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**HOUSE OF  
REPRESENTATIVES**

STANDING COMMITTEE ON TRANSPORT AND REGIONAL  
SERVICES

**Reference: Transport networks inquiry**

FRIDAY, 10 MARCH 2006

PERTH

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

**Friday, 10 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:** 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 9.18 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 21st public hearing of this inquiry. It is part of an extensive program of public hearings and visits designed to gather information from the people directly involved with the main issues of the inquiry—namely, the arterial road and rail systems of Australia, connectivity of the ports, the efficiency of those ports and whether or not there is a case for inland hubs. We have even had evidence that perhaps we should be looking at coastal hubs more so than inland hubs.

On our visit to Western Australia the committee has already been to Geraldton, Bunbury, Albany and Esperance. Today the committee will hear from the Western Australian government, the Chamber of Commerce and Industry, and other witnesses—if you like, we will be dealing today with the peak bodies—on their take on what issues are affecting Perth in particular but Western Australia in general.

[9.19 am]

**OLIVER, Mr John, Transportation and Logistics Manager, Alcoa World Alumina Australia**

**LOVELLE, Mr Trevor James, Senior Adviser, Industry Policy, Chamber of Commerce and Industry of Western Australia**

**NICOLAOU, Mr John Andrew, Acting Chief Economist, Chamber of Commerce and Industry of Western Australia**

**CHAIR**—Gentlemen, we will not be requiring you to give evidence on oath, but I should remind you that these are formal hearings of the federal parliament. Consequently, they warrant the same respect as proceedings of the House itself. It is customary to remind all witnesses that the giving of false or misleading evidence is a serious matter and can be construed as a contempt of the parliament. Having said that, you are most welcome. Who is going to lead?

**Mr Lovelle**—Chair, I will open, if I may.

**CHAIR**—Mr Lovelle, would you like to give us a five- to seven-minute overview of your submission?

**Mr Lovelle**—I was just going to make the comment that we are appearing before this inquiry based on our submission to the inquiry of May last year. John Nicolaou, our senior economist—

**CHAIR**—Could I just interrupt you. You do not have to go through the submission again; we have your submission. We want you to highlight the points that you want this committee to carry back to the federal government—the hotspots, if you like, in WA of this transport area. We have had witnesses who have used over half an hour of their three-quarters of an hour just reading out their submission, so just give us the highlights and let us get into some questioning. Go for it.

**Mr Lovelle**—I might hand over to John, then, for a few comments in that regard.

**Mr Nicolaou**—I have just a few opening comments. Infrastructure provision in WA is a critical issue. It is important due to a number of distinct factors that underlay our state and our economy. We have a very large state in terms of geographic size. It has a low population density. It also has above-average economic growth and above-average population growth. These factors combined make infrastructure requirements a very important issue for the state of Western Australia, and it is for this reason that we have entered into the debate in this inquiry and others as well. Also as an opening remark, underlying our submission is an infrastructure policy, and that builds up the framework from which we can assess and analyse the importance of certain infrastructure projects. Those are set out in the submission, so I will not go any further on that.

**CHAIR**—Mr Lovelle, do you want to touch on some of the infrastructure issues that the chamber sees as important?



**Mr Lovelle**—Certainly. One of the key infrastructure requirements we see is in regard to the Burrup Peninsula. That is in the context of the AusLink funding that was announced last year or the year before, I think it was.

**CHAIR**—It would be fair to say that a pretty common theme is going round that a number of regions want to be part of the AusLink agenda and that perhaps the Commonwealth's terms of reference to the states were a bit narrow originally. Some of these provincial areas that have infrastructure problems beyond the rating capacity of those shires and cities to carry out extensive works feel that they have an entitlement to be considered under AusLink. So there is a general theme. It is not said with criticism of either the state or the federal government; it is just said, 'We think to achieve proper infrastructure we have to be part of this system.'

**Mr Lovelle**—Yes, and perhaps a bit more detail or an example would be the Great Northern Highway, which is identified as a corridor of critical importance. It bypasses the port of Dampier, whereas the North West Coastal Highway better accesses that particular infrastructure. For the sake of connecting to the Great Northern Highway, we thought that that might be worthy of inclusion in the AusLink plan.

