.

**Mr RIPOLL**—We have heard you and we have taken notes. That is good.

**Dr JENSEN**—I notice that your port has had quite a substantial increase in the amount of freight that it is moving out, from 750,000 tonnes in 1991 to 7.2 million tonnes a couple of years ago. I notice as well that you are talking about 11.2 million tonnes in 2010. Given the way that the infrastructure is now, would you be able to cope with that 11.2 million tonnes?

**Mr Nulsen**—We will be able cope at the port. If you start at the port boundary and go inwards, we will be able to cope.

**Dr JENSEN**—How about further back?

**Mr Nulsen**—The infrastructure outside the port is what we are talking about today and the rail system is always in doubt. We probably need the duplication of that rail line from the rail siding into the port so that we do not have that single track in.

**CHAIR**—How many kilometres is that?

**Mr Nulsen**—Three kilometres.

**Dr JENSEN**—In effect, you are saying that by 2010 if you do not have a duplication of that rail you are going to hit a problem?

**Mr Nulsen**—I think that there is a problem arising rapidly but just when it starts is the question.

**Dr JENSEN**—Sure, but by 2010 that is going to be a real problem and a significant constraint on your operations?

**Mr Nulsen**—Certainly, and probably before then, I would imagine. Iron ore is the big product that comes down that rail and they already have problems getting sufficient iron ore down. Recently we had to close down for a week for maintenance. There are 18 trains a week with 120 wagons on a train. If you lose those trains for that week you never catch up; that is gone forever. There is no way of catching up those trains. There are only so many slots on the main line that they can use. No doubt you will hear from the rail people today about the problem they have getting more product down the track. I know that Portland are increasing their facility at

Koolyanobbing to produce more product and consequently they would like to get it down the track. They have just completed another shed at the port to hold product so that they can get more through. We have the facilities at the port to move it out. You probably noticed this morning that there is no iron ore ship in there. We can get a 180,000-tonner in and turned around in 48 hours. They come in and they are out—

**Dr JENSEN**—It appears to me that from the port's perspective the railway is the major constraint. With that 11.2 million tonnes, by 2010 do you think the road infrastructure—and I invite the other gentlemen in on this as well, not just Mr Nulsen—is going to cope the way that it is?

**Mr Nulsen**—The port is just in the throes of completing a major change within the port of the road system so that we can utilise a road which was purely a one-way road as a two-way road. It is almost complete and should be completed in the next month. When we have to start moving sulfur products out to Ravensthorpe, it will allow us to move out of the port without being locked in by the train movements, because the train moves into the port and tends to lock roads off. So we have changed that. But the grade separation at the port entrance is going to be the major bottleneck where the train and the trucks cross.

**Dr JENSEN**—And that will be a significant constraint in 2010?

**Mr Nulsen**—I think that it will be, yes.

**Mr Witham**—With road, we have focused a lot on this corridor but—and the Shire of Ravensthorpe will bring this up later—the road west of here at the South Coast Highway, Highway No. 1, is under increasing pressure. With the construction of the \$1.5 billion mine, we are seeing that the road has become very busy. There are no passing lanes. It is a very old piece of bitumen that is breaking up. If you look at the transport task, we are talking about 25,000 vehicle movements a year for woodchips. That has not started yet and will not be starting for a year or a year and a half. With grain freight, already we are looking at 80,000 road trains into the port a year and that is only going to increase as yields increase and cropping outdoes grazing. BHP have not started carting their nickel back and their sulfur out and that is going to be around about 18,000 vehicles a year. So the roads are going to be under increasing pressure. We have not touched too much on this because we want to leave it to the Shire of Ravensthorpe, but the freight task coming in from the west is huge and that mixing with domestic traffic is causing significant headaches.

**Dr JENSEN**—It would be very useful for the committee if you could prioritise these issues. Obviously there are issues that relate to the port and others that relate to the city itself and also to the wider infrastructure. The problem is that you have got different authorities dealing with this, but in terms of a strategic view on where the problems are and how to address them it would be very useful to have the entire system prioritised.

**Mr Mickel**—My belief is that we have got to endeavour to separate local traffic from the heavy traffic. You can get a lot more use on your road and it is much safer for everyone if you can separate the traffic. That is why we have said that grade separation is essential. That transport corridor—and it is typical of every regional port in Australia—tends to run through the middle of the urban areas. Urban areas are built up around it. In hindsight we would have made

sure that the corridor could be made as big and as wide as possible. We are trying to manage what we currently have, as I have previously explained, and if we can separate local traffic we can stack the road trains bumper to bumper or put more on them, I suppose.

Currently we are trying to do things also to increase the activities with rail, as we explained. Getting product down the line is one issue; getting it out of our industrial park and into the port is a separate issue. It is normally done with shorter, smaller trains which we can slot in between the big trains, as I understand. So there are a lot more options there. If we want to go blue sky we would say, 'Yes, you beaut, we want to resume all the land and we want an investment of \$1 billion and we will fix it all up and she will be good for another 40 years.' We are trying to work with what we have got. What we have done in the past is proactive and what we will do in the future will be proactive. But we have got some problems.

**Dr JENSEN**—One point I would be make here is that we had an extremely good submission yesterday in Albany prioritising what was required, the cost of each section, and basically what effect that would have on the network to the port.

**Mr Mickel**—You are saying you want more detail from us. We can certainly work on that. We have tried to be practical, not—

**CHAIR**—I appreciate that and I appreciate your strategic point that with AusLink you want to be on the map so that, when these problems hit, that potential funding stream is available.

**Mr Mickel**—We look for needs, not wants. That is how we try and deal with things in this community, and we are proactive that way.

**Ms HALL**—I would like to congratulate you on your proactive approach and on the submission that you have presented to us today. It probably shows why your port is doing so well with the involvement of all the bodies that are involved in the operation and the use of the port. I think if you could put some dollar signs near the five recommendations in your submission that would be a good solution for us as a committee. The question I want to ask, and I think it probably links into these recommendations is: could you identify any significant community issues or environmental issues that will drive or inhibit this and how do those issues link into the transport needs of this community?

**Mr Nulsen**—Obviously, we are talking about the transport corridor. We are talking about the effect on the community. We are talking about safety, which is a big issue. We have triple road trains doing a dogleg over a major railway line, with school buses on the same route. We have the noise factor—it is a major factor. It is the noise of the trains, the shunting of the trains and the hooters at the crossings and it is a significant community issue. As Ian has mentioned, around Australia you are seeing this pressure from urban populations. This is what we are worried about. We want the port to be efficient. We want the community to be happy, and I think these are the main drivers.

**Ms HALL**—Has there been any activity within the community at the moment complaining about these issues? I notice, looking at your references, that you have had noise studies and a number of other studies completed.

**Mr Nulsen**—The port applied for an increase in the amount of iron ore going out, to eight million tonnes, and as a result of that the EPA did a study, and they have done noise studies. There is a general level of community concern but, also, everyone understands pretty well in the community that the port is essential—it has been here and it needs to run—and I think that is why it is such a great community. The EPA are doing studies, and that is why the shire has been proactive on the planning issues, in double glazing et cetera. Also, noise bunding will be part of this funding package which we will give to you in detail very shortly. I think it is important to put that in place.

**Ms HALL**—I also notice in your submission, at 5.5, a new Kalgoorlie intermodal freight hub. You did not mention that in your presentation.

**Mr Nulsen**—The City of Kalgoorlie-Boulder is here today and they will be making a submission after us.

**Ms HALL**—They will be speaking to that.

**Mr Nulsen**—Yes.

**Ms HALL**—I will wait.

**Mr Mickel**—I might add that we are fully supportive of what they are trying to do. We have been working with them. I sat on the board that initiated that about 10 or 12 years ago. It seems obvious and logical. It is a crossroads to what is happening. It seems ridiculous to me how much product goes to Perth. We get it carted back here and back into Kalgoorlie even, so we fully support the intermodal project up there.

**Mr Nulsen**—Especially in light of the fact that we are going to get a container crane operating in the next 18 months and the freight is going to become more complex. We are going to need empty containers coming into Esperance, which is just as important as shipping containers out. That freight hub will be very important for empty containers.

**Ms HALL**—My final question is one that we have asked in a number of places and it is about the relationship between the three levels of government: how is it in this community and how can it be improved so as you get a whole-of-government approach to the operation of your ports and the infrastructure that leads into them?

**Mr Mickel**—I would say that we get good support from the federal government. In fact, the federal government funded the original study for our industrial park. We get good support from the state and we are very proactive as a local government. I do not know whether the bureaucrats of the state and federal governments ever seem to cooperate. There tend to be some pressures on. I would always encourage identifying the need, seeing how we can put a package together and working to get a good outcome. I find myself trying to work to facilitate that a huge amount of times. It just does not seem to happen to the same level that it might so that everyone can benefit from it.

**Ms HALL**—What are the barriers there? What is preventing this from happening?

**Mr Mickel**—Party politics, in my opinion. I sense that that is one of the real issues. We had a very interesting exercise with the development of Ravensthorpe Nickel. Along with the Shire of Ravensthorpe and the Esperance Port Authority, we spent a lot of time endeavouring to get federal funding to the infrastructure in the region—particularly within the Shire of Ravensthorpe, which is a small shire to the west. We were supported to get the project up. The state government had committed to it. I guess federal bureaucracy seemed to think that it was not their area and there was no benefit for them.

We had the good work of Mr Haase—and I do not say it because he sits here today—who brought a number of federal politicians and organised for Mr Nulsen, Mr Lee and I to meet them and convince them of the need for federal, state and local government to contribute to this. We got it in the end, but it was hard work. To me, you identify what the issues are, you work towards an outcome and everybody has to pull together. The approach of the Shire of Esperance is that we are going to do it and we would like you to be our partner. That is what we share. But brokering the deal between state and federal governments seems to be extremely difficult, I have found. Local and federal governments are reasonably good. State government is reasonably good. But brokering the deal between the other two always seems to be where—

**Mr HAASE**—We seem to always find that problem!

**Ms HALL**—Maybe you can come up with a creative model, one that you think might work, and include it in the additional information you are sending to the committee.

**Mr HAASE**—And a six-lane highway to Tasmania the next day! I raised the issue earlier in relation to the ownership or management of the spur line into the proposed Shark Lake Industrial Park. What is your preferred model there?

**Mr Mickel**—I guess our preferred model is that it would be owned by the group that owns the rest of the track—that is, the new Babcock and Brown consortium. That would be our ideal. We currently own the land, but if we need to own the land and manage that section of rail then so be it, as long as we can get some capital support to make it happen.

**Mr HAASE**—Who would manage the actual industrial park?

**Mr Mickel**—There are three areas. The park will be broken into three super lots. The port will own one-third of it—a dedicated area. It is a freehold farm, so it is freehold land. Co-operative Bulk Handling, the grain handlers, will own approximately one-third of it and the shire will own one-third of it. It will develop that and sell some pieces off or lease pieces to private enterprise which might go into value-adding type operations. The end result of that would be that we would still have to have an overall management process for the rail. We may have to use that process to raise the funds for the rail if there is not a pool of money somewhere, state or federally, to put it in.

**Mr HAASE**—Do you think that might be a shire or port authority type organisation?

**Mr Mickel**—Yes.



**Mr Nulsen**—Just to fill in there, the port authority has gotten involved in the industrial park as partners with the shire. As you know, in 2003 we reclaimed 22,000 hectares of land. We could see that in the future we would never be able to reclaim any more land with the problems of environment et cetera. That is why we got involved in the industrial park. At this point in time our projection is that it will be probably 15 to 20 years down the road before we can see a major need for our share of that park. It is a long-term plan.

**Mr HAASE**—You are 14 kilometres from the port at that industrial park. Short runs on rail are notoriously expensive per unit. However, that may be the salvation, given the location of the port within a residential and developed area. Do you see a long-term need for the duplication of that rail for the 14 kilometres?

**Mr Nulsen**—Yes, in the long term.

**Mr HAASE**—And it will be 25,000 by when, did you say?

**Mr Mickel**—In the next 20 years. Can I say that I am a bit more optimistic. I think we are going to do it in less than 20 years.

**Mr HAASE**—Okay. This is a burning question in my mind. What 50-year projection? Is the port still where it is? Can you handle that? Is the port there forever?

**Mr Mickel**—My opinion is yes. It is a land-backed wharf, the infrastructure that is there is now. If there were some major development in the northern parts of the region and a bulk outloading port was needed, there are other sites we would look to go to. But the land-backed wharf is there forever.

**Mr HAASE**—So the major obstacle is all of these increased truck movements, right? So the duplication of the rail—a really efficient product handling system at Pink Lake—may be the salvation to keep the port a functioning and a rational entity? Therefore, it is only a couple of hundred thousand, or 300,000, tonnes per annum at this stage of your woodchips. Is there a proposition for a chipping facility out at Pink Lake? Have you looked at the idea of bringing your truck logs into Pink Lake and then railing the chips onto ship?

**Mr Nulsen**—The chipping people at this stage have indicated that they will chip on farm and then aggregate at the port as required. So I guess the double handling of the chips would make it uneconomic. That is their preferred model at this point in time.

**Mr HAASE**—The final issue is the grade separation. Knowing, as I do, the local environment—and my colleagues will view that this afternoon—that is an absolute must. We will certainly fight to see what can be done as regards funds for that. I guess that just about sums it up. Would you agree that the grade separation is the most vital piece of infrastructure—No. 1?

**Mr Nulsen**—Certainly I would.

**Mr Mickel**—The first investment I would make would be to realign that road into the port, which will take the doubling out of that road, so there is not stopping and starting movements, and build that grade separation. I think that would address most of the environmental issues that

Mr Witham raised before, the concerns that people have when a truck is stopping and starting, and gears changing and moving up. Trains are beeping horns because they are crossing level crossings. It would make a huge improvement.

**Mr HAASE**—Just finally, the issue of inclusion on the national AusLink map, if you like. That is a dynamic document. I can understand your angst at being left off it at this stage, but I feel very confident that that won't be the permanent condition.

**Mr Mickel**—Thank you very much. Recognising that that is the deepest port, south of Derby and Townsville in Australia, recognising that it is the biggest nickel exporting port in the Southern Hemisphere and looking at all the other things that are happening, it is pleasing to know that there is a chance to get that one changed.

**CHAIR**—We had a very good submission from Albany on how, if they could get AusLink funding, they would run their woodchip, mainly, but other issues as well and fund a program under AusLink. It was very well reasoned, explaining exactly how much money will come from it. They would put in a modest amount of their roads recovery money into it. They show the federal government that they are prepared to put some dough in and they expect the state to put some dough in, and what federal contribution might be needed if it was AusLink declared. It was a very simple but impressive document. I refer you to it because I think it might be the answer. It looks to me like you want about \$14 million or \$15 million to get your three most immediate problems out of the way. On the other hand, if WestNet or someone else was designated to be the operator, instead of needing the whole \$4 million, to control that rail access to that port, WestNet might be agreeable to do it for some Commonwealth seed money, which would relieve you of all the worry of that part. There are lots of options, as you said before.

There is one other thing I would like you to do and it is something I have asked of all the witnesses. Going around all the ports, whether it be Mackay, Gladstone, Newcastle, Wollongong, Port Kembla, Portland or Darwin—yours is the first port we have been to that does not have some form of dredging problem—it has become obvious that just about every one we have been to either has a problem with dredging in the port or with the channel to the port. Just about every port has a ring-road, a connector or a port access road that needs to be upgraded. Although yours is of a smaller quantum, you have a similar problem.

I want this committee's report to contain a standard map for each of these ports. On your map, I would like you to show your existing road and rail system in black and then show in red what needs to be done to create that initial efficiency. I think that is absolutely critical. We want every one of these ports to help us with this and come up with an in-your-face picture for the bureaucrats in Canberra so that they look at it and say, 'Holy heck, all these have a common problem.' We will then have a case that we can put to government and which could also be included in the opposition's policy indicating that there will be AusLink funding, or whatever funding, for those sorts of ports. We will not do that by picking one little issue here and there. We have to build a corporate case. Mr Luttrell will come back and ask you for that map. We might include some common symbols on the maps so that as you flick from page to page in our report, the problem will hit you in the face. Can we rely on you for that sort of help?

**Mr Mickel**—Most certainly.

**CHAIR**—Thank you very much for your submission. It was a very good one. I was not trying to hassle you, I just wanted to get to the core problems. Thank you, Mr Shire President, for the use of your excellent facilities.

**Mr Mickel**—Thank you, Chair, for the opportunity and thank you for providing lots of questions. We enjoy answering them because we know that we are delivering the information that you need. That is a much easier process.

[9.57 am]

**CHISHOLM, Mr Anthony Dale, Director, Community and Development Services, City of Kalgoorlie-Boulder**

**WALLACE, Mr Darren Victor, Manager, Engineering Services, City of Kalgoorlie-Boulder**

**CHAIR**—Welcome. We are not going to place you on oath, but we remind you that these are formal proceedings of the federal parliament and consequently warrant the same respect as proceedings of the House. It is our custom to remind witnesses that the giving of false or misleading evidence is a serious matter and could be construed as a contempt of the parliament. Who is going to lead?

**Mr Wallace**—I shall.

**CHAIR**—Could you give us a five- to seven-minute overview of your submission and then we will get into the questions.

**Mr Wallace**—Thank you, Chair, and thank you for the opportunity to speak to this committee. It is good that you have been able to come to regional Western Australia and hear us. The city of Kalgoorlie-Boulder is a transport hub for the Western Australian goldfields. It is obviously located on the junction of the east-west road and rail networks. It has road and rail connections south to Esperance, which is our major port. It also has road and rail connections north to Leonora, and there is also the possibility of better road connections hopefully further north into the Pilbara sometime in the future.

When the question of efficiency of Kalgoorlie-Boulder as a transport hub arises, there seems to be a number of recurring issues raised. These issues can be summed up as the need for an independent common-user road-rail intermodal facility in Kalgoorlie-Boulder. The need is there to mostly overcome the physical, operational and competitive constraints of the existing facility in Kalgoorlie-Boulder.

The road link to the north needs to be improved. There are two areas there: in particular, the upgrading of the highway at Lake Raeside near Leonora, a road that commonly floods and closes off that portion of the state to its closest road route; and the upgrading or basically the construction of a proper link between Wiluna and the Great Northern Highway, which would open up the Pilbara-goldfields link. With its common mining industries, that could be a very important freight route.

**CHAIR**—That is along the Goldfields Highway, is it?

**Mr Wallace**—Yes.

**Mr Chisholm**—What we are referring to there is a northern extension of the existing Goldfields Highway.

**CHAIR**—I refer my colleagues to page 7 of this submission. Mr Haase says you need a triangular link coming off the Goldfields Highway.

**Mr Wallace**—Yes, almost north straight up across the highway.

**CHAIR**—Yes, hitting about a third of the way up between the old junction and Newman.

**Mr Wallace**—Somewhere along there, yes. If I could elaborate on that, since we seem to have stopped there for the moment, Main Roads WA have recently done a study into that link and arrived at four options. One is straight across to Meekatharra, and the others are a more direct northerly route. They have come up with the obvious that current road use does not warrant the upgrading. But the road is in such poor condition that nobody uses it, so it is pretty much stating the obvious.