**CHAIR**—Which route are you talking about?

**Mr Lovelle**—The Great Northern Highway is the identified corridor of importance for AusLink yet it bypasses the port of Dampier. It is the one that runs up through the centre. There are clear reasons for that being identified, and we have no objection to that other than that it does not link to the port of Dampier.

**CHAIR**—That was on a map yesterday, wasn't it? I have it here.

**Mr Lovelle**—That is the Great Northern Highway up through there, then you have a north-west coastal road that follows the coast and the port of Dampier is somewhere around there. The Great Northern actually bypasses that port.

**CHAIR**—There was a very strong submission yesterday to take this link from the top of the Goldfields Highway to come across to here, to take 170 kilometres off the direct route down to Esperance from the north. They said that there is a corridor of minerals along that path and that that triangular piece being completed there—and that 175 kilometres of new road is not cheap—would give a direct link from those mineral provinces plus the other province around Kalgoorlie-Boulder-Laverton right through to here.

**Mr Lovelle**—As an alternative to establishing Kalgoorlie as a hub or as well as doing that?

**CHAIR**—No, in addition to that.

**Mr Lovelle**—In addition, right. There are some south-west issues that perhaps John Oliver can better enunciate.

**Mr Oliver**—I am representing Alcoa today, as I think I mentioned earlier.

**CHAIR**—Thank you for your earlier evidence too. It was very helpful, though your employees did not wish to stray into the policy areas, which the committee understands.

**Mr Oliver**—That is appreciated. Alcoa's main operations are in the south-west of Western Australia. In fact, Alcoa's operations in Western Australia are the largest integrated alumina refining system in the world. We produce almost eight million tonnes of alumina in Western Australia and all of it is exported through either Bunbury or Kwinana. Bunbury is our key focus, where we currently export roughly five million tonnes. Rail access to that port is a considerable issue for Alcoa in terms of ensuring that in the future we are going to be able to rail tonnes to support our export business through the port. Our main concern in the south-west is with the capacity of the port facilities in Bunbury.

**CHAIR**—Do you want stage 2 of that circular track to be completed or are you talking about the bypass round Bunbury?

**Mr Oliver**—In Bunbury there are two issues: the port facilities in terms of rail access into the port and the depth of the harbour, which determines the size of ships that can come in and out of the harbour. Also, further back up into the hinterland, there is the issue of the ability of the rail system to service Alcoa's refineries at Pinjarra and Wagerup. So there are a number of issues within that in terms of how the port and rail system will work together to facilitate Alcoa's increasing production over the years, as well as that of other producers such as Worsley, and potentially other products such as coal and whatever else might come into or go out of the port. They are our key concerns. I guess I have a fair bit of knowledge of the issues around Bunbury and the rail system there, and I am happy to take any questions that you might want to ask specifically.

**CHAIR**—I will touch briefly on dredging and channels. Just about every port we have been to has a problem with dredging, blasting or channel widening or creation. Depending on the structure underneath the ports, the cost levels vary dramatically, especially the ones with basalt that requires removal. I think the only port we have been to that does not have a cape size vessel problem is, surprisingly, Esperance—probably the smallest port with the best draft we have been to. When we started this inquiry, we did not think that channels and depths of ports would be a problem. However, the committee has been asked to report on the efficiency of ports. What sort of formula would you recommend that the federal government might take up with the state governments to improve Australia's capacity to accept the larger Panamax vessels and the medium to large cape size vessels?

**Mr Oliver**—I think the main issues for a port such as Bunbury are the products that are going through it and the tonnage of those products, because we are dealing with bulk here, not containerisation. How many tonnes are being pushed through the port, be that export or import product? What is the destination of the product? It is no good having a port that can take a cape size ship, if in fact your destination port can only take a Panamax size ship. That is a waste of resources. So you have to look at the destination and the origin of products. It has to be a matching scenario between the loading port and the destination port.

**CHAIR**—That is an interesting point. Is that sort of relationship established on a long-term basis or is it a fluid thing that changes perhaps every two or three years?

**Mr Oliver**—In Alcoa's case, it would typically be on a long-term basis. Alcoa has a policy of creating long-term relationships with significant users of alumina, and so our shipping profile would be fairly constant. There are obviously variations but—

**CHAIR**—Where does most of yours go?

**Mr Oliver**—A lot of it goes to the Arabian Gulf.

**CHAIR**—In what size vessels?

**Mr Oliver**—In Panamax ships, but not fully loaded. A Panamax, which can load 70,000 tonnes, goes out with about 58,000 tonnes or 60,000 tonnes on draft. That is a significant impediment.

**Mr RIPOLL**—Why is that?

**Mr Oliver**—Because the harbour is not deep enough. That is a significant impediment to efficient shipping in Australia. Alcoa, along with every company that imports or exports, has to compete globally, so that is an added cost that we do not need as an organisation or as a country. I have not done a detailed analysis of the customers and their port facilities, but we would certainly like to fully load Panamax ships at Bunbury. A lot of it goes to the AG, some of it goes into Asia and a lot goes into the north-east of the US—the US gulf. Alcoa is supplying its own smelters world wide out of WA, as well as third-party customers. They are fairly long-term, stable destinations.

**CHAIR**—The access to the port at Bunbury seems to be a problem in three areas. One is the ultimate capacity of the main line from Perth. From where it meets the Collie line at Brunswick Junction down, there needs to be duplication, apparently. There is a bit of conflicting evidence as to whether or not the passenger trains are getting a fair go. One scenario we were told about was that trains that were on timetable had right of way, although other evidence we got would seem to suggest that passengers were often left stranded for 20 minutes or half an hour waiting for a train to come through. The second problem seems to be the completion of that ring road around Bunbury. The third one is stage 2 of the immediate access to the port. Are they your takes on that?

**Mr Oliver**—Alcoa does not really have a road presence or a requirement for a road into and out of Bunbury. Our stuff all goes on rail, so I am not that close to the road issues. That is more of a woodchip problem, so I probably should not comment on that. I can certainly comment on the rail issue. You are quite correct: from Brunswick Junction, where the Worsley line comes in, it becomes quite congested.

**CHAIR**—To be fair to WestNet, they made the point that they have spent considerably on two areas, \$50 million in one case and \$20 million in another. We are not suggesting that it has been totally neglected.

**Mr Oliver**—No, not at all.

**CHAIR**—What we are suggesting is that there needs to be another step in the process.

**Mr Oliver**—That is right. At the moment, there is adequate capacity. But if you look at Alcoa's proposed Wagerup 3 expansion, if that gets approval and Worsley's proposed expansions get approval and if other tasks come onto the line, you can see that in not too many years in the future the congestion from Brunswick through to Bunbury will be such that making the track a dual track will be a very feasible option—it will be a requirement, almost.

**CHAIR**—There was to be another development south of Bunbury. I forget the name of it. It started with 'c'. I am interested to hear your take on that. My colleagues might take up the questioning while I look for that.

**Dr JENSEN**—My question relates more to Fremantle than Bunbury. We know that the Fremantle eastern bypass has been deleted now. I am not sure if any of you gentlemen are familiar with this area. What sorts of pressures do you see that applying in the long term? I am aware of problems with traffic going through Fremantle at the moment. For example, the Tydeman Road level crossing is a significant problem. When do you see us hitting real problems with regard to transport infrastructure in—

**Mr Lovelle**—The chamber was a very strong supporter of retaining the Fremantle eastern bypass for those reasons. It provided more efficient access to the inner harbour. The deletion of that reserve has put greater emphasis on the outer harbour development because there is a need now to develop overflow facilities for when the inner harbour reaches capacity, which best estimates put at somewhere around 2017—that is a fairly fluid number, that one. The deletion of that reserve has certainly made other developments more critical. Sorry: are we talking about Fremantle? I thought we were talking about regional ports. Are you including this as part of that?

**Dr JENSEN**—The terms of reference include it.

**Mr Lovelle**—So we were obviously disappointed that that particular piece of planning infrastructure had been deleted. Yes, it will place pressure on the existing facilities. I cannot comment on specifically what sorts of traffic problems exist right now, but suffice to say I would imagine they would be quite significant.