**CHAIR**—It is a chicken and egg thing, isn't it?

**Mr Wallace**—Yes, very much so. There are obvious advantages with the link, particularly, as I have said previously, with the commonality of industries between the goldfields and the Pilbara.

The other issue that comes up is the efficiency of the Esperance port. As has been stated earlier, the Esperance port services all the goldfields and particularly Kalgoorlie-Boulder. Any increase in efficiencies, particularly getting road transport off the road and onto the rail network, will be a general efficiency that services all of the goldfields. We are very supportive of any moves in those directions. One of the things that has been identified was that the length of the sidings was limiting the length of the trains that could come into the port. They have recently been upgraded. But that is still a situation where other problems may arise in the future.

Our main thrust, though, was the intermodal facility in Kalgoorlie-Boulder. We see that as a natural junction in the road and rail networks. The upgrading or the creation of a new, completely independent intermodal facility would facilitate a greater use of offloading of goods and rerouting those goods either by road or rail in different directions.

**CHAIR**—Are we talking about general commodities or bulk commodities?

**Mr Wallace**—General mainly. Bulk commodities tend to pass through in bulk. Recently Komatsu in Kalgoorlie have been trucking up their machinery and actually assembling it in the goldfields for distribution. That is on trial. With the current handling situations, it is a little less than optimal, but that is one of the things that could certainly be happening in the future. With a number of the machinery companies situated in the goldfields, it is certainly an opportunity that could arise.

We acknowledge that there is currently an intermodal facility in Kalgoorlie-Boulder. It does have certain limitations in its operations, although it is in the process of being upgraded. We are yet to see whether they will relate to any real efficiencies.

**CHAIR**—Is there sufficient land at the existing site to do the hub or are you looking at a new hub?

**Mr Wallace**—We are in a process at the moment—and we are probably a little bit behind for this commission—in conjunction with the Department for Planning and Infrastructure in Western Australia, GEDC, council and the chamber of commerce—and Main Roads are now also on the steering committee. There is a study going on as to the feasibility of the hub. One of the terms of reference of that study is to look at the land tenure requirements and where the intermodal facility could be situated. There are two likely options. One is Parkeston, which is the end of the Australian Rail Track Corporation's line and the start of what is now the WestNet line. The other is closer to the existing facility and would be a complementary facility to the existing facility. Regarding a question you asked earlier, the operation of the new intermodal facility is also one of the terms of reference for the report but at this stage the city would certainly be leaning towards some form of inland port type model similar to the Esperance Port Authority. It would be a not-for-profit organisation.

**CHAIR**—Do you want to add anything, Mr Chisholm?

**Mr Chisholm**—Not at this point. We are ready to answer some questions.

**Mr HAASE**—Gentlemen, it is lovely to see you at the table here and pushing the barrow for this very necessary facility. You can rest assured that as part of this group I shall be speaking loud and long in support of it. I would like to get solidly onto the record the differences between the current West Kal facility, which is hemmed in to a degree, I believe, with existing development and is privately owned and managed, and the proposition I believe you have, which is for a facility in a less developed area with unlimited development opportunities which would be publicly owned and managed as an inland port by the City of Kalgoorlie-Boulder. Is that correct?

**Mr Wallace**—It would certainly be independently owned and managed. The City of Kalgoorlie-Boulder would be happy to be part of a not-for-profit consortium. Whether or not it would be just the City of Kalgoorlie-Boulder is not imperative, but we would certainly like to be part of it.

**Mr HAASE**—I understand. You are saying that there would be an authority that was perhaps similar to a port authority.

**Mr Wallace**—Yes.

**Mr HAASE**—I believe your motivation for that is the fact that the existing facility and the history of Parkeston has been that, because of varying ownership models of rail infrastructure, some rather exorbitant rates per tonne have been charged for freighters to move product.

**Mr Wallace**—We are being told by the industry that there is no incentive for them to offload in Kalgoorlie-Boulder because, once they are on the rail network, they are basically paid to go down to Perth.

**Mr HAASE**—So there is no concession given for freight at this stage to be offloaded in Kalgoorlie, even though there is the facility there to do so.

**Mr Wallace**—That is the information we have been getting from the transport industry.

**Mr HAASE**—My advice is that all trains coming from the eastern states or going to the eastern states do in fact currently stop to refuel at Parkeston. Is that correct?

**Mr Wallace**—That is correct. The refuelling facility is at Parkeston.

**Mr HAASE**—So there is no valid argument about the stopping and starting of a train adding additional costs.

**Mr Wallace**—You would have to take that up with the rolling stock companies. They are certainly stopping at Parkeston for refuelling.

**Mr HAASE**—So the trend is to send all eastern state sourced product on rail through Kalgoorlie-Boulder to Kewdale. If it is destined for the Pilbara, the goldfields or Esperance it then gets back on to either rail or road and takes the journey out of metropolitan congested Kewdale.

**Mr Wallace**—That is my understanding. I understand that one out of three trains stops and offload part, not a terribly big part, of each load in Kalgoorlie-Boulder.

**Mr HAASE**—But not with any freight rate concession?

**Mr Wallace**—That is my understanding, but I would need to clarify that.

**Mr HAASE**—We agree on that. I know the issue very well. It is something that has been on the drawing board for such a very long time and I find it amazing that something has not happened previously. Are you aware of any of the hurdles that have been in the way of the progress of this idea, this intermodal hub?

**Mr Wallace**—I suppose more than anything it has been that it has not had a champion pushing for it. That changed when the city ran with it a couple of years ago and received funding from the state government for a feasibility study. Stage 1 is complete and stage 2 is honing in on some of the finer points at the moment.

**Mr HAASE**—To your knowledge, does the product that would be taken from Kewdale off rail and then north to the Pilbara have to go on single trailer loads until outside the metropolitan area where it can be assembled into road trains?

**Mr Wallace**—Yes.

**Mr Chisholm**—That would be our understanding, yes.

**Mr HAASE**—So there would be far less transport on roads in those congested areas and far more efficiencies if those road trains could be assembled at rail and taken all the way to the destination?

**Mr Wallace**—Definitely.

**Mr HAASE**—That leads me to my next point. I am wondering about the name for the proposed road link from the Magellan mine to the Great Northern Highway. Is it the Duralan bypass? No? At any rate, that particular proposed new road link, I believe, saves some 150 kilometres of existing road distance.

**Mr Chisholm**—Are you referring to the link that goes through to somewhere near Doolgunna?

**Mr HAASE**—Exactly.

**Mr Chisholm**—Yes, I believe it is something like 170 kilometres.

**CHAIR**—That is that triangular bit we talked about?

**Mr Chisholm**—Yes.

**Mr HAASE**—Such a saving would be incredibly vital for the long-term success of the intermodal hub, would it not?

**Mr Wallace**—We believe that the link north and the traffic north would put the intermodal hub in the profitability section, yes.

**Mr HAASE**—Have you made approaches to the state government in relation to that link being necessary to this whole intermodal hub proposition?

**Mr Chisholm**—The city council has previously put forward submissions supporting that link. In fact, as a preference to upgrading routes such as that across to Meekatharra, the city council has in the past supported the direct link north to complete the ‘triangle’, as the chair has been referring to it.

**Mr HAASE**—So that is something on which I ought to be pursuing my very good friend Mr John Bowler and getting some cross-party cooperation?

**Mr Wallace**—It is included in the terms of reference of the study that is happening at the moment that the freight into the Pilbara is to be factored into any determinations.

**CHAIR**—What is the talking figure for that 175 kilometres?

**Mr Chisholm**—I am sorry, Mr Chair, I will have to take that on notice.

**Mr Wallace**—A report was released only two weeks ago by Main Roads that does have those exact figures in it, but I do not have those on me, I am sorry.

**CHAIR**—Could you get back to the committee with that figure?

**Mr Chisholm**—We certainly can.



**CHAIR**—Do you have a development commission in that area?

**Mr Wallace**—Yes, it is the Goldfields Esperance Development Commission. Obviously, the linking of the road actually links the two development commissions—the Pilbara Development Commission and the Goldfields Esperance Development Commission.

**Ms HALL**—In your submission, you state that you fully support the submission that we previously heard. Is that correct?

**Mr Wallace**—That is correct. As I said, Esperance is our closest port and any improvement to the operations of the Esperance port and in particular the road-rail link down to Esperance has great benefits to freight movements in Kalgoorlie-Boulder and the goldfields in general.

**Mr Chisholm**—And particularly the development of a transport hub, bearing in mind that we are at the crux of the major rail network that runs across the country and the significant rail and road networks that run north-south, linking mining industry to the port.

**Ms HALL**—So the recommendations set out in the previous submission are vital for the ongoing prosperity and development of your region?

**Mr Wallace**—Certainly, yes.

**Dr JENSEN**—I am going to go off on a slightly different track; I think that Mr Haase has actually made your point very nicely. My question is: in relation to moving product out of Kalgoorlie-Boulder to ports, do you have significant constraints at the moment?

**Mr Chisholm**—Not so much directly at Kalgoorlie-Boulder, but the mining industry in the region—

**Dr JENSEN**—In the Goldfields area, yes.

**Mr Chisholm**—We are aware of movements of activities from, say, iron ore. Koolyanobbing currently brings large tonnages down through to Esperance. You will hear from them later today, I believe, but I understand that there are desires to have, particularly, rail sidings improved—lengthened and the like. In that context, we consider that to be part of the mining region. Obviously, there is the ongoing development of nickel, which has really taken off in recent years. Traditionally we are a gold mining area but nickel has become a major export industry in the area. As the huge resources in the area develop, I can see that any improvements on that line to the port have been of benefit to the region in general.

**Dr JENSEN**—Do you have any understanding of when, if no work is done in terms of upgrade, you are actually going to hit a capacity constraint?

**Mr Chisholm**—Not specifically.

**Dr JENSEN**—Thank you.

**CHAIR**—Mr Ripoll?

**Mr RIPOLL**—I am happy with that.

**CHAIR**—I would like to explore a bit of earlier information. The previous witnesses said that they felt sure that Kalgoorlie-Boulder would support their general thrust. What is your take on the line and the road between Kalgoorlie, say, to the centre point to Esperance? Would that be about north-south from Kalgoorlie-Boulder down to there? What is your take on the condition of the track and the road?

**Mr Wallace**—My understanding is that the geometry of the track is not ideal and in fact limits the speed and the safe travel of the trains using that line. That is obviously going to slow the trip down and lessens the amount of rolling stock you can have on the line. As to the age and what have you—I am certainly no expert on that.

**CHAIR**—How long it is it since that was upgraded from a narrow gauge line?

**Mr Chisholm**—Someone else would be able to answer that.

**CHAIR**—We will ask Mr Larsen when he appears this afternoon. I would like to understand a bit more the rationale for an inland port. If we are going to argue this on your behalf, we have to go beyond emotion and saying, ‘Wouldn’t it be nice?’ It has to have some hard-edge economics on it. Explain the sorts of movements that could take place at this hub. I understand you have a north-south rail link and an east-west rail link and that that is the centre point of it. And I understand you have a number of roads coming into Kalgoorlie. But what does it achieve that is not happening now?

**Mr Wallace**—I suppose one of the main things that has been identified in the first study that we have done into it was the handling of dangerous or hazardous goods. Because of the location of the current facility it has some limitations on what goods it can handle and for how long it can hold and store them. Obviously the mining industry, by its nature, uses quite a number of dangerous and varying goods in quite large quantities.

**CHAIR**—Is there a special holding bay for explosives?

**Mr Wallace**—There is an explosives reserve, separate to the intermodal facility, which in fact manufactures a lot of the—

**Mr Chisholm**—It is a manufacturing facility.

**Mr Wallace**—Yes. But there are quite a number of other dangerous chemicals that usually get trucked back in through Kalgoorlie-Boulder that come from the eastern states.

**CHAIR**—That is a mounded reserve with battered walls, is it?

**Mr Wallace**—The current explosives reserve?

**CHAIR**—Yes.

**Mr Chisholm**—Not as such.

**Mr Wallace**—It is not bunded. It has razor wire around the outside to prevent you getting in.

**Mr Chisholm**—I think it has isolated bunding around individual buildings within the reserve, with certain separations between them.

**Mr Wallace**—There are quite a number of companies that sublease areas within it from the state government. I believe they do have bundings around some of their own bunkers for their storage. But some of the other chemicals that are just trucked through to the other sites, rather than going all the way across and being trucked back out, could in fact be off-loaded and handled at the intermodal facility. There are any number of goods that come across. One of the larger retail chains was considering setting up in Kalgoorlie-Boulder, and part of their requirements was that they would want to be able to off-load their goods directly rather than what most of them do, which is ship down to Perth and distribute from there.

**CHAIR**—There was a point Mr Haase was talking about, and we were discussing this yesterday. I understand that if you do not get a run of about 300 or 400 kilometres it is hardly worth taking things on rail, especially if there is a double-handling component involved. One of the things that the committee were quite stunned about was that when the Alice Springs to Darwin line was first talked about we were told what a marvellous thing it would be for the movement of cattle and so on. When we got up to Darwin and started to investigate this, we got the exact opposite story from the cattle industry: that they did not like using the train because it meant double handling at each end. Notwithstanding those features, there seems to be a reluctance from the various above track rail operators to uncouple wagons. What is the history of that? I would have thought that the one place in Australia that would lend itself to that, given that you have to stop for fuel there anyhow, would have been Kalgoorlie.

**Mr Wallace**—I am not completely sure. I think there is an element of: ‘That’s the way we’ve always done it.’ As I understand it, there may also be an element of difficulty in sorting the carriages in the larger centres—Melbourne, Adelaide and where have you—so that they can just drop the back half of the train, rather than having to single out carriages and reshunt around. Obviously, that becomes quite costly.

**CHAIR**—If you are going to take wagons from various parts of the train, obviously to uncouple seven, eight or 10 wagons—

**Mr Wallace**—I think there are some problems with that.

**CHAIR**—With the assembly of the train.

**Mr Wallace**—Yes, with the assembling at the larger facilities. I suppose it has become an economic issue. You have to ensure that taking a bit longer at one end does not outweigh the cost of transporting back 600 kilometres from Perth to Kalgoorlie-Boulder. But with fuel prices going up—

**CHAIR**—What else goes on the train between Leonora and Kalgoorlie and Kalgoorlie and Esperance? Is it just bulk commodities? Are any other commodities hauled on those lines? Is there a freight train once or twice a week?

**Mr Wallace**—There is a freight train to Leonora.

**Mr Chisholm**—I do not believe it comes to Esperance.

**CHAIR**—No passenger services?

**Mr Chisholm**—No.

**CHAIR**—What would be your biggest single ask for us as a committee to highlight in the report? Is it the rail link off the Goldfields Highway? Is it the hub at Kalgoorlie-Boulder? What is your biggest ask? What is your most critical ask?

**Mr Wallace**—For us, representing the City of Kalgoorlie-Boulder, it would be the hub at Kalgoorlie-Boulder, although we see that the link north is an integral part of the effective operation of that hub. The hub itself being in the city would be our primary ask.

**CHAIR**—You are with the council, of course. Who take takes responsibility for the Goldfields Highway operation? Is it the local shire?

**Mr Chisholm**—No, Main Roads.

**CHAIR**—Are they running the agenda on that at present?

**Mr Chisholm**—We do not know about running the agenda. They have it on 10-year programs and the like.

**CHAIR**—We have all known main roads departments to put things on programs. That is just a quiet way of saying, ‘We’ll shift it back five years every time it’s getting close.’ There is no-one specifically driving it other than the state bureaucracy; is that what you are saying?

**Mr Wallace**—Pretty much so. At the main moment Main Roads are looking at it, but the two development commissions have certainly been pushing it through as well.

**CHAIR**—I was just going to ask you about the development commissions. What about the local government associations along that route?

**Mr Wallace**—They certainly have been supportive of all regional transport planning issues that have come before them.

**CHAIR**—We hear that Esperance are thinking of a deputation to Canberra early next year. Have you ever thought of doing something similar, bringing all the councils along that route down to Canberra and saying: ‘This is absolutely essential. We want it done. We want this freight up and we want this new link to Newman?’

**Mr Chisholm**—That has not been done yet, Chair. I know that local governments in the region have undertaken similar endeavours in the past, for example, with the upgrading of the tourism link through to the Alice and though to Yallara. They have had deputations go to Canberra in that regard, so it is not something that is foreign to the local authorities.

**CHAIR**—As with the last witnesses, I refer you to the document that Albany put out. It is very simple, it is descriptive, it is not too wordy, but you can see very clearly what they would be prepared to put in, what they expect the state government to put in and what they are asking the Commonwealth government for. It is a very impressive document and worth having a look at if you are putting a submission together either on the road or on the hub. This is probably not quite as essential, but if there are any issues of road or rail rerouting as part of this hub or in general, would you provide us with a map with the existing arterial roads and tracks in black and what you propose in red so that when this comes to government we can see page after page showing this common problem?

**Mr Chisholm**—Certainly.

**CHAIR**—We thank you for your evidence. Please convey our best wishes to your mayor and councillors. We thank you for coming down to Esperance today to make this presentation.

**Proceedings suspended from 10.27 am to 10.51 am**

**VOYSEY, Mr Robert James, Manager, Logistics Strategy, Cooperative Bulk Handling Ltd.**

**CHAIR**—Welcome. Although the committee will not require you to give evidence on oath, I remind you that these are formal proceedings of the federal parliament and warrant the same respect as proceedings of the House itself. It is customary to remind you and all witnesses that the giving of false or misleading evidence is a serious matter and could be construed as a contempt of the parliament. Would you like to give a five- to seven-minute overview of your submission.

**Mr Voysey**—Unlike most people who have presented before this inquiry, we are slightly different in that we have not presented a formal written submission at this point in time. I will spend some time talking a little about the company and some of the issues we face as an industry. I have put a map on your desk, which you may like to refer to.

**CHAIR**—How long do you think that will take?

**Mr Voysey**—It will take less than five minutes, I would think.

**CHAIR**—That is all right. We do not have to talk about single desk, do we?

**Mr Voysey**—No, we do not.

**CHAIR**—Mr Voysey has kindly presented us with a very good map. Would someone like to move that this be accepted into the record as an exhibit and authorised for publication.

**Dr JENSEN**—I so move.

**Mr RIPOLL**—I second it.

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

**Mr Voysey**—Cooperative Bulk Handling is a grower-owned cooperative, the operations of which are covered by the Bulk Handling Act of Western Australia.

**CHAIR**—How many members are there?

**Mr Voysey**—At the moment, there are about 6,500, reducing each year. We are the monopoly bulk handling company in Western Australia. There are 198 sites, which is the reason for giving you the map, spread right across the grain growing areas in Western Australia. There are 28 areas, with six zones and we load out of four ports. On the port capacities, three ports—Esperance, Kwinana and Geraldton—have a storage capacity in excess of one million tonnes, and, following the upgrade that is being undertaken at the moment, Albany will have 600,000 tonnes. All those ports are accessed via residential communities and that creates some issues for the industry. In total, we have a storage capacity of about 19,000 million tonnes across the states. Replacement costs for this infrastructure are about \$3½ billion.