**Dr JENSEN**—In addition to that there are problems with the rail traffic, where there are sections of track which are shared effectively between passenger and freight. A problem that you have got, which I guess you are aware of, is that there is not the facility to double stack containers on the line because of the height of some of the bridges. Do you know anything about that issue? When are we going to strike a problem as far as the rail infrastructure is concerned?

**Mr Lovelle**—No, I cannot provide any detail on that.

**Mr Oliver**—I was not aware that there were rail freight and passenger clashes on the local line. I thought they were separate. Certainly on the south-west main, the passenger trains, as the chair mentioned, run on the same track.

**Dr JENSEN**—Basically it is between the bridge over Tydeman Road and Fremantle station itself. That is where you get the clash.

**Mr Oliver**—Right. I am not across that. Chair, you made a comment earlier about the passenger and the rail and some issues people have with passengers on the south-west main.

**CHAIR**—We got conflicting evidence.

**Mr Oliver**—Alcoa's feedback from the rail operator is that the passenger service has absolute priority. So we are always waiting, as freight trains, so that the passenger train gets its right of way on the track. That is how we understand it operates, which does cause delays sometimes for freight. It is a single line and everybody has to fit in to use it as best as they can. We can understand why the passenger service has a priority.

**Mr RIPOLL**—I have some broad questions. I want to go through some of the bigger issues in terms of how we deal with infrastructure provision and how we get the mix a bit better. In your submission you talk about common user infrastructure and particularly about the Commonwealth government carrying a greater share. I am interested in how you would calculate that greater share or how you see that working in terms of putting a case forward to the Commonwealth and saying, in cases where there is common user infrastructure, that the Commonwealth should provide 50 per cent, 60 per cent. How would you determine that? What is your thinking on it?

**Mr Nicolaou**—We do not have an exact methodology as to how that should be calculated. Possibly the state government might have some firmer ideas on that.

**Mr RIPOLL**—Yes, 100 per cent Commonwealth—and the Commonwealth would say 100 per cent state. That is why I wanted to see what you thought about how you might determine at what level the Commonwealth plays a stronger role. Traditionally in a lot of infrastructure provision the states have been the providers and they have worked on the ground with local industry. Certainly I believe there is a role for the Commonwealth. I am wanting to tease some of that out in terms of your thinking.

**Mr Nicolaou**—Sure. We believe that the Commonwealth should have a greater role and that is essentially due to the imbalance that exists to the extent that the Commonwealth gains most of the revenue from industrial development on infrastructure projects, whereas the states are the ones that have to fork out the money for common user infrastructure. The classic example of that was in the Burrup Peninsula, where the state has contributed a lot of funds through its various utilities, and the Commonwealth has not. We have different approaches to funding for infrastructure.

The states have a greater responsibility and a preferred approach from our perspective in that they provide common user infrastructure for all potential companies or industries that want to locate to a particular area, whereas the Commonwealth has a more selective, almost first mover approach, whereby if an organisation is going to move to a particular area they will provide them with some funding to develop any infrastructure that is necessary.

**CHAIR**—We used to have a thing called Roads of National Importance which would guarantee a project, whether it was being done by a state government, a port authority, a group of councils or a combination of all three. They could put up an amount of money which the Commonwealth would match. That is less well defined in AusLink, even though it talks broadly

about those things, in the sense that a lot of these provincial cities have been excluded. Just about every provincial city we have been to—Mackay, Gladstone, Newcastle, Port Kembla and Portland to a lesser extent—have an infrastructure access problem. The magic figure seems to be \$70 million to \$80 million. That is constraining the efficiency of those ports or the efficiency of getting product either from the hinterland or from the arterial systems into those ports. I think Bernie is saying: what model do you suggest? Do you want to see a return to Roads of National Importance or roads and rail of national importance, or do you think the AusLink agenda should be widened? Just give us a bit of an idea, as a chamber of commerce, of what you think is an appropriate mix.

**Mr Nicolaou**—I cannot comment on specifics, but I think there needs to be a more collaborative approach. That is what the chamber has proposed a number of times through various submissions. We really have not formed an opinion on exactly how that is done, because there has been no move towards such an approach. I really cannot comment much more than that.

**Ms HALL**—You are talking about all levels of government working together for the benefit of the nation.

**Mr Nicolaou**—Absolutely, yes. That is necessary, otherwise there are these perverse incentives and we get situations where the state governments are more constrained in their capacity to deliver infrastructure relative to the Commonwealth due to the revenue base that the states have. If something is too expensive then they will go for a cheaper option, and one that might not be as economically important for the states. We are very keen to see a more collaborative approach between the Commonwealth and the states. I think the state government is also very keen to push that agenda. It had identified that as part of its state infrastructure strategy.

**Ms HALL**—Would you like to see this maybe addressed through COAG?

**Mr Nicolaou**—I think that is an appropriate forum for it to be addressed in initially, absolutely.

**Mr Lovelle**—We want to see that as a transparent process.

**Ms HALL**—Transparent—yes, that is the problem.

**Mr Lovelle**—Absolutely, including history so that it depoliticises things. I know that it is very difficult when you are talking about COAG, but it would need to be a transparent process.

**Mr Nicolaou**—Absolutely. That is why we welcome the state government's announcement of the state infrastructure strategy, in that it is going to be a transparent process which should, to some extent, depoliticise the exact prioritisation that is given to certain infrastructure projects.

**Ms HALL**—I think there was a bit of a move in the area of health in the last COAG round to depoliticise the issue, to have the states and the Commonwealth working together more.

**Mr Nicolaou**—Yes.

**Ms HALL**—And that is something like that?

**Mr Nicolaou**—Absolutely.

**Mr Oliver**—Alcoa is a major user of some of the critical infrastructure in the south-west. We do not have a specific view as to how any funding from Commonwealth or state should be allocated. However, there is constantly an issue for companies like Alcoa having access to infrastructure being planned enough in advance of proposed projects.

In the old days, when it was a government owned rail monopoly, the state government would generally look out further if they were not driven purely by the commercial bottom line, which is just the way things are nowadays with privately owned infrastructure. So they would take a longer term strategic view for the betterment of the state and the Australian economy as a whole and put in place infrastructure or plan for infrastructure in advance of the actual need for it. So they are a bit ahead of the game. We find that very difficult to achieve now. I think that is a real problem that needs to be addressed, not just for Alcoa. If our proposed expansions go ahead and other projects come on stream on the south-west main, we find a situation where we are constantly pushing up against the ability of the infrastructure to actually move the product, and the infrastructure needs to be ahead of the game.

**CHAIR**—Dalrymple Bay became the ultimate folly.

**Mr Oliver**—That is the perfect example. We run that sort of risk to some degree, I think, if we do not collectively get our heads around what is likely to happen with major projects in the south-west and how the infrastructure should be planned to accommodate those in a sensible cost-effective manner. So I think that is the problem from the user level, and how that gets done at the government level is—

**CHAIR**—I want to go back to Mr Ripoll, because I destroyed his line of thinking. Before I do, I say that that has to be more than motherhood—working collaboratively and all those things. Mission statements are good, but we as a committee have to suggest to the Commonwealth some formularisation for how this could work. One of the most impressive submissions we have received—though it is not a big submission; I suppose you would say it is a subsidiary submission—was from Albany. They had a very simple submission saying how they believed they could fund a problem they had and how much state money the state government was prepared to put up, how much they were prepared to put up, how much they were prepared to transfer from their Roads to Recovery money, and then they wanted the Commonwealth to put up about \$6 million or \$7 million. It was done collaboratively but with them as the driving force. It was a very simple submission, very well reasoned, not outlandish. They have argued a very simple case, outlining how each wing of government could do it to get this particular problem at Albany solved. If you would like to have a look at it in the morning tea break, it is probably worth looking at. You can see that it is only about 12 or 13 pages long.

**Mr RIPOLL**—You have made a number of interesting points in your submission. I certainly agree with having joint reviews between the Commonwealth and the state, having peak bodies trying to depoliticise. I think this is where the general thinking is on issues of major infrastructure provision. You also make a comment though that not all demand for infrastructure should be met—you are obviously referring to government—and that it should only invest in

infrastructure if it is affordable and can plausibly expect to deliver benefits in excess of costs. Mr Oliver, you mentioned that maybe sometimes we ought to look a bit further. Can you flesh that out a little bit, explain what you mean by it and how that might work in a practical sense?