We also have a grain marketer subsidiary, Grain Pool Pty Ltd, which is the main licence holder for prescribed grains in Western Australia—being barley, canola and lupins—and we have a domestic trading arm, AgraCorp. We have a chartering division and a logistics section. Our logistics operations deal with the needs of 26 acquirers of grain across our network, 59 segregations of grain, which is increased through reservation by marketers, and the activities of the grain licensing authority and those licence holders. We also have some downstream processing, overseas mills, lupin dehulling, a cleaning plant at Metro Grain Centre and containerisation loading facilities there as well.

Some of the key issues that the industry is currently faced with are a result of the period of flux that we are in. The industry is going through a period of deregulation that is unprecedented in its history. We have moved from a beautifully regulated industry where everyone had a role and everyone stayed within the boundaries of that role, to an industry where there are no longer boundaries and each of the major players—and some of the minor players at this point in time—is moving between those boundaries. Because of this deregulation, we see an increase in customers and an increase in the commercial drivers across the network, which is leading to suboptimal network investment decisions. I have a couple of examples; I will quickly mention them now, but I am happy to expand in question time. There was an upgrade recently done at Albany. There was a rail issue there that would have led to a grade separation that we had to abandon. It was part of an industry based contract review recently. There was an infrastructure funding mechanism that was abandoned. And there is an issue that has been on the table for as long as I have been in industry that is still unresolved out at Shackleton and Kellerberrin. There is growing conflict between commercial objectives and social environmental impacts of those decisions, and we have a poor investment environment at the moment.

We are a large user of the narrow-gauge rail network across the state—probably the largest user. I am sure Mr Larsen will be able to expand on that later. Across most of that network, we have low tonnages. It is fair to say that even by conservative commercial measures those line sections are not economically viable. I can talk some more about that in a minute.

We have also seen, because of the increase in commercial pressures, an uncoordinated approach to funding for infrastructure type investment. We had some issues in relation to road versus rail infrastructure costs. For example, slip roads into the site—which can serve the site for receivables, but also for out-loading via truck—are in the order of \$600,000, whilst rail related loading infrastructure at the moment runs to about \$4 million. So economically, it would make a lot more sense for CBH to invest in road related infrastructure rather than rail, although, as a company, we are very strong supporters of rail. Rail siding construction and maintenance costs are also very, very high.

There is a lack of coordination in the grain industry at the moment. I noticed the report by the exports and infrastructure task force to the Prime Minister mentioned the Hunter Valley Coal Chain Logistics Team. There are reasons why that model will not work in Western Australia, and, once again, I am happy to expand on that in question time if required.

There are some solutions that are currently being worked on at the moment. Unfortunately, as a result of the rail contract renegotiation that occurred when the GLO was created, it actually had, in its old form, some very good planning structures that did, in some way, coordinate movement of grain and the needs of all the major players in the state. That has virtually broken

down to a point where there is a lack of coordination. We are trying to work with the Department of Planning and Infrastructure at the moment, as well as AiG, WestNet and AWB in relation to an initiative that will see a more structured approach to investment in the grain related network. We are also working on a confidential solution—I am happy to provide the details to this inquiry separately—that will lead to a better coordination of grain across the network.

In terms of the needs of the industry from government, funding certainly is a major one: funding for local roads, funding for rail passing loops—we have pathway issues; there are conflicts at the moment that would be mitigated to a fairly large extent by some investment in passing loops—funding for rail and road related transport infrastructure, and particularly in the ports. A good example is here at Esperance, where a grain train needs to be broken up to bring it in. It is quite an inefficient operation, and that is when we can get a train down. I noticed that Mr Mickel mentioned that it has been some time since a train has been in this zone. That is really a capacity issue which, once again, I can expand on later.

Equally importantly, we need state government recognition of the characteristics of the grain industry and the way it applies legislation. I am speaking specifically about the new compliance and enforcement bill, the chain of responsibility model legislation. That has some major implications for the industry and local governments. The state government certainly has a fairly major role to play in the way that we deal with that new legislation and our obligations under it. That is really the extent of my introduction. There are some issues that you may want me to expand on. I am happy to take any questions.

**CHAIR**—Yes, indeed—very much so. I could not help thinking as we listened to your submission that the passing loops are an issue, aren't they? When this committee did a study, *Tracking Australia*, some years back, it was a big issue then. It is an area that the committee might look at. To what extent—and I suppose this is a fairly generic question—do good rail loops improve your efficiency? Have you done any work on that or on what savings could be made and so on?

**Mr Voysey**—As part of the work that we have been doing with the ARG, AWB and the government, a review has been commissioned. It is actually a two-stage review. It was a top-down approach that we engaged some eastern states consultants on. ARG and CBH got together and did a bottom-up review. One of the outcomes of that process, which has now been combined into one, was to identify the sorts of improvements that could be made across the network to improve efficiencies. Rail passing loops allow train movements to occur. The more frequent loops that you have allow train movements to occur more freely. A good example of where that could be improved is in the Albany area, where a train might park at the port and wait several hours because it cannot actually enter the main network until a train that is moving down from up-country clears a certain section and allows the train to pass. If there were more frequent passing loops we would certainly be able to operate the trains more frequently. The extent to which that operation would be improved is really a matter for the rail operator. I am certainly able to make an inquiry if Mr Larsen cannot provide any feedback later. I will make an inquiry of ARG, as the rolling stock operator, and provide that information back.

**CHAIR**—The big dilemma we have seen in Victoria and Western Australia—and, no doubt, we will see it in New South Wales and southern Queensland when we go there in a month's time or whenever it will be—is the problem of maintaining the grain lines. It is a big problem



everywhere. We do not solve the problem by putting it all on road; we just exacerbate another problem. If, as it is said, the freight tasks in Australia will double in the next 10 years and treble in the next 20 years, then the last thing we want to do is put grain trucks on the road. What is your take on how we can preserve at least the best of the grain lines? Is there a case for closing some and creating new depositing hubs, for example, where you could constrict a lot of the road transport and localise it rather than have it going on arterial roads? Has any work been done on that in the west?

**Mr Voysey**—Yes, that is actually the focus of the analysis that is being done. It is called the Grain Infrastructure Group. I believe that you will be getting a presentation tomorrow from a representative from the Department of Planning and Infrastructure and I am sure they will expand on it. The objective of that analysis is to develop a grain supply chain that is sustainable in the long term. A solution is being proposed. The contents of that solution are reasonably confidential at this stage, but I can say that that solution, which is a package of several components, does include the creation of up-country hubs and the rationalisation of some network. It is only a recommendation at this stage and I know that no decisions have been taken. In fact, the current analysis looks at the local road impacts of taking that course of action, because without some sort of significant funding for local roads it would have a devastating effect, in my view, on the local roads, for us to simply enact that solution.

**CHAIR**—Is there a talking figure in Western Australia for upgrading the grain lines to an acceptable standard?

**Mr Voysey**—In dollar terms? Once again, that is really a question for ARG, but what I can say is that there are vast sections of the line, the narrow-gauge network in particular at the moment, that are serving the grain industry that are not viable, even by conservative commercial benchmarks, so something needs to occur. As I said, we have put in place a solution; it does close the worst of them, but it does create the right sorts of drivers to make the remaining line sections viable in the long term.

I would like to add, Chair, that as part of that solution there is a significant need for funding for various things, and I have mentioned that as something that the government can bring to the table to help the industry. The industry itself has put on the table a funding mechanism which will be contributed to by all users of the network that will generate funding in the order of \$120 million, and CBH is backing that proposal with its own funding commitment of up to \$250 million for related storage infrastructure. So there is significant money on the table already from industry; it is not a matter of us simply putting our hand up and looking for state and federal government funding.

**CHAIR**—You are looking at a sort of tripartite thing—the industry, the state government and the federal government?

**Mr Voysey**—That is the basis of the proposal that has been presented.

**CHAIR**—And that involves depots and track upgrades, does it?

**Mr Voysey**—There is some work on the tracks built into that, mainly in related infrastructure—some extensions to loading loops et cetera. What we need to do is create efficient

loading operations for rail to generate the right economics inside the rail operation itself, to improve the viability of those branch lines. It does come at some additional handling costs. What we are looking to do is create, say, 40 hubs across the network. There are 198 up-country sites at the moment, of which 128, I think, are serviced by rail. We are looking to reduce the number actually serviced by rail to some 40 and concentrate the investment, remembering that it comes with a price tag of about \$4 million a site, at 40 sites rather than trying to make the rest of—

**CHAIR**—There is just one danger in this, of course: that we may be shifting the responsibility for the upkeep of the basic infrastructure for the freight task from state government to a lot of local authorities. I hope these hubs are planned in such a way that you are not creating a monster for local shires, because that would be an exercise in futility. If you get the rail system cranked up, so to speak, but at the expense of the shire roads, that possibly would not be a good net solution.

**Mr Voysey**—No, I totally agree. In fact, the issue is being looked at not just in relation to the local shires; we are looking right back to the farm gate in the analysis that CBH is doing at the moment. And, as I mentioned, one of the things that the government can assist us with is funding for local government roads, and the analysis that is currently being undertaken is an impact analysis of the hub concept on local roads. We are generating the numbers so that we know the size of the issue that we are dealing with in terms of the impact on local roads.

**CHAIR**—Good. You mentioned one other thing, and we were talking earlier about this; I do not know if you heard the evidence. You have some wheat that comes directly down the line from Kalgoorlie to Esperance. Grain, as I understand it, has only been grown here on a fairly extensive scale since the fifties, but is there potential for utilising the standard-gauge rail more effectively?

**Mr Voysey**—At the moment there are only two sites that are located in this port zone on the standard gauge. There are only two sites that are serviced by rail—Salmon Gums and Grass Patch. I know that there is a proposal that the Shark Lake development also be serviced by rail, but as an industry we have some real concerns about that because our experience with short-haul rail, as you have mentioned already today, is that it is not economically viable. It certainly cannot compete with road, and we are being asked more and more to act commercially.

It is hard to see any real opportunity to increase the use of rail into the Esperance port zone for two reasons: firstly, the locations of the current storages and, secondly, the problems that we have in the port itself in terms of the discharge operation, which is quite inefficient at the moment. Most of this port zone is serviced by road.

**Ms HALL**—You mentioned two issues in your presentation that I would like to raise with you. Firstly, you mentioned that there are conflicting commercial and environmental issues which are impacting upon your organisation. Would you like to expand on that?

**Mr Voysey**—I can give you an example of one issue and there are many. CBH, as an organisation, is faced with a growing maintenance bill for its storage network. As I mentioned, there are 198 up-country storages. It is unsustainable, given that we are also under increasing pressure to maintain supply chain costs and, where possible, reduce them. We are a price taker in our market. We do not have the opportunity to pass on land based supply chain price increases to

our market, so we are continuously under pressure to reduce them. CBH has tabled a strategy to reduce the extent of its network by reducing the number of sites to some 60 primary sites. There are secondary and satellite sites but over time those smaller sites would be closed.

The impact of that for local communities is that, as those smaller sites are closed, during the harvest-receiving process, trucks will be travelling further on local roads to the nearest bin. Of course, that increases the road maintenance costs. Road safety issues are always a concern for the industry, although we do manage them very well. That is an example of an impact where, because of the commercial pressures we find ourselves under, we are looking to rationalise our network, and it will result in a transfer of costs to local communities.

**Ms HALL**—You stated in your presentation that a similar situation to that of the Hunter Valley coal chain would not be appropriate in this area. As someone who comes from the Hunter, I know how effective it has been in addressing a number of the problems that exist in that area. I would like you to convince me that it would not work here.

**Mr Voysey**—Certainly, there are many reasons for it. One of the things that was obvious to me when I looked at the arrangements that have been put in place over there is that all the members of that team had skin on the table. Nationally in the grain industry, you have a disconnection between operational interface—or the day-to-day operations—and the financial accountability, if you like. For example—and I am not throwing stones; I am just using this as an example of the problems that we face—AWB do not own any storage and handling infrastructure in this state. They control the funds flow from the export grain that comes in. They pay the bills, if you like. They have no infrastructure at risk in Western Australia. They pay the freight bills. They are in a significant position to reduce costs at any cost, because they are rewarded for it, which has a detrimental impact on the supply chain in the long term. They are still the owners of that grain, once it is delivered to the pool. So, if you were to take the Hunter Valley model, you would include AWB at the table, yet they have no infrastructure at risk and they are rewarded for pushing costs out of the supply chain at any cost. It is not a model that would work with AWB at the table. As I said, they are responsible for the movement of about 70 per cent of the grain that moves across the network. It is, effectively, in their name when it is delivered to the pool. They own it in a legal sense. It is not an optimal solution from the point of view of an infrastructure owner.

The other thing that has come out in the past is that, even though AWB have been party to agreements that have led to investments in infrastructure, they have moved away from that model at the moment. They are potentially a competitor of CBH in the future, and they did not want to be party to a mechanism that funded investment in infrastructure for a future potential competitor, CBH. That was one of the reasons they moved away from it. Those sorts of drivers at the table create an air of mistrust. To be quite honest with you, more recent attempts to have a more coordinated approach have failed because of that.

**Ms HALL**—You are right in identifying trust as a big issue. I think that was one of the big issues initially in the Hunter Valley, but once that commitment was made. Is there a variation on the model that we use in the Hunter that could fit this region and this industry, maybe with some changes as far as AWB are concerned—maybe, where they do not own the infrastructure, having them make a contribution in other ways?

**Mr Voysey**—The short answer is that there is a solution. Just to make it very clear, it is not simply AWB. AWB was the example I used, but also at the moment you have some significant tonnages being accumulated across the network by the Grain Licensing Authority licence holders. So the GLA are issuing export licences. They are now moving significant tonnages, so they do impact on supply chain efficiency. Yet they are not a party to any industry based agreement that has all the positive investment mechanisms in it, for example. So it is not just AWB; it is a whole raft of different people. There is a very good solution that will achieve the sorts of efficiency in the supply chain that we need. It is being worked on at the moment. It is confidential, but I am sure that the company would be prepared to provide it to the inquiry separately on a confidential basis.

**Ms HALL**—That would be great. We can maintain its confidentiality.

**Dr JENSEN**—You have certainly gone over a very broad area. One of the issues that you spoke about was costing road and rail. This committee has found that an issue throughout Australia is how to adequately cost road and rail. In your view, how do we go about trying to adequately cost it in terms of the real costs, including maintenance of infrastructure, so that we are not having the same hearings in 20 years time?

**Mr Voysey**—It is actually a very difficult issue. I can only speak from the industry's perspective. I need to reiterate that we are a price taker in our market. Simply increasing the cost to road is not a solution to making rail viable. There has to be a better way. We need to keep land based supply chain costs under control or we suffer in the market. At the end of the day it is the grower that actually pays, out of reduced pool returns et cetera. It really is about achieving optimal efficiency. There is a model that we believe will certainly significantly improve the efficiency across the network. Then there is coming up with a mechanism—and I do not have a solution at this point in time—to share those efficiencies across the supply chain. It cannot simply be a case that you create an efficiency for one and all the benefit of that efficiency ends up in the accounts of that one member of the supply chain. Everyone in the supply chain has a role to play in generating the efficiencies, and everyone should share the benefits. Ultimately, of course, that would be reflected in costs to consumers—in this case, the growers.

**Dr JENSEN**—It is certainly a very complicated issue. We have had the trucking industry say they are paying more than their fair share in terms of road damage and so on. The rail industry says they are not paying their fair share and so on. So the issue of costing these things is, I think, of critical importance. You were mentioning the rail lines that are non-economic. Do you have a list of the rail lines that you believe are unsustainable, a list of rail lines that you believe are sustainable under the current regime, and maybe a list of lines that are unsustainable under the current model but may become sustainable with a changed model?

**Mr Voysey**—There is a list. It is included in the Grain Infrastructure Group report, which at this stage is confidential but I am sure—

**Dr JENSEN**—We would certainly like to see it.

**Mr Voysey**—Yes.

**CHAIR**—And might there be a fourth group: lines that could become sustainable with some seed funding?

**Mr Voysey**—I am certain that some seed funding would have an impact on many of the line sections. Once again, I would be interested in Mr Larsen's comments on that.

**Mr HAASE**—It is good to see you here today, Mr Voysey. Is CBH concerned with the cost of road access to ports—the increasing and long-term cost of maintaining those road-haulage corridors to ports? Is that part of your rationale when it comes to developing long-term plans? When I say the costs, I mean both financial and social. Or, conversely, are you saying: 'We have got a product; the farmers want it shifted to the port. Getting it there by truck is the way to do it; provide us with the access.' What position is CBH adopting?

**Mr Voysey**—I think CBH's record of social responsibility is exceptional. I am happy to stand on that record. The truth of the matter is that CBH as a company—and I am sure the other players in the industry are under the same pressure—is continuously being asked to become more commercial. An example is that CBH is being viewed now as a property developer and being asked to fund the construction of slip lanes et cetera into its facilities. Historically, those costs have been borne by the state. At that time CBH created the funding mechanism for the rail related transport infrastructure, so it was not taking with one hand and not delivering something in return. It is making a significant investment in a far more expensive transport related infrastructure, and moving that grain on rail.

If we are being asked to act more commercially then we are being forced to think less and less about the social impacts of what we are doing. When we are faced with a decision about whether or not grain moves on rail—and in a minute I would like to spend some time on why trains have not come down to Esperance as an example of the sorts of issues we are faced with—and when we are faced with a decision about accumulating a cargo for a vessel, it is the actual costs that will be incurred by the industry that are taken into account. At the moment the industry is not paying any costs related to road maintenance et cetera. So we make a decision based on the costs that will directly come back to the industry itself.

**Mr HAASE**—In many respects, you find yourself akin to the meat in the sandwich, don't you? You often have a freight bottleneck at export ports and you have suppliers—your shareholders or customers—who are simply concerned with the export of their products. Your shareholders have a point of view, I suspect, that says, 'All those people who are now in the way have chosen to come to that port facility; why should they now dictate a social bottleneck for our product?' Is that how they would see the situation?

**Mr Voysey**—Yes, I totally agree.

**Mr HAASE**—And in your planning for the long term, you talk about the rationalisation of sites. In the situation we have been discussing here today, is it on your long-term list to bring wheat to the Shark Lake facility and put it onto rail there, to keep trucks out of the Esperance town site?

**Mr Voysey**—The Shark Lake issue highlights a problem that we have with rail pricing. I am certain at this stage, based on our experiences in the past, that we will not be able to price rail

without some sort of subsidisation. We will not be able to get a rail pricing from Shark Lake to the port that is economical for the rail operator and economical for the users of that service. At the end of the day, if we post a price that truly reflects the rail operating cost at that site we will not receive a tonne of grain there. We will set a pricing signal; growers make the delivery decision based on those costs. They will bypass that site, so you will have a white elephant with a beautiful spur line in there but no grain to move on the line. We need to get the economics right.

**Mr HAASE**—What you are saying would support the push from the port and the Esperance shire council for that separation—the bridge; the \$8 million investment—as an absolute priority, because at no point will it be reasonable in the future to simply say, ‘We can rely on rail to bring the product in.’

**Mr Voysey**—I totally agree.

**CHAIR**—Following that last question of Mr Haase, is there sufficient holding capacity within the port area for the amount of grain that has to go out from here? I do not understand the dynamic. If you want to have minimum handling activities with grain, is there sufficient space in the vicinity of the port proper to handle all the grain you need to bring here?