**Mr Oliver**—That is the CCI submission?

**Mr RIPOLL**—Yes.

**Mr Nicolaou**—We believe that there should be a set framework through which you can analyse and prioritise infrastructure projects. It needs to be based on two key arms, which are cost-benefit analysis and opportunity-cost evaluation. Those two together can help set up the framework through which you can prioritise and determine whether certain infrastructure projects should proceed within the current environment or whether they need to be reviewed again at a later stage. There are also other arms, a general framework through which infrastructure should be decided, such as a competitive tender process to allow the private sector to compete openly, and that will also help deliver value for money for the government in the delivery of infrastructure. Those sorts of key principles underlie sound infrastructure policy framework.

**Mr RIPOLL**—Does the chamber itself look to the future? Does it look to where the big needs are in terms of infrastructure for the industries you are involved with, the people you are involved with?

**Mr Lovelle**—We certainly do. We noted in our submission that we would like to work five or 10 years hence for that purpose.

**Mr RIPOLL**—What I am getting at is this. Yes, you do, but how does that become something practical that you can then use for your membership to make proposals to government? If you have identified a need in an industry, a business or just generally in the region you look after, how do you then progress that to a government proposal or some sort of funding proposal to try and create the infrastructure that is needed or assist in that process?

**Mr Nicolaou**—The State Infrastructure Strategy was a welcome initiative that the WA government announced, and we were fully supportive of that. The reason is that it will help prioritise infrastructure provision within the state over the next 20 years. It is a medium-term framework which will give industry a greater sense of confidence and clarity as to what infrastructure projects could foreseeably be delivered over the next 20 years, all things being equal. That process is under way. Our Chief Executive, John Langoulant, is part of an external reference group of industry that is sitting together to help flesh out this infrastructure strategy and help prioritise the needs of the state, ranging from economic infrastructure right through to social infrastructure. We think that is a very solid framework from which infrastructure can be set.

**Mr RIPOLL**—That body that you are talking about works with the federal government as well or has a link into it?

**Mr Nicolaou**—It will be a very important part of it. I think the state government will have to take the initiative on this as part of this strategy to engage the Commonwealth to be part of this



process. As to how that is done, things are still a bit unclear but the Commonwealth needs to be involved for certain infrastructure projects.

**Mr RIPOLL**—In many of our travels what we have found is that there is some cooperation but that it is normally on an ad hoc basis. What happens is that, like you have just described, there is a particular committee or some sort of external group formed which will do its work in some planning for infrastructure and then link back to the federal government. Are you suggesting that there should be closer cooperation between the federal and state governments on infrastructure priorities? Do you have an idea of how that might work on a broader level? That is, what type of body might there be or how might that function?

**Mr Nicolaou**—Not really at this stage. I think there has been talk of a national infrastructure body which could work together with the Commonwealth and the states to help identify and prioritise at a national level. At a state level we have this process under way, which we would hope could feed into such a process. As to exactly how, it is hard to tell at this stage, but it does require the commitment of the Commonwealth and all the states for it to be achievable. That is where the COAG process is essential.

**CHAIR**—I have a bit of a problem with that. I recognise that, when you get really big projects, you have to have that top-down approach because there are only so many government dollars and you have to make sure they go to the right areas. But what that process denies is the bottom-up approach coming from a region that might have a new industry—for example, the nickel industry in Esperance. I suppose if you took a top-down approach that would not go very far very quickly, but with the bottom-up approach you can see what it has done for places like Ravensthorpe, Hopetoun and Esperance itself. There has to be a mechanism so that a subregion or region can get funding at a regional level to facilitate that. I suppose that problem is repeated again in Albany, in Bunbury and in Geraldton. I think people recognise your top-down argument, but when you get to the bottom-up part of it—that is, trying to get the regional infrastructure in place—the connect with state and federal government, as Mr Ripoll just said, is very ad hoc. There is not a bottom-up facilitation as well, and I think you need both. That is my take on it, anyhow.