**Mr Voysey**—There certainly is at the moment, and Shark Lake will cater for expansion into the future.

**CHAIR**—How many tonnes can you ship out of here?

**Mr Voysey**—The zone itself receives around two million tonnes of grain per annum, most of which is exported.

**CHAIR**—How much does Albany have by comparison?

**Mr Voysey**—Roughly the same. Geraldton has roughly the same. They are rough numbers; I can provide exact details for you separately.

**CHAIR**—They are all around two million tonnes, are they?

**Mr Voysey**—Except for Kwinana, which has about six million tonnes, most of which moves in by rail.

**CHAIR**—While I am on that point, I congratulate you on your operations at Albany. They are clean and obviously very efficient.

**Mr Voysey**—Thank you.

**CHAIR**—We will be asking the port this this afternoon, but it would apply equally to your company. What are the implications of dust from grain, especially in port areas and going through urban corridors? Are your wagons open or closed? What is the set-up?

**Mr Voysey**—Grain dust is one of the characteristics of the industry. Grain creates dust. I am sure that if you were to go through any of our port facilities you would see significant infrastructure catering for extraction of that dust. In the loading operation particularly, as it comes out of the loading spout into the chute's hold, it does create dust. It is a growing issue for the industry and for the ports that currently have our facilities located within them. You were at Albany yesterday; we are discussing that very issue with them at the moment. I am sure the port is under pressure.

**CHAIR**—Alcoa have developed a new type of nozzle for alumina, which is not to say that it will work for grain. It minimises that spread quite considerably. Have you examined that style of operation?

**Mr HAASE**—It is called negative pressure loading, isn't it?

**Mr Voysey**—I have seen all sorts of spout configurations. Ones that come down and sit on the grain as it is being loaded and rise up do keep the dust out. You have trouble throwing grain under the hatch combings with those sorts of facilities.

**CHAIR**—They made the point that when you have to level the load towards the end it is impossible to minimise the dust, but that is only for a matter of minutes compared with the rest of the loading.

**Mr Voysey**—That is right. If you could come up with an efficient way of changing that loading infrastructure, it would need to be an automated system, that would be one way to cater for it.

**CHAIR**—We are getting this wherever we go; it is not just grain. It is alumina; it is biomass dust; it is coal dust. We might say that people who come to live in a port city should realise this; we might say that it is unreasonable to be along a corridor and not expect noise and some dust, but the challenge for all people in bulk commodities will be a reduction of dust. Although we have not seen it yet, it seems obvious that this is one of the few ports around the world that has got to know how to handle iron ore in such a way that that is not a problem. If you can do it for iron ore, surely it can be done for other things.

**Mr Voysey**—I am certain it can, and CBH spends a lot of money each year on research and development, and grain dust is an issue that is being looked at.

**CHAIR**—I want to ask about your other operations. What is Bulkwest Engineering's function within the company?

**Mr Voysey**—Bulkwest Engineering provide all the engineering services to the group. They are primarily involved with construction of any new facilities, maintenance, upgrades and those sorts of things.

**CHAIR**—So you have a vertically integrated operation, so to speak.

**Mr Voysey**—Correct.

**CHAIR**—Do you take outside contracts as well?

**Mr Voysey**—When it is required, yes.

**CHAIR**—Do you export through Salim and Pacific Agrifoods?

**Mr Voysey**—We do not at this stage. That is all controlled by the AWB, so any wheat provided to our mills is accumulated in the network, but it goes via AWB to those mills. It is one of the contentious issues that are being debated at the moment.

**CHAIR**—Yes, I think we are across that. Can you send particular wheat to your own mills?

**Mr Voysey**—Not at this stage, unless it goes in containers, which is not economically viable at this stage.

**CHAIR**—Obviously not. Mr Voysey, you said that this report is confidential. When is it likely to become public?

**Mr Voysey**—That is probably a very good question for the Department of Planning and Infrastructure tomorrow. There are various members of that group, all of whom would need to give approval for it to be made public.

**CHAIR**—Whose report is it when it is public?

**Mr Voysey**—I believe it is planning and infrastructure's.

**CHAIR**—We would like to have a copy. You see this very good map. Could you do an overlay over that of the wheat-growing areas? I know that these are generally the four wheat-growing areas, but could you give us a bit of shading?

**Mr Voysey**—To show production?

**CHAIR**—Yes, production areas.

**Mr Voysey**—Yes.

**CHAIR**—We got that yesterday from the woodchip people, and it was very helpful.

**Mr Voysey**—I can certainly do that.

**CHAIR**—When you are looking at where the train lines are going, you have an idea of what it is servicing.

**Mr Voysey**—Yes.



**CHAIR**—Mr Voysey, thank you very much for a very good submission. We look forward to that infrastructure report, which may offer us some ideas that we can take on board for Victoria, New South Wales and Queensland later in our inquiry.

[11.31 pm]

**NOLAN, Mr Philip Spencer, General Manager Operations, Portman Ltd**

**CHAIR**—Welcome. We are not going to ask you to give evidence on oath, but you will realise that these are proceedings of the federal parliament and, consequently, warrant the same respect as proceedings of the House itself. We have to caution all witnesses that the giving of false or misleading evidence is a serious matter and could be taken as a contempt of the parliament. Having said that, you are most welcome. Please give us a short overview of your submission.

**Mr Nolan**—I am a councillor on the Shire of Yilgarn and a board member of the Wheatbelt Development Commission. I am representing Portman today. Portman is a publicly listed company, listed on the Australian Stock Exchange. Our business is the exploration and mining of iron ore currently in the eastern wheat belt or Yilgarn region and also at Yampi Sound on Cockatoo Island. We are bulk commodity producers. Our corporate objectives are to pursue opportunities in bulk commodities, which may or may not be confined to iron ore. I will talk about Koolyanobbing from now on, which is our local operation being serviced by Esperance Port and ARG on the railway line which extends from Koolyanobbing via west Kalgoorlie and then on the branch south from Kalgoorlie to Esperance.

Portman has operated the Koolyanobbing mine since 1994, and production has risen since 1994 to today from a bit under two million tonnes per annum to a planned eight million tonnes per annum in the very near future. The direct employment attributable to the Koolyanobbing operations is in the region of 1,000 employees, of whom about 70 per cent live in regional areas. I am talking about people living in Southern Cross and surrounds, in Kalgoorlie and surrounds and in Esperance and surrounds. We also support a commute operation out of Perth. A large number of people who commute out of Perth also live in non-metropolitan areas. Our employment heavily supports regional areas.

Portman's prospects at Koolyanobbing include a mine life of between 10 and 20 years, with significant potential for a large increase in resources—other things permitting. We are a major user of the local rail network. Our expenditure on rail freight this year will be in the order of \$90 million to \$100 million. Portman has invested heavily in infrastructure in recent times. Some of that expenditure includes \$30 million on ore storage in the Esperance port and the underwriting of further expenditure by the Esperance port by way of take or pay contracts. We have spent \$45 million on rolling stock over the last few years. We are finalising a \$15 million upgrade of our plant to take it from a capacity of six million to eight million tonnes per annum. It will also give it the capacity to significantly increase throughput with some additional expenditure to somewhere between 10 million and 15 million tonnes per annum in the future, if the resource can sustain it. We have spent \$16 million recently on rail and track upgrades and additions of extra rail loops. If I could just draw attention to a couple of the previous witnesses who referred to that. It was not clear from their submissions that that expenditure is made directly by Portman. In the case of one of the previous witnesses, it was suggested that WestNet might have made that investment.

**CHAIR**—How many loops have you put in?

**Mr Nolan**—We have put in two brand new loops.

**CHAIR**—Are they between Kalgoorlie and Esperance?

**Mr Nolan**—Yes. We have funded the extension of a number of others.

**CHAIR**—Between Southern Cross and Kalgoorlie?

**Mr Nolan**—No—between Kalgoorlie and Esperance.

**CHAIR**—How long are those loops?

**Mr Nolan**—I will defer to Mr Larsen on that one. They are sufficient to allow the stowing of 126-car trains. Previously, the limits varied between 84 cars and 100 cars, in that order. So they are significant extensions to existing loops. I think there might have been half a dozen or so.

**Mr Larsen**—Eight.

**CHAIR**—If you answer that question, I must put you on caution again. Do you understand that you are on caution?

**Mr Larsen**—Yes.

**CHAIR**—You may answer as long as you understand you are still on caution.

**Mr Nolan**—I think that means most of the siding extensions are on the line between Kalgoorlie and Esperance. Our total annual operating expenditure at the moment is in the order of a quarter of a billion dollars per annum.

Portman contract services from Esperance Port Authority and ARG. The longevity of our operations depends on other things such as high productivity to manage upward pressure on costs. The high productivity issues include an efficient rail service. We do not have any other options. Road is not an option for us. The haulage task is 580 kilometres from Koolyanobbing to Esperance. That is one of the longest haulage operations for bulk commodities in Australia—indeed, anywhere.

**CHAIR**—What does that cost per tonne compared with one of the Pilbara lines?

**Mr Nolan**—In the order of \$10.

**CHAIR**—\$10 a tonne. What would they be paying on the Pilbara?

**Mr Nolan**—They do it themselves. Their costs—I am guessing—might be in the order of \$2 or \$3. We are a high-cost producer by virtue of our relatively low volumes—eight million tonnes per annum—compared with combined current Pilbara production in excess of 200 million to 300

million tonnes per annum. Portman is a small player in the iron ore business. We could be operating at twice the current capacity if infrastructure supported that. The markets exist, the resources could support it for a limited time and the port facilities largely could support it—and I think we heard that in the presentation this morning.

**CHAIR**—Is that with or without the fourth shed?

**Mr Nolan**—That is with the fourth shed. The fourth shed has just become operational. The thing that will not support it is the rail, and notably the rail between Kalgoorlie and Esperance. That is the thing that would prevent us—

**CHAIR**—Just outline what the weaknesses are then.

**Mr Nolan**—The rail is on an old alignment. I think it is referred to sometimes as being a contour type line, whereby it meanders through the contours of the countryside and was suitable for slow-speed operation of trains of 50, 60 or 100 years ago.

**CHAIR**—No cuttings and tunnels.

**Mr Nolan**—That is right—sharp radius corners, limited formation preparation, not suitable for high-speed, heavy operations. I suppose that characterises that line. It is unsuitable for heavy, high-speed operation. Currently the speed limitation is 50 kilometres per hour for loaded trains. The standard that applies elsewhere, and indeed on the Koolyanobbing-Kalgoorlie section, is 80 kilometres an hour, so we are suffering a significant productivity issue with significant speed restrictions. In addition to that, it is susceptible to flooding and it is also susceptible to heat-buckling issues in summertime, when additional speed restrictions could be imposed because of the integrity of the track and its capacity to handle temperature variations. So it is a relatively tenuous link.

**CHAIR**—Are they the main items?

**Mr Nolan**—Yes. If I could, I will just say a few more things. We see that improvements to the rail and improvements to access to the port would assist us and others in the mining industry. I suppose it is important to make the point that, while I am talking on behalf of Portman, I think I am talking generally on behalf of other potential rail users. Portman wants to focus its expenditure on exploration, improving of additional ore reserves and servicing its customers reliably. I would like to make the point that the downstream supply chain beyond Esperance is a long one. It involves cape size vessels servicing Asian markets such as China and Japan. So the success or otherwise of our business is linked very closely to our reliability as a supplier, and that is impacted by issues of our supply chain here. We have limited storage capacity at the mine, we have limited capacity on the rail and we have limited storage capacity at the port. So we operate on a prudent just-in-time approach, but we do operate—

**CHAIR**—How many tonnes can you hold at the port at any given time?

**Mr Nolan**—In the order of 800,000. Let me think about that. There are 150,000 in the first two sheds and 300,000 in the third, so that is 600,000, and about 250,000 in the fourth. So we can hold about three-quarters of a million tonnes.

**CHAIR**—So you could handle three cape vessels?

**Mr Nolan**—Indeed. The situation at this very moment is that sheds are nearing full capacity, with three cape sized vessels stacked up in the back end of March which will deplete shed stocks very substantially. So in order to secure—

**CHAIR**—Let me put it this way: at what point does your demand start to exceed your capacity to deliver to the port? If you are taking orders from cape sized vessels—and as you are taking out of one shed you will be topping up another—where do you reach the point where you cannot keep up? This is a common problem at all the ports. Dalrymple Bay in Queensland is the stunning example of this, with 50 ships lined up wanting product and there not being the capacity to get the coal out to them. How many years down the track do you reach that point?

**Mr Nolan**—We are extremely fortunate and different from those other ports, including Dalrymple Bay, in the sense that our customers are the only user of this bulk loading facility. We have extreme flexibility in scheduling those ships.

**CHAIR**—You are still not answering my question. What I want to know is: in how many months or years, or in relation to what tonnages, do you get to a point where you are likely to have demand exceeding your capacity to deliver?

**Mr Nolan**—As I explained earlier, the mine and the port could service substantially increased exports but the rail cannot. When we got to, say, 12 million tonnes or 15 million tonnes, many of the elements that make up our supply chain upstream of the port would be fully taxed. They would be at capacity.

**CHAIR**—I see. How do you get your iron ore from Mount Jackson and Windarling to Koolyanobbing?

**Mr Nolan**—We transport it by heavy road trains on a private road. We operate at very much in excess of normal legal road axle limits and that is how we manage to do it economically. We could not contemplate using public roads for iron ore transport.

**CHAIR**—Is that a satisfactory way? Is that in anticipation of later rail connection or is it just the way it has to be?

**Mr Nolan**—It is recognising that the modest tonnages that we are talking about would have to triple or quadruple before rail became cost-effective.

**Dr JENSEN**—In light of your evidence, it appears to me you are almost calling for a new railway line between Kalgoorlie and Esperance.

**Mr Nolan**—I am not sure I am asking for a new rail line. I am saying it would need significant upgrading for the whole of the length of that line to sustain much more tonnage than it is currently managing.

**Dr JENSEN**—Do you have any idea of the cost of this?

**Mr Nolan**—In the order of \$70 million.

**Dr JENSEN**—And what would be the cost of a new line?

**Mr Nolan**—I would have to defer to WestNet on that question—considerably more, I think.

**Dr JENSEN**—Have you done a cost-benefit analysis of the benefit of spending \$70 million upgrading the line?

**Mr Nolan**—Our business is exploring and mining, not spending money on shared infrastructure which has a life expectancy of considerably longer than what we might reasonably assume a mine life would be.

**Dr JENSEN**—Let us say you have the \$70 million upgraded rail line. What would be the benefit to your company's bottom line?

**Mr Nolan**—The ability to move from current levels of production to substantially more.

**Dr JENSEN**—Is there a dollar value associated with that?

**Mr Nolan**—Revenues would double. We are under significant cost pressures with fuel and labour and the nature of the deposits we mine which are narrow, subvertical, venous deposits where waste mining costs consume a large proportion of the cost of production.

**Dr JENSEN**—How long would you expect your mines that would be using this railway to be productive?

**Mr Nolan**—For somewhere between 10 and 20 years, depending on the absolute level of production and the rate of depletion of known resources and on our success in discovering more.

**Dr JENSEN**—Is that at the rate that you are currently selling it or at the rate that you are projecting if you have this upgraded railway?

**Mr Nolan**—Currently we are producing at six million, rising to eight million in the next months, and with some additional expenditure at the mine we have the potential to increase well beyond that if the railway could handle it.

**Dr JENSEN**—What would happen to your bottom line if, instead of the mine having a productive life of 10 to 20 years at this increased rate of production, you merely had the same rate of production that you have now but stretching to 20 years? What would be the cost to your company of doing it that way?

**Mr Nolan**—We have not modelled that. What we can say about it is that supply is increasing. Our expectation is that the difference in supply and demand will reduce, the margins will reduce, and we are a small operator trying to take advantage of market opportunities as they arise. Currently there is a window in the market where we have enjoyed significant price increases for iron ore, but we see that declining as new capacity comes on from the Pilbara and Brazil. Our

costs will continue to rise, so our cost and revenue curves will close, and we are looking for productivity improvements.

**Dr JENSEN**—I think that modelling the benefit of upgrading the railway versus not upgrading it and therefore stretching out your mine life but for significantly reduced economic benefit would be useful.

**Mr Nolan**—We certainly understand that equation. There is no doubt that increasing capacity is a far better way for us to go.

**Dr JENSEN**—Some numbers on that would be useful.

**Mr Nolan**—We have commissioned a consultancy to look at those issues, and that is in the nature of a strategic study to identify the best way to go.

**Dr JENSEN**—What is the time line on that study?

**Mr Nolan**—In the not too distant future, in the order of three to four weeks.

**Dr JENSEN**—Would you be able to provide this committee with that information?

**Mr Nolan**—I think so.

**Dr JENSEN**—Thank you.

**Mr RIPOLL**—I want to follow up on this issue of small companies in a region paying for infrastructure that they might not use beyond the life of their own mine, as you described. Do you see some advantage, though, if you could share the cost with other players in the region? If there was a mechanism to work out some sort of fair and equitable structure so that you contributed to the infrastructure, that would obviously be of benefit to your organisation and would give your operation a reasonable stake rather than a half stake or something like that.

**Mr Nolan**—Yes, if they could be identified. I suppose one of the issues facing us in our business of mining is that there is exploration activity going on all the time. Opportunities arise, and if there is secure supporting infrastructure the feasibility of those things is far easier to understand. Quite often these developments are small relative to the scale of investment we are talking about on this sort of infrastructure.

**Mr RIPOLL**—So it really cannot be driven by individual mines or smaller players; it really has to come from either the larger mines or the state or federal governments?

**Mr Nolan**—I am certain that if government funds were put into this thing that would allow developments to be understood much more easily.

**Mr RIPOLL**—Why should the federal or the state government step in and fund something that may not be used into the future? If your mine cannot use it beyond a certain point, who then pays for it and has some sort of return or reasonable investment opportunity with what you are talking about?

**Mr Nolan**—That is a fair question, but without that sort of investment a lot of this exploration and development would simply not occur. The uncertainty and the risks involved with doing it would cause it to be so unattractive that those efforts would not be made. This is a strategic investment by a government or governments and the community to support economic activity in that region.

**Mr RIPOLL**—Are you are saying that there is a long-term return to the economy generally but the case has not been built up? Are you saying that the case has not yet been fully mounted, that it is not a clear concise case that can be easily demonstrated?

**Mr Nolan**—That is right.

**Mr RIPOLL**—It is still being worked on. You have a consultant—

**Mr Nolan**—I do not know that that study will answer that question very well. I think we can readily see that if these major infrastructure investments are made, they will be taken advantage of in the future with some level of confidence.

**Mr RIPOLL**—The case is always about prioritising. Everybody would like somebody else to fund infrastructure development in a whole heap of areas but what it really comes down to is that you have to prioritise in a state or a region as to the ones that are going to be most beneficial to the economy. Unless you build up a business case, as it were, to demonstrate that this will have a great return for the economy, the state, the region and jobs et cetera, just saying, ‘It would be really nice to have this infrastructure and somebody should pay for it,’ is all well and good, but if there is no model to carry if forward then there is nothing to really present. I think for the sorts of investments we are talking about, you need to present very strong arguments and evidence that there will be a long-term benefit to the economy generally. That is just a point. I am sure you are travelling down the right path.

**Ms HALL**—Leading on from what Mr Ripoll just asked you about, and finished up with an overview of, is the lack of infrastructure the major barrier to further development and growth of your mine?

**Mr Nolan**—It is unlikely that we can increase our production beyond current levels without significant investment. It might not just be in rail either. It will be significant investment in exploration, some additional investment in the facilities at the mine site and investment down here, which includes some of the investments that the port have talked about.

**Ms HALL**—Are intermodal hubs an option for your industry? Do you think they are something that is needed in this region?

**Mr Nolan**—Talking strictly from the point of view of a bulk commodity producer, the answer is no. We would not want to discharge our product at a node.

**Ms HALL**—As a single operation.

**Mr Nolan**—We would simply need to pick it up again and take it on. For instance, with the development proposed 14 kilometres north of Esperance, we recognise that there could be



proposals to put the iron ore on the ground there. There are significant issues involved in doing that and getting it into the port and onto the ship when the ship is in. The best place for the ore is at the port. We have significant investments in the port in terms of the infrastructure to unload trains. Unloading trains is an expensive business.

**Ms HALL**—So you are not supportive of the Shark Bay facility for your industry?

**Mr Nolan**—We think it makes a lot of sense for certain activities but not for iron ore, not for a bulk commodity.

**Mr HAASE**—Since the leasing of the rail and below infrastructure to private enterprise, what have you spent on the Kalgoorlie to Esperance rail?

**Mr Nolan**—I mentioned a couple of numbers earlier. We have directly spent \$16 million on upgrading of eight sidings and the establishment of two new sidings.

**Mr HAASE**—How does that compare with the total amount of upgrading and maintenance costs invested in that rail since that point in time?

**Mr Nolan**—You would need to ask Mr Larsen about that. We are not absolutely privy to the money that they have spent. We know they have spent a lot of money on the Esperance to Kalgoorlie section.

**Mr HAASE**—I will do that when Mr Larsen is giving evidence. The \$70 million additional investment for the upgrading of that rail—you believe that should come from where?

**Mr Nolan**—It is hard to see it coming from individual private companies because there is probably little prospect that they will get a return on that. It is more likely to come from a combination of state and federal funding.

**Mr HAASE**—With some additional from industry, do you believe?

**Mr Nolan**—It could be, and we have done just that.

**Mr HAASE**—You are familiar with the AusLink strategy that has been proposed by the federal government.

**Mr Nolan**—Not in detail.

**Mr HAASE**—I was going to ask if you thought that that was an appropriate vehicle for the funding of such upgrades.

**Mr Nolan**—I cannot answer that, I am sorry.

**CHAIR**—I would like to go back to the Mount Jackson-Windarling area. Has nominal costing been taken out on the cost of the line to Southern Cross?

**Mr Nolan**—Between Mount Jackson and Koolyanobbing?

**CHAIR**—Yes.

**Mr Nolan**—Yes, we understand those costs.

**CHAIR**—What would they be?

**Mr Nolan**—In the order of \$70 million to \$80 million.

**CHAIR**—Assuming that went ahead, is there any way that could be done in conjunction with the transport of wheat? The point I am making is that if CBH are in the mode of rationalisation in conjunction with the owners of the grain lines, is there a prospect that a new line could serve a dual purpose—for example, have a number of depots along it for grain as well? I do not know the detailed geography of the area.

**Mr Nolan**—No.

**CHAIR**—It seems to be on the eastern rim of the wheat belt, but I am not sure.

**Mr Nolan**—I think the existing rail network, which is the standard gauge east-west line, would service the grain growing industry better than a spur line because it extends a long way away from wheat growing areas.

**CHAIR**—Have you looked at the possibility of duplicating an existing narrow gauge line?

**Mr Nolan**—No—simply because we are so far away from them. There are none near us.

**CHAIR**—There are none near you, I see. The other thing I was interested in is your Cockatoo Island project. Just describe that for us very briefly.

**Mr Nolan**—Cockatoo Island is one of a number of islands which hosts iron ore which have been mined over—

**CHAIR**—Again, forgive my ignorance of geography, but exactly where?

**Mr Nolan**—The Yampi Sound area where Cockatoo and Koolan islands are situated is some 200 kilometres north of Derby. It is in the far north—in the West Kimberley and at the northern extremity of it—so it is a long way away.

**CHAIR**—Do you deliver direct from the mine to the ship loader?

**Mr Nolan**—Yes, that is correct. We have a crushing facility, a storage shed and a ship loading facility connected by conveyor to the adjacent storage facility, so we load straight out of the shed onto the ship.

**CHAIR**—Who owns that port?

**Mr Nolan**—We do.

**CHAIR**—In conjunction with anyone?

**Mr Nolan**—In the case of Cockatoo, we are in joint venture with another company, Henry Walker Eltin.

**CHAIR**—What size vessels can you take there?

**Mr Nolan**—They are in the order of Handymax, so up to 50,000, I think.

**CHAIR**—So it is a good niche market.

**Mr Nolan**—Yes, by virtue of the very high quality of the iron ore.

**CHAIR**—Where does it go?

**Mr Nolan**—All of it goes to Asian markets—mainly to China.

**CHAIR**—It would be interesting for us to know where you think the passing loops should be. You probably heard me ask the other witnesses whether they believe there are only variations to the track that need to be done. Could you show us in black the existing track or roads and show us in red what you are proposing? I want the whole report to have a series of maps, so that when people look at them they can say, ‘That’s where the money has to go,’ or ‘That’s where the overpass has to be,’ or whatever it might be.

**Mr Nolan**—We will do that in conjunction with WestNet.

**CHAIR**—I would like one from you as well. I want to demonstrate to the parliament that there is a common problem affecting all these ports.

**Mr Nolan**—Yes. If I may, I would like to go back to the point about Windarling and Mount Jackson. They are just two sites served by this haul road of ours. There are number of other ore bodies in the region—

**CHAIR**—Owned by you or other companies?

**Mr Nolan**—Both. We have tenure on a number of them within a 100 to 150 kilometre radius.

**CHAIR**—Is there a prospect that some of your colleagues might develop mines as well?

**Mr Nolan**—There is.

**CHAIR**—Will they use their road if that happens?

**Mr Nolan**—They could.

**CHAIR**—And you would charge them some sort of access rate?

**Mr Nolan**—That is right. We could be doing that.

**CHAIR**—Is it an asphalt road?

**Mr Nolan**—No, it is a formed gravel road which is maintained to a high standard. It is a high-speed heavy haulage road.

**CHAIR**—Were these other miners to come on track, would that speed up the prospect of a link to the main line?

**Mr Nolan**—The provision of high-quality, reliable additional capacity to Esperance would enhance the prospects of getting—

**CHAIR**—I see—so there are two eggs to this chicken?

**Mr Nolan**—Yes.

**CHAIR**—One is the general upgrade of the line from Kalgoorlie to Esperance and the other is that, by upgrading that, you have a better prospect of creating the link from Mount Jackson and Windarling down to the main line.

**Mr Nolan**—The point I was trying to make about Mount Jackson and Windarling is that that road services just those two places and some of that road would form part of an access to other places. We are talking about a 150-kilometre radius from Koolyanobbing, which we consider to be practical and economically feasible to operate in.

**CHAIR**—The point I am trying to lead to is whether there is, in the medium term, the prospect of a new iron ore line—albeit linking with the main east-west line—that could service four or five mines.

**Mr Nolan**—No. That is the point I wanted to make. These are very small deposits and they are most unlikely to ever be serviced by rail. They are most likely to be serviced by high-cost haul roads—just as we have done with the Mount Jackson and Windarling one. We would see a network of roads coming from a hub at Koolyanobbing servicing a number of these small deposits. They are high cost—and therein lies one of the issues for us, which is that we need reliable, productive, low-cost transport routes to ever hope to take advantage of the possibility of these operations.

**CHAIR**—I understand. Thanks very much for your evidence. We trust that you will send the requested material to us. Thank you very much, Mr Nolan.

[12.09 pm]

**MURRAY, Mr Ford Thomas, Community and Government Relations Manager, Ravensthorpe Nickel Project, BHP Billiton**

**CHAIR**—Mr Murray, you have some material for members of the committee. Is this part of your submission or supporting evidence to your submission?

**Mr Murray**—These three pages are the submission and there are two other brochures for supporting evidence.

**CHAIR**—Is it the wish of the committee that the BHP submission be accepted as evidence and that we accept two brochures as exhibits and that the submission and exhibits be authorised for publication? There being no objection it is so ordered.

Mr Murray, we are not going to place you on oath but you understand that these are proceedings of the federal parliament and warrant the same respect as would attend to 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. Would you like to give us a five-minute overview of your submission and then we will have questions?

**Mr Murray**—The Ravensthorpe nickel project is 100 per cent owned and being developed by BHP Billiton. It has been planned since 1997-98 and currently it is in the construction stage. It has two components. One is what we call a greenfield or starting from nothing development of a mine in Western Australia, 35 kilometres east of the town of Ravensthorpe or, if you like, 155 kilometres west of Esperance. It is very close to what is regarded as the South Coast Highway. The other component is the capital being expended on a brownfield existing plant at Yabulu refinery, which is about 25 kilometres north of Townsville, and that is an existing nickel refinery. It is a two-part project within two states, value adding, if you like, across Australia. The umbilical cord which connects those two parts is the South Coast Highway, as the product from Ravensthorpe plant is transported down that road to the port of Esperance, and then a sea lane from Esperance to the port of Townsville. Then, to complete the umbilical cord, the product is transported from the port of Townsville to the Townsville refinery.

So there is an aspect to do with our submission about focusing on the maintenance of the South Coast Highway, that particular part of the transport route, as the product leaves Ravensthorpe on its way to the port of Esperance. That is part A. The second part is that, for a considerable number of years, 2001 to 2004, the company worked with the Western Australian state government, the federal government and local government with a proposition that if there were an opportunity to do something other than fly in and fly out—that is, to have a locally based residential workforce in the operations phase of 25 years—could whole of government see its way to putting in infrastructure that would enable the attraction and retention of a locally based workforce? Essentially, I am meaning that people would go and live in the shire of Ravensthorpe and the town of Esperance. That proposition was successful and the state and the federal governments put in some money of the order of about \$55 million, as did the company, to put in multi-user community infrastructure. By that I mean a wastewater treatment plant for

the town of Hopetoun, a new primary school, residential land, upgrading some local roads—the Commonwealth put in some money for that, \$6.5 million including GST—and also some money for recreational buildings and so on, social community infrastructure.

What that means is that, in addition to the current road use—and a lot of grain goes down this road in this area, and we have tourism, school buses and the general freight that keeps rural and regional Australia alive here—we will have an increased population not only of the order of 300 to 350 families in the area, newly recruited to operate this mine for 25 years, but also, because of the multiplier effect, the extra school teacher, the extra policeman's family, the extra cafe and the extra business that takes the opportunistic entrepreneurial view and starts to grow and build capacity in the region. That is a figure that is often debated, but it means more people on the roads and it means more services, more ambulance drivers and so on.

So, from where we started in 1997 in partnership with government in putting a locally based workforce in the south-east region, immediately we see that there is more capacity generally needed if you are doing something other than fly in, fly out and you build in a residency along the coast. There is not only the umbilical cord component of our submission as to why more would be needed to upgrade the South Coast Highway, but it is a residential area, with more people living in the region and therefore more activity.

Before we came here, our understanding was that about 10 per cent of the national output of grain comes from this region, so we are good for two million tonnes in this region. We put out, as Australians, about 22 million to 24 million tonnes of grain. So there is already that use of the South Coast Highway in that it takes a lot of that 10 per cent in this region from the Munglinup-Jerdacuttup-Ravensthorpe region down the road to the ships leaving the port. We are overlaying on that an increase in economic importance through the Ravensthorpe nickel product going through to Queensland and also the number of people who will naturally live here through the residential workforce which we are now implementing.

**CHAIR**—At the other end, you say that you have to shift the ore from the port to the refinery. How far out of town is the refinery in Townsville?

**Mr Murray**—In the order of 25 kilometres.

**CHAIR**—Is it west of town?

**Mr Murray**—North of Townsville. It is in the shire of Thuringowa.

**CHAIR**—Yes, I know it.

**Mr Murray**—The Yabulu refinery.

**CHAIR**—There used to be a train line up to a nickel mine that came to Townsville. Is that operating as well?

**Mr Murray**—If we are referring to, say, the Greenvale nickel mine—

**CHAIR**—That is the one, yes.

**Mr Murray**—the nickel in the ground there was exhausted, so Yabulu, as a refinery, is, if you like, an Australian hub. All its current feed is imported from three countries—Indonesia, the Philippines and New Caledonia—so it comes into Yabulu refinery and we value add to it, as Australians, in Queensland and then export it overseas as nickel metal.

**CHAIR**—What is your bulk handling from the port to the mine—by rail or road?

**Mr Murray**—I think it is a mix of rail and road, but I am not clear on the latest discussions with the Queensland government about those 25 kilometres.

**CHAIR**—What is your basic proposition here? What is your ask? Do you want to see the road upgraded?

**Mr Murray**—What is being sought here is in addition to the current arrangements, where the road from Ravensthorpe to Esperance—roughly 200 kilometres, which is mentioned on page 2—is cared for and maintained, if you like, by the state. In the previous submissions we were looking for and certainly endorsing the idea that if the federal government could see its way to categorising this road as a link of national and economic importance from this particular mine—this region, if you like—though to Esperance, then aspects regarding the bringing forward of passing lanes and general road alignment and road surface upgrades with a federal contribution under the appropriate program would be well received.

**Ms HALL**—AusLink funding.

**Mr Murray**—I am not sure of the program, but AusLink has been mentioned. I am just a bit cautious of saying what it is.

**CHAIR**—Is that highway 1 by the way?

**Mr Murray**—It says highway 1 on the signs.

**CHAIR**—So that is the national highway, Barry.

**Mr Murray**—Also there is the Kalgoorlie one.

**Mr HAASE**—It is debatable. The Great Eastern Highway goes from Perth to Kalgoorlie, and the highway from Norseman to the eastern states is of course the Eyre Highway. They are linked by a continuation of the Great Eastern Highway. As far as the national highway is concerned, it is not the south coastal highway. But I would understand if Rusty were to argue the toss on that. I could well appreciate that.

**CHAIR**—Even though it has the designation of highway 1.

**Mr Murray**—It does, yes.

**CHAIR**—I have not come across that before. Your basic premise is that that would have to be, as Ms Hall says, designated an AusLink corridor, and then you would be asking not so much

for special treatment but that there be passing lanes and the like to reflect that status, because of its economic importance.

**Mr Murray**—Yes.

**CHAIR**—Is there no prospect of rail ever going down that way?

**Mr Murray**—In the feasibility studies that we did as a private enterprise, pursuant to looking at the economic viability of this project, we did not see rail as an economic option in those years. I am referring to 1999 through to about 2003.

**CHAIR**—Are there prospects of other mines in the area?

**Mr Murray**—The Ravensthorpe shire is prospective, to the point that the WA state Department of Industry and Resources has placed some boundaries around the town of Ravensthorpe. These are growing because of economic prospectivity, which has yet to be tested economically in terms of drilling and so on. The area as it is has a lot of flora biodiversity. Equally it has geological—in other words, subterranean—diversity. We are talking about gold, copper, nickel, silver and tantalum.

**CHAIR**—You mentioned Hopetoun. What is the link there?

**Mr Murray**—Hopetoun, like Esperance, is coastal. Generally Australians like living near the coast, so if we are to attract and retain a locally based workforce then Hopetoun is the opportunity in that equation. It is only about 50 kilometres from the site, so those of our workforce who choose Hopetoun will be home every night. For those who choose Esperance, there is a bus-in and bus-out arrangement, where they are so many days on recreation at home and then they are bussed up by the company to stay at a camp at the site and work there for so many days.

**CHAIR**—You have barracks there.

**Mr Murray**—We call it a permanent village.

**Mr RIPOLL**—In the old days we used to call them barracks.

**Mr HAASE**—What is the duration of the bus trip from Esperance to the village?

**Mr Murray**—It is in the order of an hour and a half.

**Mr HAASE**—What will the roster be?

**Mr Murray**—Currently for our start-up roster—and I say ‘start-up’ because we are starting up a new business here—we are going to try four days on and four days off for shift people. It will be a 24-hours-a-day, seven-days-a-week process once it starts. We are going to try that for the mining and the processing plant. In addition to that we will have admin people who will be five days on and two days off, like with your normal weekday and weekend cycle.



**Mr HAASE**—Have you established anything more concrete as far as the distribution of your workforce is concerned? I know you have stated percentages, but do you know where they might distribute themselves—Hopetoun or Esperance?

**Mr Murray**—Currently we are in the recruitment phase. We have recruited about 30 of about 350 in the organisation. It is too early to tell. That is essentially the leadership table and senior people within the organisation. We do not have that data, for we have yet to meet the people that we are recruiting. The answer is we do not know.

**Mr HAASE**—For the moment, Chair, I would like to defer my questions and have this developed further.

**Mr RIPOLL**—What is the impact on infrastructure and roads of you moving into this region? I missed half your presentation, so I am not sure. Have you detailed that?

**Ms HALL**—Yes, they have.

**Mr RIPOLL**—Okay, we can move on then.

**Ms HALL**—Thank you for your presentation. It is quite an interesting project you have detailed for us today. You would be aware that the earlier submission from the Esperance shire, the Esperance Port Authority and the Goldfields Esperance Development Commission also mentions your role in the region as being very important to the future of the port and that it also places pressure on the infrastructure of the area. Have you seen the submission?

**Mr Murray**—No, I have not. I would be surprised if the remarks you are making were not as you have said, but I have not actually seen the submission.

**Ms HALL**—Their submission took into account the issues surrounding your project and talked about the infrastructure needs of the area, such as funding of grade separation, attention to noise, which relates to the grade separation, and improvements to the port access corridor. You have linked into the review of AusLink, saying that you recognise there is an AusLink corridor. That supports what we have heard to date. Would you like to comment on the improvements to the port access corridor and on how useful the Shark Lake Industrial Park will be to your development and business activities in the area?

**Mr Murray**—Firstly, the sulfur we import—about half a million tonnes per year; it is a reagent to make acid—comes off the ship through the port and exits on its journey through town through a residential neighbourhood towards the South Coast Highway, where it goes up to the Ravensthorpe mine. It goes through a residential or community built-up area. As a user of that corridor, we are aware of and understand the community sensitivity around that. We have not had a focus on that, and we do not have a particular contribution or submission as to how that may be solved. We are more passive and would take the lead from local and state governments in a general sense on that. We are reactive to whatever might be a solution in that area.

Shark Lake Industrial Park is a number of kilometres north of Esperance on the road to Kalgoorlie, which is in a different direction from our main traffic route. Our traffic corridor heads in an east-west direction and will take sulfur up to what will be the mine when

construction is finished and bring product back in sealed containers. The Shark Lake Industrial Park is not in a useful location for our transport configuration movements.

**Dr JENSEN**—Mr Murray, you spoke of the importance of the Ravensthorpe to Esperance road. Do you have any idea of the cost of the upgrades that would be required?

**Mr Murray**—Currently, the state has allocated in the order of \$11 million progressively over a number of years—I am speaking about Main Roads WA now—to upgrade it with some passing lanes and for an upgrade to, I think, the West Dalyup bridge. There is some activity, and in fact they have started two of what is proposed by government to be six passing lanes. However, beyond the expenditure of that \$11 million, in terms of natural growth, money is needed to maintain that highway in the future. Whilst that \$11 million has been made available and there is work under way in terms of engineering, construction and so on for passing lanes, I doubt it is the end of the matter. The submission is focused more on being able to secure the designation of a road of economic and national importance so that, in the future, maintenance can be addressed for community safety.

**Dr JENSEN**—Is it more an issue of community safety rather than volume constraint with that road?

**Mr Murray**—Correct. Community safety is around overtaking. Slow vehicles use this road, including farm tractors, school buses and mums and dads caravanning around Australia, as well as 88-tonne, B-double configuration, almost road-train, trucks carrying wheat bulk, general cargo freight or sulfur and nickel hydroxide and so on. It is that mix where some people are driving slower than the speed limit that exposes the community to vulnerability. In addition, the Ravensthorpe shire has a distinctly different road surface than, say, the Esperance shire. The Ravensthorpe road is not wide enough to even get two white lines on either side, whereas in the Esperance they have that. They have a road that has two white lines either side. It is that sort of safety which the community needs.

**Dr JENSEN**—By having such a narrow road which lacks overtaking areas, in effect you are constraining your volume a little because the trucks of necessity are going to have to travel more slowly because they will be held up by things like farm tractors and so.

**Mr Murray**—That is a fair, logical conclusion.

**Ms HALL**—What are the truck movements per day?

**Mr Murray**—Our indicative estimate, ahead of actually starting the business, is for trucks that will hold sulfur and a container—we are specially combining trucks—that will make 54 one-way movements over a 24-hour period.

**Ms HALL**—108 movements.

**Mr Murray**—No, 54 one-way movements over a 24-hour period.

**Ms HALL**—Don't they come back?

**Mr Murray**—Yes, they would. I would say 27 return trips over a 24-hour period.

**CHAIR**—Roughly two an hour each way.

**Mr Murray**—People might say, ‘What does that feel like?’ It may feel like the difference between a bad harvest and a really good harvest when you have a lot of grain trucks, which currently are a main user-occupier of the road in the area.

**CHAIR**—Are you saying that the impact of your operations will not be greater than the impact of the difference between a low season and a high season for grain haulage?

**Mr Murray**—Strictly for heavy trucks, it might be about that, but then you have to add on the small trucks for freight and service industries, which are continually feeding and coming out of the mine over a 24-hour period, plus the increased population that has come to take up residency, which includes not only employees but their families, and the multiplier effect of that. It is the busyness that overlays on top of all that.

**Mr HAASE**—I am forced to play devil’s advocate. BHP Billiton is no backyard show. If you were developing this particular ore body in the heart of the Pilbara, you would probably have a substantial cost for freight corridor infrastructure to get it to a port. In relation to its iron ore deposits, BHP Billiton certainly invests heavily in the creation of rail corridors and rolling stock et cetera. It begs the question: given that those direct costs are not being associated with the transportation of products for that 150-odd kilometre voyage from port to mine site, does it make the project viable or does it simply add to the bottom line of BHP shareholders?

**Mr Murray**—We are only speaking here about the community aspects of the project. Building a nickel plant, running a business, running a nickel plant—we are happy to take the risk of that capital expenditure and business start-up in two states into our accountability. However, here was an opportunity, and it remains an opportunity, to partner with government around putting in a locally based workforce that is not fly-in fly-out in rural and regional Australia on the south-east coast. That is a difference. For the aspects around schools, roads, water treatment plants, electricity for the community or anything to do with the community, that really triggers the discussion with government, for that is not what we do well—in fact, we do not want to do it, naturally enough, because it is not part of our bottom line. Basically, in this project, the community aspects are a once in a generation opportunity, because (a) it is coastal, (b) it is 25 years long life and (c) it is near a part of the world that is, if you like, potentially desirable for people, such that they would relocate, come to this region and be part of it and thereby reverse what is currently the drain from country WA into the city.

**Mr HAASE**—You know I strongly support that philosophy.

**CHAIR**—We would never have guessed that, Barry!

**Mr HAASE**—We have worked very cooperatively in that pursuit in the past. I am still reminded, however, of the last major exercise by the company that you acquired, Western Mining—that is, their creation of the Leinster community, where they were responsible for every facet of the operation of the mining, the housing on site of all personnel and the provision of the freight infrastructure for the removal of that product. It seems that we have come,

philosophically, a long way from there. Of course, you mentioned the cooperation you have had financially from the state, but the long-term effects on state coffers were much greater in relation to the creation of the Leinster town site.

**Mr Murray**—Each project is characterised by where it is located and what it is. This project is not like the examples that you have mentioned. It is difficult to compare projects in different locations which are conceived in different times. This is coastal. This is putting a nickel plant about 48 or 50 kilometres from the coast in a desirable place to live, where some infrastructure does exist—that is, in the shires of Ravensthorpe and Esperance. In order to make the project work, it needed and has had a contribution from (a) the state, (b) the company and (c) the federal government and then the housing by the company, just a bit north of \$60 million. We are putting that in now for housing. So, no, it is not a model which embraces the full accountability for running the social services of a township. That is not what it is, but it is nevertheless a workable partnership between government and private enterprise as the opportunity has arisen for us to take hold of and give its rightful place.

**Mr HAASE**—Well said.

**CHAIR**—You have come to your point very readily, so we will not beat around the bush. We understand where you are coming from. You have made your bid quite clear. Do you know what the upgrade of those passing lanes might be likely to cost?

**Mr Murray**—I do not.

**CHAIR**—Mr Murray, we will be sending you a copy of the *Hansard* transcript for editorial corrections and anything else you might wish to make comment on. We do not really need that map from you, because you have not identified the locations of those passing lanes, have you?

**Mr Murray**—They happen to be on page 2, although they are small. They are shown by the very short red lines, they are the locations in which Main Roads is proposing to construct these passing lanes.

**CHAIR**—I think you had better do what I suggested before. You had better give us a map of that in black and white, with those things shown in red. I have asked all the other witnesses for that. We want to really highlight this infrastructure problem in our report. Thank you.

**Proceedings suspended from 12.40 pm to 1.47 pm**

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

**CHAIR**—Welcome. Do you have any additional information about the capacity in which you are appearing?

**Mr Larsen**—I am the commercial manager, currently acting as General Manager, for WestNet Rail.

**CHAIR**—As you are aware, Mr Larsen, the committee does not require you to give evidence on oath, but I remind you again that these are proceedings of the federal parliament and consequently deserve the respect that would attend to the parliament. I have to caution you that witnesses giving false or misleading evidence may be in contempt of the parliament. Having said that, you are again most welcome. I would like to thank you for being of assistance to the committee on a number of occasions over recent days in filling in some of the things that we have found important. Do you want to give an overview statement on what you have heard thus far?

**Mr Larsen**—If I may. My opening comments will focus primarily on the Kalgoorlie to Esperance line, but I am happy to take questions on any other areas. In terms of the key traffic that feeds into the port, iron ore is the predominant traffic. It represents 86 per cent of our total freight movements. There is one per cent in grain, six per cent in general freight and fuel and seven per cent in nickel products.

I will give some physical characteristics of the Kalgoorlie to Esperance line which I think are important for the committee to understand. It was in fact an old narrow gauge line, as was discussed earlier today, which was converted to standard gauge in the early 1970s. It is important to understand that it is not an engineered formation. It was built as a narrow gauge line back in the 1920s. It currently has on it some light rail between Kambalda and Esperance—41 kilograms per metre, as compared to the rail of 60 kilograms per metre that is used by BHP in its north-west operations. The sleepers are in good condition. There is a combination of timber and steel sleepers. There are 23-tonne axle loads achieved on the line, as identified by Mr Nolan earlier. The Koolyanobbing to Kalgoorlie section is able to operate at a speed of 80 kilometres an hour. The maximum speed on the Esperance line is 50 kilometres an hour because of the difference in track structure.

Mr Haase asked earlier today what money had been spent on the line. I can tell you that since privatisation approximately \$95 million has been spent in total on the Kalgoorlie to Esperance section over five years and \$65 million has been spent on the Koolyanobbing to Kalgoorlie section. That does include the moneys identified by Mr Nolan as being contributed by Portman—\$16 million—on the Kalgoorlie to Esperance line.

To go beyond the eight million to nine million tonnes that we have been planning with Portman, heavier rail needs to be considered. Ultimately, if we are to double that tonnage, which is the subject of the joint study between WestNet Rail, ARG and Portman, we are potentially looking at needing to signal the track as well. Currently, the trains move by train order issued by a train controller over voice communications.

There are challenges that face us in front of the line. Line capacity has been raised as an issue. We would see rail replacement as ultimately being a solution to increase the speed of the trains on the line, which would help with capacity. There may be a need for additional crossing loops. And there was some discussion about the duplication of the track between the yard and the port. Our view is that that money might be better spent on track in the port and further up the track, because it is only a five-minute transit time between the yard and the port.

The other thing I wanted to do, based on earlier submissions, was congratulate the shire on their excellent work in protecting the freight corridor in terms of both land planning and other initiatives. I would like to make the comment that we are very willing to connect Shark Lake up to our network. With regard to the intermodal terminal that was discussed earlier today, it would be important for the committee to understand and get the opinions of what the above-rail operators think about dropping off freight in Kalgoorlie, leaving wagons there and then having to pick them up, potentially empty, and take them back to the eastern states. I think that is a key issue that would need to be considered.

I have discussed this with my friends from the Esperance Port Authority and the Esperance shire, but I want to make mention of a point raised in their submission. They strongly suggested that the solution to a lot of the problems would be to transfer ownership of the line to the Australian Rail Track Corporation, ARTC, because WestNet has not been spending any money on the track. I would like it to go on record that our company does not concur with that part of their submission. I am happy to take questions.

**CHAIR**—You say you have spent \$65 million on this line of which \$16 million was contributed by Portman.

**Mr Larsen**—No. We have spent \$95 million on the Esperance line in capital and operating expenditure. We have spent \$65 million on the Koolyanobbing to Kalgoorlie section since privatisation.

**CHAIR**—How much have you spent on capital?

**Mr Larsen**—I estimate that about \$65 million of that \$95 million has been spent on capital improvements to the track—two-thirds of that money.

**CHAIR**—And yet it is still quite constrained.

**Mr Larsen**—It would be fair to say that we have grown with the business, Portman's business in particular, and applied capital and operating resources as we have gone along, and we have been able to successfully assist Portman in growing their business. So what has been applied has been appropriate.

**CHAIR**—I know that and I am not being critical of that, but what is the next step to get this up to a more operationally focused line? It is obvious that it is doing the task that it is required to do, albeit, on your own admission, using the old curves of a narrow gauge, three foot six, line—so it is not going to be operating to optimum conditions. Can you foresee the next step up in upgrading somewhere, or is it business as usual?

**Mr Larsen**—We believe, through discussions with Portman, that we will be making appropriate investments in the line to support their operation to their planned 8½ million tonnes per annum. Both companies are committing to that process on the mine line for 13 years. To take the next step, which is the subject of the study that we are currently undertaking with Portman, we are looking at what it would take to get to 15 million tonnes per annum. As I said earlier, rail replacement will become a key to increasing the speed of trains at a cost of around \$70 million. There will be a need to consider how cycle times of trains can be improved by the unloading times.

Currently, trains come down in 126-wagon lengths from Koolyanobbing. They are split into two at the Esperance yard and then run down as two separate halves. So the trains currently spent about eight hours out of their 38-hour cycle here in Esperance. To improve the capacity of the entire operation there would need to be some improvements at this end of the operation to take the benefit out of the increased capacity on the line.

**CHAIR**—Are those improvements in terms of the actual rail access or the discharge of product or what?

**Mr Larsen**—That is going to be the focus of the study that we are undertaking right now—to understand what the most appropriate application of dollars should be to get the lowest total cost and most sustainable solution to support 15 million tonnes. We do not have the answers to that yet. That was the study that Mr Nolan referred to. It is being conducted as we speak. We will be happy to make that available to the committee once we have completed it. We have, as companies, been focused on getting to the initial target of 8½ million tonnes and what needs to be done to support that. We have only just kicked off the study to look at the future, having got to the point where we are ready to commence the 8½ million tonne operation.

**CHAIR**—This morning there was some talk, prior to the Babcock and Brown QR intervention, of some access and control problems. What were they?

**Mr Larsen**—I am sorry, you will have to remind me of the exact comment.

**CHAIR**—We were given evidence this morning that the limitation of the line was affected by access negotiations and the control of the line. I ask the question because I do not know.

**Mr Larsen**—That is why I also raised the point about the comment in the port authority's and shire's submission as to what benefit ARTC owning the track would actually provide. It is not clear to me, either, from their submission what the argument is behind the point they are making. I am as confused as you on that matter.

**CHAIR**—What is your comment about the necessity for a grade separation facility here?

**Mr Larsen**—I think it is absolutely required at Smith Street for the benefit of the public on that side of the town. The population on that side of the town has increased dramatically—I am not sure over what period. It is inconvenient for people and school buses et cetera to be sitting at a level crossing that has that much traffic going across it. We would support that fully.

**CHAIR**—What is your comment about duplication—at least back to the junction with the industrial estate?

**Mr Larsen**—We do not see that it could provide enormous benefits. That money would be better spent looking at track changes within the port and also track investment further back up the track, because it is only a five-minute transit time between the port and the yard—the area that is being talked about as being duplicated.

**CHAIR**—Well, there would not be a big expense either, would there?

**Mr Larsen**—I cannot comment on the exact cost. We would normally use a benchmark figure of between \$1 million to \$1½ million per kilometre.

**CHAIR**—Bearing in mind that the corridor has been secured.

**Mr Larsen**—The land is secured. A construction cost of between \$1 million to \$1½ per kilometre would not be an unreasonable estimate.

**CHAIR**—You just made the comment that greater efficiencies could be achieved within the port confines. Are there some problems there that you can identify?

**Mr Larsen**—I think the port infrastructure supports the operation that is occurring today and will support the operation for Portman at 8½ million tonnes. The issue is what would need to change, if at all, to support a 15 million tonne per annum operation. That will come out of the study we are conducting.

**CHAIR**—You have not answered my question. I am asking: what are the physical impediments that are causing this?

**Mr Larsen**—I think ideally it would be nice to have a balloon loop in the port similar to the Bunbury operation, where trains do not have to be broken into halves. That is an obvious constraint. There is no balloon loop in the port and it is probably incapable of having a balloon loop because of the land that is there—or not there. That is one of the major constraints—the fact that the train needs to be broken into halves and managed as halves. That is what consumes a lot of time.

**CHAIR**—Do you have an alternative plan or a suggestion to make about that?

**Mr Larsen**—Not at this point. We need to work through that with Portman and the port. There are other options that can be considered. As I said, the focus of Portman and our company will be to try to identify what the lowest total cost solution is that is sustainable to support 15 million tonnes per annum.

**Mr HAASE**—In relation to expenditure on the Kalgoorlie to Esperance track, there has been a lot discussed this morning in relation to the justification for the \$70 million worth of improvements. That has been on the basis of asking where the money should come from and what the future is after the 25-year maximum assured life. What responsibility do you think



ought to be taken by the owner of the rail infrastructure in relation to the risk involved of making such an investment, given that they are charging for use?

**Mr Larsen**—The responsibility that needs to be taken by the infrastructure owner to justify it investing is to ensure that, if it is going to invest funds into infrastructure, it can secure suitable commercial contracts with the customers that use that infrastructure. That is the key issue.

**Mr HAASE**—Quite reasonably, though, I believe it would be less than economically viable to amortise such expenditure over a limited life-of-mine period. Ought there not be some risk taken by the owner in view of future usage by perhaps another organisation with another product? Where is the punting spirit of corporate Australia?

**Mr Larsen**—I think the investor has to make a value judgment on what other traffics might actually be out there, and balance that with the need to keep an economic access price for the proponent that is triggering the investment. So the answer to your question is, yes, the investor has to consider what other traffics might be out there to help pay for the investment. And we do that on a case-by-case basis.

**Mr HAASE**—That is why you own railway line infrastructure, isn't it? You are the tollgates, so to speak, and if anyone wants to shift a product of any emerging venture you hold the key.

**Mr Larsen**—It depends on the traffic and whether it is subject to road competition. And of course, as has very much been the case with Portman, we need to understand what they can afford to pay based on what is happening in their markets. Negotiations with Portman most recently were based around them setting a target for us to achieve in terms of pricing, and we were able to achieve that.

**Mr HAASE**—The chair asked you a question which I do not believe you answered fully, and I would like you to have another go at it. How much of the \$79 million—I have calculated it as \$95 million less \$16 million—expended by Portman was spent on upgrades to the rail as opposed to normal usage maintenance?

**Mr Larsen**—Are you referring to the rail in particular or to the entire track structure?

**Mr HAASE**—I am talking about upgrades to the efficiency of the rail and all its associated activities from Kalgoorlie to Esperance to primarily facilitate the usage by Portman.

**CHAIR**—You said before, Mr Larsen, that \$95 million was spent on capital and operations, of which \$16 million came from the mining company. Mr Haase is asking how much of the remaining \$79 million, when you take that \$16 million off and you take out operational and normal maintenance costs, went into capital—

**Mr Larsen**—Fifty-million dollars.

**Mr HAASE**—Thank you. That was not hard.

**Mr Larsen**—Thank you for clarifying the question.

**Mr HAASE**—The chair is very good at that. The asset has changed hands recently. I am not sure when it happens officially—is it 14 April?

**Mr Larsen**—The target date is 30 April.

**Mr HAASE**—We know about the sale to Babcock and Brown. My understanding is that the entry on the books of WestNet for the capital cost of the rail infrastructure and below is a nominal figure for the 49-year lease of the rail infrastructure. Can you confirm that?

**Mr Larsen**—I am sorry, could you clarify your question?

**Mr HAASE**—The capital investment to the state government for the 49-year lease of the rail infrastructure, not the rolling stock, I believe was a nominal figure—that you paid for the rolling stock, but the 49-year lease was a peppercorn amount.

**Mr Larsen**—No, that is not correct.

**Mr HAASE**—Can you quantify the exact amount that was involved?

**Mr Larsen**—I cannot quantify the value that was paid for the below rail business because it is subject to confidentiality under the original sale agreement between the government and the shareholders.

**Mr HAASE**—I guess that is what makes it very difficult to refute the fact that it was a dollar peppercorn lease for 49 years. We are aware publicly today that Babcock and Brown paid \$850 million for that infrastructure.

**Mr Larsen**—That is correct.

**Mr HAASE**—My questions are: can you tell us, as a committee, how Babcock and Brown envisage making that investment of \$850 million pay; and what commercial differences that will make to the users of that rail infrastructure?

**Mr Larsen**—To answer your first question, they have bought a business that has 45 years remaining of its lease of the railway network and they intend to generate the revenues and maintain the network that substantiate the original investment. In answer to your second question, it will have no impact on the users of the network. It will be business as usual. Our business goal is to keep freight on rail and get more freight on rail, and that will not change.

**Mr HAASE**—That is a curious answer. If, over a period of 45 years—I thought it was 43 years—Babcock and Brown will make a profit on an investment of \$850 million and if nothing will change, it must mean that the rail operators were making substantial profits.

**Mr Larsen**—I think Babcock and Brown have publicly said that they are intending and hoping that the rail freight business will grow within Western Australia. I probably cannot comment anymore on their assumptions behind purchasing the business because I do not work for Babcock and Brown.

**Mr HAASE**—Okay. My point, of course, was that if Babcock and Brown can afford to invest such a large sum of money in something that was previously valued—I was going to say poorly valued—as a small-value asset, one would have thought that there would be some fat in that finance to make a substantial investment into the quality of the rail infrastructure.

**Mr Larsen**—I think they have indicated publicly that they very much intend to invest in the infrastructure and maintain it to the high standards that it has been maintained.

**Mr HAASE**—One would hope that considering a \$70 million investment in the Kalgoorlie rail track for the purpose of making money out of Portman mining would have been an appropriate investment.

**Mr Larsen**—I cannot comment on the assumptions behind their purchase. I am not privy to that information.

**Mr HAASE**—It begs the question. Thank you, Mr Larsen.

**Dr JENSEN**—I will get back onto the track from Kalgoorlie to Esperance. You were saying that at the moment the speed limit on that track is 50 kilometres an hour.

**Mr Larsen**—That is for 23-tonne axle load trains—the Portman trains.

**CHAIR**—What is the upward and downward variation on that?

**Mr Larsen**—The lighter axle load trains can run at higher speeds. It depends on train lengths and other operating parameters.

**Dr JENSEN**—That is the maximum axle load that the track at the moment can take?

**Mr Larsen**—Correct.

**Dr JENSEN**—What speed do you envisage after the upgrade? How many tonne axle loads are you talking about there?

**Mr Larsen**—The axle load would still be 23 tonnes, but we would hope that a maximum speed of 80 kilometres an hour—the same as occurs on the Perth to Kalgoorlie line or the Koolyanobbing to Kalgoorlie section—could be achieved.

**Dr JENSEN**—How much will it cost to upgrade the line?

**Mr Larsen**—Seventy million dollars for rail replacement, and that also includes some ballast replacement.

**Dr JENSEN**—If we had a look at getting state-of-the-art rail, where you do not have the sharp curvature of the current line, approximately how much would that cost? I guess there is potential for using sections of the current track where it is pretty straight.

**Mr Larsen**—Unfortunately I really do not think I can answer that question, except to say that new track would cost somewhere between \$1 million and \$2 million to construct. A study has not been undertaken on that.

**Dr JENSEN**—What I am trying to get at is: obviously there will be sections of this line which are pretty straight and really will not be in need of an upgrade beyond increasing the weight of the track. It is the curved sections. How many kilometres of curved section are there?

**Mr Larsen**—I would have to take that question on notice. Could I get back to you on that?

**Dr JENSEN**—Certainly. You were saying that, in terms of increasing capacity, you might have to get signalling on the track. Approximately how much would signalling cost?

**Mr Larsen**—Somewhere between \$20 million and \$30 million.

**Dr JENSEN**—Do you have any indicative costs for intelligent tracking for that line?

**Mr Larsen**—We are currently installing a system whereby we will actually be able to track the GPS locations of individual trains as they are moving. We are in the middle of installing that system currently.

**Dr JENSEN**—Is there any possibility of using that technology to have signals inside the train rather having external signals?

**Mr Larsen**—No, because there is currently no continuity of voice and data communications along the entire length of the line. That would be a significant part of that \$20 million to \$30 million cost. You need continuous communications to have the in-cab signalling.

**Dr JENSEN**—Is there potential for in-cab signalling to be cheaper than the external signalling? You said the majority of the cost is for communications. Obviously some of it is physically building signalling—

**Mr Larsen**—In-cab signalling would be new technology to Australia. I am not aware of the cost differentials between that and traditional signalling. I could also take that question on notice if you wish to explore that difference.

**Dr JENSEN**—Yes, I would be interested in that. You said that after the upgrade of the line you would have an increased speed limit to 80 kilometres an hour but still with 23-tonne axle loads. I mentioned before, with having a state-of-the-art line, keeping the straight sections but removing the corners—giving them less of a radius. What sort of axle loads do you think you could get up to in that case, while still maintaining 80 kilometres an hour?

**Mr Larsen**—I think it would still be 23. If you have already got 23-tonne axle load sections and you are not intending to effect any change to those, you would still be constrained by those sections that remain at 23.

**Dr JENSEN**—I would have thought that the limiting factor on those lines would have been the lateral loads that you would get on the bends. If you were just on a straight section of track, you would not get those lateral loads.

**Mr Larsen**—The major difference between straight track and curved track is that you have to go through curved track slower. What provides the axle load capacity is the track structure: the ballast, the sleepers and the rail. You would in effect have the same axle load across the entire length of the line but different speeds, depending whether you were on straight track or curved track.

**Dr JENSEN**—Just to get some indication of where we are compared with absolute state of the art, do you know offhand what axle loads are used up in the Pilbara?

**Mr Larsen**—Currently they are 40-tonne axle loads. The other important thing to realise is that all the rolling stock that is currently applied to the Portman task and that is being purchased for the expansion is designed to operate at a 23-tonne axle load. So there are other implications to be considered besides the cost of upgrading the axle loads. Besides the track costs there is also the upgrading of the rolling stock to take advantage of an increased axle load.

**Dr JENSEN**—Okay, so the cost is probably prohibitive. The major benefit that you can get is actually in increasing the speed limit on that track?

**Mr Larsen**—That is right—without looking at a full rolling stock replacement, of course, which is going to be a costly exercise.

**CHAIR**—On the point that Dr Jensen was raising, if you were going to resleeper and reballast sections of the track, and they were in some of that winding track that was described to us this morning, would you make some limited effort to ease the curves?

**Mr Larsen**—The sleepers are fine. It is the rail and the ballast that need to be upgraded. The sleepers we have in there with the upgraded rail will support the increased speed. Each curve needs to be considered on a curve-by-curve basis, depending on its geography. Without a proper survey of the track I really cannot comment on what opportunities there might be for taking advantage of those situations.

**CHAIR**—At the end of the day, that would allow you to speed up the train, wouldn't it?

**Mr Larsen**—Some corrections have already been made to the track geometry.

**CHAIR**—Yes. The question is: would you make more?

**Mr Larsen**—I do not think we know the answer to that question at this point. It would come back to a cost-benefit analysis. Realigning track is an expensive exercise, especially if you have to make cuttings, move earth and deal with vegetation issues. We have a corridor that is 20 metres wide either side of the centreline of the track, so we have a limited space in which to operate. We cannot necessarily head off wherever we like without extra land being provided.

**Dr JENSEN**—With the upgrade, what capacity do you see that you would be able to reach?

**Mr Larsen**—Without undertaking the exercise that we are about to go through, and considering the other issues of loading times and unloading times, which—as I said in earlier discussions with the committee—greatly affect track capacity also, I really cannot answer that question. What we will do is design an entire supply chain that delivers the capacity at the best cost. That is the exercise.

**Dr JENSEN**—So you will be able to answer that question after this study that you are currently conducting?

**Mr Larsen**—Yes, that is correct. But to be clear: it is not just about the track. It is about both ends of the supply chain and considering what can be done there as well.

**Ms HALL**—In a number of submissions this morning we have been advised that in many instances it is not viable to consider rail because of the costs associated with upgrades and the fact that it is much cheaper to bring it by road. Would you agree with that?

**Mr Larsen**—I think each transport task needs to be considered individually. Quite clearly, for BHP to build a new railway line from its Ravensthorpe mine to Esperance was considered to be cost prohibitive. It was much more cost effective to use existing infrastructure. The grain bins are not located on the railway lines, so proximity to the existing infrastructure is a key issue. Bulk haulage tasks over reasonable distances will normally be more economical on rail because of the payload benefits, but each transport task really does need to be considered on its own merits.

**Ms HALL**—If this question was asked while I was out of the room, please say so and I will read the transcript. Was the intermodal transport hub at Kalgoorlie-Boulder discussed?

**Mr Larsen**—The only comment that I made was that above rail operators, in particular the east-west operators, would need to be consulted. Even in the event of being able to assemble their train in a manner whereby they could leave behind the wagons with the freight in Kalgoorlie, the issue of picking up those empty wagons and returning them to the eastern states empty would be an issue for them. The cost of that versus the cost of taking the freight all the way to Perth and bring it back again is the economic calculation that needs to be undertaken.

**Ms HALL**—A number of submissions identified the fact that rail links to the port, along with road links, should be part of the AusLink national network. Would your organisation be supportive of that?

**Mr Larsen**—Yes, we would, for the Kalgoorlie to Esperance corridor.

**Ms HALL**—Thank you.

**Mr RIPOLL**—How far developed is your organisation in terms of the upgrade proposal? How much work are you putting into it and at what stage are you with it?

**Mr Larsen**—We have engaged, jointly with Portman, an eastern states based consulting firm. We are at the start of that process and we have somewhere between four and eight weeks work to go before that study will be complete.

**Mr RIPOLL**—And are you liaising with local councils and with state and federal governments; are you expecting everybody to play a role in your submission?

**Mr Larsen**—It is actually a study that is more focused on trying to understand what would be required to take Portman to 15 million tonne per annum from a supply chain perspective and to understand the economics of that. It will not be a submission. It is a study for us to consider how the task can be best undertaken.

**Mr RIPOLL**—Following on from that, have you considered the funding model that would be required, how you would fund an upgrade of this magnitude?

**Mr Larsen**—We are waiting to see what commercial gaps might exist as a result of having undertaken the study and whether there is any other party that would be interested in helping to address that gap due to the benefits they might receive from the expansion.

**CHAIR**—You can see our dilemma as a committee, notwithstanding the fact that probably the track around Australia was not brought up to scratch before it was privatised. That is abundantly obvious. Because it was not brought up to scratch, people like you have been set the task of scrapping some tracks and making the other ones pay and of building your efficiencies on the ones that are paying. Part of our terms of reference is to get more efficiency into the system. Certainly good scheduling operations are part of that, and infrastructure at the ports and the mines is part of that, but your philosophy seems to be: ‘We will upgrade the Esperance to Kalgoorlie track in accordance with the capacity of our users. We are not building in any additional factor in that.’

I can understand your position, but, as some of my colleagues have commented, if it were made the AusLink corridor is there also the capacity to lift the standard of the track beyond the minimum requirement for this upgrade of eight million to 15 million? Otherwise, in 10 years time we will probably have a train line that is being upgraded to carry 15 or 17 million tonnes or whatever it might be at the time but with no appreciable capacity to do anything else. Do you see my point? I can understand the pragmatism with which you approach it, but if we are going to have it as an AusLink corridor we would be looking for some additional efficiencies, surely.

**Mr Larsen**—The key issue comes back to Mr Haase’s comment earlier, which was: who should take on the risk of building something that is more than that which is required?

**CHAIR**—Where there is a blue sky factor in it?

**Mr Larsen**—That is right. The question of where that risk lies and how much risk a private company, as opposed to government, is prepared to take is a key issue. It probably therefore makes it a corridor worth while being in the AusLink program, for that very reason.

**CHAIR**—I want to go back to a point that two of my colleagues were exploring about the uncoupling of wagons on all trains from the eastern states to Perth. You say that one in every three trains uncouples?

**Mr Larsen**—I think someone from the city of Kalgoorlie indicated that earlier today. My understanding is that there is very little freight dropped off from the east-west trains.

**CHAIR**—What happens to eastern states freight to the west that is not dropped off at Kalgoorlie?

**Mr Larsen**—As Mr Haase indicated, it gets taken to Perth and brought back to Kalgoorlie by truck or train.

**CHAIR**—I cannot believe in this day and age of electronic communications, new signalling systems and whatever—

**Mr Larsen**—It is not a matter for the infrastructure; it is the transport or above rail operator who has to make the decision to stop and unload the freight. It has to be worth his while to do that. The track will accommodate a train if it wants to stop.

**CHAIR**—I realise it is not your primary responsibility and I am not harassing you over it. It just staggers me that we would take a train all the way down to Perth and bring a proportional load all the way back.

**Mr Larsen**—Quite clearly, it will cost that operator to stop and unload the freight, if he is not doing it today. The issue is whether he can recover the cost of that in the market locally and whether it is in fact cheaper for the residents of Kalgoorlie to receive their freight via that method than having it go all the way to Perth and back again. I think that is the economics of A versus B.

**CHAIR**—But he must surely have other costs in dragging more wagons down to Perth—more fuel, more uncoupling at Perth and more reassembling of trains at Perth. I do not know how they balance out. Is it just tradition to do this or is it being driven by hard economics?

**Mr Larsen**—I think it is a bit of both. As part of the study of considering the intermodal terminal, the above rail operators have to be brought into that study and asked: ‘What will it cost you to stop in Kalgoorlie and unload your freight?’

**Ms HALL**—Haven’t they done that?

**Mr Larsen**—I am not sure if they have or not. To me, there is no use building a nice intermodal facility if no-one is going to stop and unload their freight there.

**CHAIR**—Let us say there is some rail freight for Esperance: does it go all the way down to Perth and come all the way back to Kalgoorlie then come down the Kalgoorlie to Esperance line?

**Mr Larsen**—Some freight coming from the east absolutely follows that—

**CHAIR**—Another 1,000 kilometres. I am not harassing you on this. We will have to talk to the above track operator, I understand that, but we are picking your brains. I realise you are a subsidiary of Babcock and Brown and you have to operate commercially in the market, but what would be your preferred control mechanism for the industrial estate and its stockpiling of materials on the one hand and the development of other industries on the other? What model do you think works best when you have a small spur like that that has a general efficiency gain for



an operation? Is it best to have it under one operator? Is it best that government seed funds it and then the operator recoups the remainder of the cost over time? Give us some guidance on what the traditional role is of one of these spurs that probably has some potential.

**Mr Larsen**—I think the key is that, to attract private investment, obviously that investor is going to have to make a return on its investment. Hence, if we were to build the line and fund it we would be seeking to make a return out of it by way of charging fees for the use of it. Quite clearly, I think that one of the key issues with that line and that estate is whether or not it will actually be used for rail. For example, CBH indicated this morning that their preference would probably be—

**CHAIR**—Not to use it.

**Mr Larsen**—Yes. So I think the thing is to understand whether it is going to be used or not, what would be a fair fee for users to use it and also whether that will be enough to attract private investment or whether it is better funded by the entities that are getting benefits out of having the tenants at the estate.

**CHAIR**—Have you done any notional costing of that?

**Mr Larsen**—No. We have only just begun that process with the Shire of Esperance, looking at I suppose the engineering issues around connecting the line. We are obliged to connect them to the network if they want to connect to the network. We have not really had any commercial discussions around ownership of the line or funding of the line.

**Mr HAASE**—If we lived in a dictatorial situation where one could decree that no trucks were allowed to go to the port of Esperance and they all had to offload at Shark Lake, in your opinion, what challenges would be involved in providing a rail facility that provided the capacity to deliver as required from there to the port? Would it be feasible? Would it look like a huge challenge or a small challenge?

**Mr Larsen**—The process we would go through would be to look at how many tonnes, how often and therefore what would be required to be there in terms of the infrastructure and whether a double track would be required or not. My initial reaction would be that it is a short haul and obviously there is going to be some economic impact of trying to regulate all of that freight onto rail. That could impact on the ability of those companies to actually sell their products in global markets. That would be my initial reaction, and it would be one of concern. In the transport world we live in today, there is very much an equal role for trucks and trains. It is a matter of getting the balance right. What we do not want to do is regulate something onto rail if it is going to affect Western Australia's competitiveness in export commodity markets.

**Mr HAASE**—Do you believe that, if the society of Esperance was aware of those economic restrictions—those dollar limitations for industry progressing with an idea—they would be more appreciative of the fact that they live in a port town and therefore less resistant to the idea of tolerance?

**Mr Larsen**—I think that some additional information, which I am sure companies already do provide, would assist them in understanding that it plays a vital role in the Esperance community. That goes without saying, I think.

**Mr HAASE**—Being good neighbours is a two-way street.

**Mr Larsen**—As I said, I think the transport task in Australia very much requires trucks as well as trains to play role. It is a balance.

**CHAIR**—Thank you again for coming back, for giving some impromptu evidence the other day when we asked you and for appearing for this third time before the committee. We trust we can come back to you. We have valued your expertise and your frank answers.

[2.34 pm]

**AUBURN, Mr William Edward, Councillor, Shire of Ravensthorpe, Western Australia**

**GOLDFINCH, Mr Ian Malcolm, Councillor, Shire of Ravensthorpe, Western Australia**

**LEE, Councillor Greyham Cedric (Rusty), President, Shire of Ravensthorpe, Western Australia**

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

**Mr Goldfinch**—I am also a farmer.

**Councillor Lee**—I am also a board member of the Esperance Port Authority.

**CHAIR**—Thank you. We are not going to ask you to give evidence under oath, but I have to remind you that these are proceedings of the federal parliament and warrant the same respect as proceedings of the House itself. I remind you that the giving of false or misleading evidence is a serious matter and can be regarded as a contempt of the parliament. Having said that, you are most welcome. Is it the wish of the committee that the supplementary submission and a map from the Shire of Ravensthorpe be accepted as evidence? There being no objection, it is so ordered. Could you please give us an overview of your submission?

**Councillor Lee**—The Shire of Ravensthorpe has put in a submission to do with the South Coast Highway from Ravensthorpe into the port. The shire is very small. There are around 1,450 to 1,500 people in the shire and it comprises two small towns, which are now bearing the major impact of Ravensthorpe Nickel starting up mining within the area. The shire is mainly agricultural based. It has about 20 people operating on its permanent staff and we rely mainly on agriculture for our income. Tourism is also starting to play a major part in our economy.

The South Coast Highway that we referred to is the major arterial road between Esperance and Ravensthorpe. It is also the major arterial road between Ravensthorpe and the Great Southern region. The South Coast Highway is highway No. 1 on our maps. While it is not recognised as a federal road and only as a state road, it is in fact the major linkage from this region to the west.

**CHAIR**—Can you explain that to me again? It is either federal or it is not.

**Councillor Lee**—It is not a federal road; it is a state road, but it is classified as highway No. 1 on the road maps.

**CHAIR**—That is a bit of an anomaly, isn't it?

**Councillor Lee**—It is an anomaly, and we believe that needs to be rectified.

**Ms HALL**—It is a good arguing point.

**Councillor Lee**—Yes. We do not have a rail network coming from the west into Esperance, and there is little likelihood of it ever happening. Five rivers to cross and the location of bulk haulage to come on a rail network just about make it impossible to be viable. The Shire of Ravensthorpe is part of a greater watershed which transports to the port from the lakes district, which is on the eastern end of the Kulin and the Lake Grace shires and also on the eastern end of the Jerramungup Shire on the South Coast Highway.

There is high mineralisation of land on the northern side of the Shire of Ravensthorpe, and you have already heard that the town of Ravensthorpe itself is constrained by mineralisation due to the Crown saying, ‘You cannot build on land that has high potential of mineralisation.’ We have already had a great deal of interest from other mining companies. We already have tectonic resources operating within our area, as well as BHP Billiton now with their nickel mine. We have also had a flurry of interest from junior mining now that we have the infrastructure coming into place to be able to service the smaller mines, which makes them more viable. The bulk of the freight that we were talking about that is railed straight through to Perth comes back through the Shire of Ravensthorpe on the South Coast Highway back into Esperance for the general freight.

**CHAIR**—Could you please describe that route for us in a little more detail.

**Councillor Lee**—The route travels from Kalgoorlie via the rail network straight down into Kewdale. It is then shunted and shipped around into appropriate places. It is put onto road transport, brought back down through Wagin, Lake Grace shire, Ravensthorpe shire, back into Esperance. These trucks run on a continuous basis, all the year around, to continue to feed this region and keep it alive.

With the start of the Ravensthorpe nickel mine and the feeding of their product over into the Yalubu processing plant at Townsville in Queensland, we are going to see an increase in traffic not only from Ravensthorpe nickel’s own trucks that they are referring to, with their bulk haulage of nickel and magnesite up to the mine and then nickel hydroxide back, but you are also going to see an increase in traffic from fuel being hauled to the mine to operate the machinery—these issues have not been brought up—and also for other general freight to be taken up and down. There will be additional stuff that will hang off the edge of this. With the increase in tectonics and the other junior miners, we will also see additional traffic competing on a road that is already under extreme load—and this is part of the information that has been supplied—and it will increase to a stage where we believe that unless major upgrades on the road are done we are going to end up with a catastrophe on our hands.

All road freight from the eastern states coming across the Eyre Highway, south of Norseman through Esperance and heading to the south-west travels to and from on the same section of road. This creates a lot of conflict also with the tourist traffic coming down to see our pristine coastlines and travelling to and from the Great Southern wine region. We believe that over the next five to 10 years our region will continue to grow, putting additional traffic on our road networks and on this particular highway between Ravensthorpe and Esperance. We believe also that there is a great opportunity for containerisation. Now that the port itself is moving into containerisation, brought on by Ravensthorpe nickel, for that to become a part of our infrastructure in future where this port can be used for containers in and out, rather than the

Fremantle port zone, we see future additional traffic on the South Coast Highway being a greater and greater issue.

Our recommendation is that the South Coast Highway between the Shire of Ravensthorpe and the port of Esperance be funded in future as a road of national importance and/or be categorised within the AusLink network. I believe it fits fairly in the AusLink network. We also strongly support the submissions from the Shire of Esperance and from the Esperance Port Authority to do with the corridor that goes into the port. That must be looked at. It remains an access which cannot be restricted or constrained in any way so as not to prevent any further development of the port and this region.

**CHAIR**—Thank you. To clarify, we are easterners, with the exception of Mr Haase—he is a bit of a ring-in—so our geography is not good. Eight out of 10 of us come from the east. You can draw your own conclusions. What is the condition of the road going west? Does that come out at Albany?

**Councillor Lee**—It continues to Albany and then heads up to Perth through Bunbury.

**CHAIR**—Is that road in reasonably good condition?

**Councillor Lee**—No. The road between Esperance and Munglinup River in the Goldfields region, which was referred to earlier, is a good, wide and reasonably maintained road. Once you go west of the Munglinup River—and you should be able to pick that up on your maps—the road deteriorates to a narrow road which is extremely rough and in extremely bad condition.

**CHAIR**—It is a state highway, is it?

**Councillor Lee**—Yes, and it is also creating a drama for transport to be running on because the edges are breaking up and this type of issue.

**CHAIR**—When you have two trucks coming, one has to move off the road—is that right?

**Councillor Lee**—They have to move out to the outer edges, which makes it dangerous for road trains.

**CHAIR**—I heard someone saying it is not wide enough to have sidelines.

**Councillor Lee**—That is correct. It is not wide enough to have sidelines. It is also taking the road trains, which are carrying a net load of 70 to 75 tonnes. They are conflicting with the tourist traffic, caravans, school buses and the general public.

**CHAIR**—What is the estimate of the upgrade from Ravensthorpe through to Munglinup?

**Councillor Lee**—In the infrastructure package that was referred to by Ravensthorpe Nickel, there was \$10 million allocated for passing lanes, which are identified in red on that map you have. In the black areas closer to Ravensthorpe there was some road work to be done. That budget has fallen short by several million dollars due to the change of the specification of the road-building scenarios.

**CHAIR**—Have any of those passing lanes been done yet?

**Councillor Lee**—No. They have been allocated—

**CHAIR**—How can it fall short if you have not even done it yet?

**Councillor Lee**—Because they do their estimates through Main Roads. They have already done them. All this has been costed out. The money that was allocated for that is short.

**CHAIR**—There are the new roads out at Ravensthorpe that both go onto the highway and down to Hopetoun, plus the passing lanes, plus the widening of the road—presumably by putting about a metre on each side and putting the white lines in and so on—

**Councillor Lee**—They are not able to do that under the new process. That was the process that was going to be used on the road between Hopetoun and Ravensthorpe—that section of black you have there—and now, because of the new road specifications, they have to remove all the road and rebuild it completely out to the new configuration. It has to be a completely new road.

**CHAIR**—Including new foundations?

**Councillor Lee**—Yes.

**CHAIR**—They cannot do a shoulder seal anymore?

**Councillor Lee**—No, they cannot do that anymore. They are not legally able to do it, so Main Roads have now fallen short on that section.

**CHAIR**—Is that a national standard or just a local rule?

**Councillor Lee**—I do not know where the standard has come from. I cannot answer that question. The funding for the road going through to Hopetoun has been withdrawn and put into Highway 1 to allow those works to go ahead. In the meantime we are trying to negotiate with the state government to bring additional funding in.

**CHAIR**—It is a huge job to dig up the foundation. How many kilometres is it? What is the distance from where that road work will finish east of Ravensthorpe—the new section—to Munglinup?

**Councillor Lee**—About 80 kilometres.

**CHAIR**—You are going to rebuild both sides of the road for 80 kilometres?

**Councillor Lee**—The bulk of that will be rebuilt.

**CHAIR**—That is not going to be done cheaply then.

**Councillor Lee**—No. Hence the reason why it needs to be part of a recognised project. Because of the economic importance of this particular road to the whole of this region, it needs to be on the AusLink set-up so that it can be funded both federally and by the state to allow the upgrades of this road to be fulfilled to the safety of all of the commuters.

**CHAIR**—The other thing is that, if Hopetoun is going to be a dormitory township for the nickel mine, so to speak, and it is not going to carry a heck of a lot of the heavy traffic, what is wrong with doing the shoulders under the old system?

**Councillor Lee**—Because of the situation with the grain transport from the western side of the mine you are talking about. The bulk of the grain that is being hauled at this particular stage is out on the western side of that, and if you have a look at the very edge of the left-hand side of your map you will see a road going north. That takes you up into the lakes region that we were referring to. A huge grain tonnage has come down that section of the road, and then they also go directly straight on, out through to Albany towards Jerramungup, where you have grain being hauled through. So what you have is the culmination of two lots of traffic on the road there feeding down this one artery back into Esperance port.

**CHAIR**—Is there a lot of grain going from Ravensthorpe down to Hopetoun?

**Councillor Lee**—No, not between Hopetoun and Ravensthorpe.

**CHAIR**—The point I am making is that surely you only have to upgrade the Hopetoun to Ravensthorpe road to a safe standard for dormitory traffic.

**Councillor Lee**—The reason for the road being aligned in the first 10-kilometre selection is it takes you through some salmon gum and very heavy clay country, and the road has degenerated to such a stage where probably the rebuilding of the whole road structure would be more economical than to go to the edges.

**CHAIR**—You had better get back to us on a price, firstly, from the edge of those two major works—I cannot see the name of that road. If you head east, both of those new areas shown in black terminate at a road that I cannot read. It goes across the two roads.

**Councillor Lee**—The South Coast Highway is the one that is on the eastern—

**CHAIR**—The point I am making is: you had better come back to us with, firstly, the cost of upgrading the remainder of the Hopetoun road and, secondly, the estimate from the end of that section—it is 12 kilometres by the looks of this—running east of Ravensthorpe over to Munglinup.

**Councillor Lee**—We can get that for you, but it will have to be forwarded on to you.

**Dr JENSEN**—It strikes me that from Munglinup to Ravensthorpe, it might be just as expensive to duplicate the road. Leave the current lane the way it is—it will not carry two trucks side-by-side, but I am assuming that going from Esperance to Ravensthorpe the trucks are pretty much empty—and then duplicate it. In effect, you do not then have to have the passing lanes and so on up to Munglinup.

**Councillor Lee**—The transport going back through to the west carries fertiliser back out of here to the hinterland where the grain is being carted. It also takes transport from the Esperance town sites and businesses, back up through to Perth and for them to be operational.

**Dr JENSEN**—As to the condition of that road: clearly it will not take two trucks side-by-side and you have pointed out that the shoulders are a problem.

**Councillor Lee**—That is right.

**Dr JENSEN**—What is the condition of the road otherwise?

**Mr Goldfinch**—We are not road builders but, being good farmers who have dug around in dirt for a while, we can give you a guesstimate. We would expect Main Roads to use the road base as its major formation, and then widen it. You are not building a road from nothing. The line of the road would not be changed, but the road surface at the moment is not really viable for anything other than to be remade. I got here 40 years ago when that road had just been put in, and a lot of it has not been touched for 40 years. The road is there, the alignment is good, but we use the base to widen it and put a cap on it. That is what they will probably do.

**CHAIR**—Perhaps you can get back to us with a cost for that, because that seems to me to be your shire's No. 1 problem.

**Councillor Lee**—It is with this particular stage. And to feed into this region and this port, it is the lifeline to the south-west of the state.

**CHAIR**—Is Munglinup the boundary of the two shires?

**Councillor Lee**—Yes, it is.

**CHAIR**—Why did they do one side so well and not the other side?

**Councillor Lee**—Because the Ravensthorpe Shire is in one of these unfortunate positions where it has different groups of organisations handling different areas. Our road group is in the Great Southern region. We are on their very eastern extremity, and we do not exist because we do not even fall into their watershed. The watershed for our region runs back to this port, but we are not in the goldfields road group area. If we were in the goldfields road group area we would be getting the funding for it, but because we did not fit into the watershed in the Great Southern region, we did not exist.

**CHAIR**—You have just been tacked onto that group for want of somewhere else to put you?

**Mr Goldfinch**—Yes.

**Councillor Lee**—And we have had that all our lives. We are definitely rectifying that.

**Ms HALL**—You are in no man's land.



**Councillor Lee**—No, we are definitely putting ourselves well and truly in a position where we know where we are.

**CHAIR**—In a way you are worse off than boundary roads. Boundary roads between shires are notoriously neglected.

**Mr Auburn**—I might make a comment, if I could, as a delegate involved in the Great Southern Regional Road Group, which consists of 13 local governments. There is a peer based assessment with respect to the contribution of the state to local government roads funding. The agreement has just recently been signed, as you would probably be well aware of. Distribution of the funds always seems—as in any of these situations—to get cut down. The peer assessment that is used is decided by the actual groups for the distribution of the funding.

The state funds distributed to the local governments are now distributed on a 75 per cent of asset preservation model and 25 per cent based on population. The Great Southern Regional Road Group, which we are in—and we have been advocates for change in there—does not use an asset based model that would equitably distribute funds to the subgroups in the Great Southern Regional Road Group for distribution and a multiplier effect of local government money to put onto local roads. Consequently, that is where we see a slight disadvantage. We have tried and we are ready to move camp.

**Ms HALL**—You would have a fairly small rate base as well, would you not, with such a small population?

**Mr Auburn**—Absolutely. There is 66 per cent of non-rateable land in the Shire of Ravensthorpe.

**Ms HALL**—So you are struggling?

**Mr Auburn**—Yes.

**Councillor Lee**—Sixty-six per cent of our land is actually crown land or national park, which we are turning into our advantage because we can see that as a tourist—

**CHAIR**—So 66 per cent is national park or—

**Councillor Lee**—Unallocated crown land.

**CHAIR**—And the population?

**Councillor Lee**—About 1,500—and growing fast. We estimate that the township of Hopetoun would have between 1,000 and 1,500 in it by mid next year. It currently has 500 people in it. We expect Ravensthorpe to go to between 700 and 800 by the middle of next year. Our population is taking a big boom because of the Ravensthorpe Nickel project.

**Mr HAASE**—Councillor Lee, contrary to many of the Pilbara towns, I suspect that BHP Billiton are paying substantial rates. Can you confirm that?

**Councillor Lee**—They will be paying rates but they will not be paying rates until they go into production. They have to go into production before we can rate them. That will be about 18 months out.

**Mr HAASE**—Has someone done a long-term cost study of the operation of BHP Billiton in your shire to see what comes out the other end after the next 25 years?

**Councillor Lee**—We have done them out to 10 years. If we are able to maintain our current grant allocation from the federal and state governments, with the rates that come in we will be about effort neutral—that is, we will not go up or down—by the time we finish paying or services and maintaining infrastructure.

**Mr HAASE**—That is a substantial statement.

**Mr Goldfinch**—It needs to be understood that this is on a depreciation capital basis and the rates will depreciate as the capital depreciates. Ravensthorpe Shire will have a nice early handshake but it will disappear and the town population will be maintained. So it is probably right that the shire puts some reserves away early in the piece to be able to carry itself through when the rates from the mine decrease over a period of 20 years.

**Mr HAASE**—Do you think you may become accustomed to the manner of living with a rate base more substantial than it has been in the past?

**Councillor Lee**—That is one thing that this shire has been made well and truly aware of by researching other shires that have been in a similar situation. So we will not be becoming accustomed to extra money and neither will we be just taking capital works from mining companies into our town as a given because there is always a maintenance cost. That is what has crippled a lot of the mining shires in the Pilbara.

**CHAIR**—Mr Auburn, you talked about the road group. Isn't that particular section of Highway 1—despite the anomalous numbering of the highway—a state highway?

**Mr Auburn**—It certainly is. My example was just in relation to funding distribution for a local road base in the entire scenario of road groups and road funding distribution.

**CHAIR**—So could you get two shots at a state highway—one by direct state funding and one through your local shire?

**Councillor Lee**—No. That is not correct.

**Mr Auburn**—My interpretation would be no. It would be just state funding for the two main roads. It is their project. We diligently keep plodding on for an upgrade. I think what we were doing—

**CHAIR**—Wait a second. You said before: 'We're on the tail end. We've been added onto this group because there is nowhere else to put us and therefore we are not getting any funding for the road.' Now you say, 'No, it's solely a state responsibility.' What is the role, then, of the 13 shires?

**Councillor Lee**—Maybe I need to clarify this. Councillor Auburn has brought into the equation local roads as an example, which has absolutely nothing to do with the state highway I referred to.

**CHAIR**—I see. You were using a parallel analogy.

**Mr Auburn**—Yes.

**Councillor Lee**—He was using an analogy which has nothing to do with the submission we are putting in.

**Mr Auburn**—I apologise if I misled the committee—it was inadvertent.

**CHAIR**—Are there any other points that you want to highlight from the supplementary submission?

**Councillor Lee**—No, that was submitted simply to give you a feel for what we have been planning and what road traffic is going ahead, so you can add to that any additional transport that is going to happen within the next two to five years.

**CHAIR**—Where does the bulk of your shire grain go?

**Councillor Lee**—All of the Ravensthorpe shire grain goes here plus the eastern end of Lake Grace shire, Kulin shire and Jerramungup shire.

**CHAIR**—In what field are the other two mining companies that are looking at your area?

**Councillor Lee**—Gold, copper, lead, silver and tantalum, and I believe some have now found nickel sulphide.

**CHAIR**—It is a very interesting submission and it puts the icing on the cake of what we heard this morning. We perhaps should have discussed your submission and evidence straight after the local council appeared, but we were not to understand the dynamics at that stage. Nevertheless, we have them on board now. I think you really need to work very hard on that submission. When those costs are through, could you send them to us as a supplementary submission?

**Councillor Lee**—We can certainly do that. I apologise for the lateness of our submission, but we did miss the one earlier on and that is because we are a small shire battling a heavyweight at the moment.

**CHAIR**—As I have requested of all the other witnesses, I would like you to give us a map showing the main roads in black and such things as alternative routes in red. It would be the reverse of what is on this map: you would show the two Ravensthorpe legs and the passing lanes in red and perhaps put two fine red lines on either side of the black line from the edge of the Ravensthorpe upgrade down to Munglilup. We want to present to government the infrastructure deficiencies in and around these port cities and towns like Albany, Esperance and Bunbury. They all have this sort of problem, brought on by new industries and at a level that is sometimes

beyond the rating capacity of the shire or city—it is just a sheer numbers game. We will look forward to that submission.

**Mr HAASE**—Before we finish, I would like to pursue something that was discussed earlier. Councillor Lee, you talked about the new regulations that prohibit you from simply widening shoulders. I would like you to give us an understanding of that change, what brought it about and through whose regulations. I ask this because it is a substantial change, from the \$11 million to do the job to what—\$100 million?

**Councillor Lee**—We have no idea of the total costs now. Main Roads Western Australia, when we did their original submission to the infrastructure package that was indicated by Ravensthorpe Nickel, utilised what we would have normally done: the widening of the road by adding a metre on either side and upgrading that way. Because of the change in Main Roads road construction methods, they have stated that they are no longer able to do that. They have to remove all the seal, rescarify, completely rewidened, redo the base course and do a complete seal. How and why they have come up with that I have no idea. It is something that we need to get the information on from Main Roads WA in Albany.

**CHAIR**—I am staggered if that rule is going to be imposed on every type of shire road, because that will be a financial impossibility.

**Mr Goldfinch**—That would be wrong, Mr Chairman. This is only on the state roads. To my knowledge, it was suddenly put on us that this would be the new edict for state road upgrades, not for regional or shire roads.

**CHAIR**—What about Ravensthorpe to Hopetoun?

**Councillor Lee**—That is a state road—it is classified as a state road.

**CHAIR**—It obviously does not need that high standard.

**Councillor Lee**—That is why it is actually on that.

**CHAIR**—Heaven forbid they bring it into Queensland or I will never get anything done on my patch. Before we close, I would like to thank the Shire of Esperance and the Shire President for his courtesy and hospitality today in making this room available and for facilitating arrangements for the committee to come here. We have particularly enjoyed going to the regional centres of WA, as we have in the past. There is a dynamism here that quite surprises me as a Queenslander. I think we always think that Queensland is out there in front on most issues, but your townships are impressive and your civic facilities are better than most in the eastern states per head of population. You obviously have a very fine focus in local government. Things that we heard today, like the Esperance Shire Council securing that corridor for future rail, show that there is some forward vision in this area, and that is to be commended as well. We go to Perth tomorrow to round off with the peak bodies and the state based bodies before we finish the inquiry around lunch time tomorrow.

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

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

**Committee adjourned at 3.08 pm**