**Mr Nicolaou**—Absolutely. I think it requires leadership from the state level to link up with these regional development conditions that exist to—

**CHAIR**—You cannot wait for 20 years for the bottom-down approach to eventually get to your region. At Esperance, for example, on the eastern side—I am not familiar with the names of all regions but half the road from Ravensthorpe to Esperance is in one region and the other half is in the adjoining region. In the western region—whatever it is called—there is a road that goes about halfway from Ravensthorpe to Esperance. That road has not been touched substantially in years and it needs money urgently. In fact the bitumen is not wide enough to have the white lines on the side so all these big trucks are quite often going off it when they are passing, and you have caravans—you have this great mix of stuff. There does not seem to be a mechanism to say that that road is an absolute priority because it does not fit any models. Do you know what I mean? I think there has to be a recognition at a regional level—not just in Western Australia; it applies equally to Queensland and, I suppose to a lesser extent, to the more developed states of New South Wales and Victoria—to allow regions to take some sense of ownership and give them some empowerment in completing their regional economies because that feeds back into the

state and federal government anyhow. I would be interested to know how you think the bottom-up approach might work as well. Do you have branches of the chamber in those towns?

**Mr Nicolaou**—No, we do not.

**CHAIR**—In Queensland all the chambers of commerce are affiliated with QCCI so it is like a network. I just wondered, do you talk to your regions?

**Mr Nicolaou**—We certainly do but there is no formal affiliation. We certainly do engage regional chambers.

**CHAIR**—It would be interesting to do a study through your chamber of what your affiliates feel about how that might be progressed.

**Ms HALL**—I was going along the line that Bernie was, but there is one thing he did not touch on that I am interested in, and that is the public-private partnerships in this state, the degree to which you think that they can be developed and the success of them. Would you like to give us examples of some of them that you think have been particularly effective and some that have not been so effective in addressing this infrastructure need?

**Mr Nicolaou**—I do not really have a lot to say about public-private partnerships and the reason for that is that they have been less than successful in this state. That may be due to a number of factors in terms of population density and so forth and the road infrastructure projects that could feasibly support certain types of partnerships. We have encouraged it and we do wish for that to continue, but I guess the take-up at this stage has been relatively poor. I am not sure what the solution to that is.

**Mr Lovelle**—No, I think you are right. We broadly support that concept.

**Ms HALL**—In my own state of New South Wales there have been some interesting public-private partnerships that I am sure you would not want to emulate.

**Mr Nicolaou**—No.

**CHAIR**—Thanks very much for your evidence today; it has been very helpful. You might come back to us after you have talked to those other chambers on how we might progress some form of regional empowerment. In saying that I am not suggesting that the Western Australian government is not being generous to its regions—it has obviously been quite focused on it, and in each of those ports we have generally talked about stage 1 of what they are trying to achieve, which has either been funded or is being funded—but there are these gaps. Perhaps you can come back to us on that.

We are asking one thing of all witnesses, and we will ask it in the other states we are yet to visit. Can you give us a map—in your case it would be a map of the whole of WA—of roads and rail which you think need to be completed as a priority, showing the existing ones in black and the ones where you think extensions or variations should be done in red. We are doing that for a very deliberate purpose. When we finish this inquiry we are going to have a section on the infrastructure around ports in particular and more widely in places like Kalgoorlie and

Toowoomba—inland port ideas. When you come to that part of the report you will be able to flip over page after page that says: ‘Here is the weakness in Albany,’ ‘Here is the weakness in Gladstone’ and ‘Here is the weakness in Port Kembla.’ We want to have a standardised mapping so that the reader—the state government or whoever is doing it—can look at it and it hits you in the eye. There will be 16 or 20 of these hotspots that in turn may be an inducement for the Commonwealth to say, ‘We just have to do something about this.’

**Mr Lovelle**—If I could just make a comment about the regional level. As an example, as a user Alcoa has been in the process of doing a 25-year strategy of our requirements on rail and port infrastructure. It has been doing that so that we can plan ahead and so that we can ensure that we have infrastructure in place to meet our hopefully increasing alumina requirements into the future. We have identified certain things that we have to do in terms of our own facilities’ load and unload capability, and we have identified issues we think are with the rail, such as the dual tracking on the south-west main and various crossing loops and so on. We have also identified issues at the Port of Bunbury, such as the rail access into the port.

One of the problems where I think your suggestion would be very beneficial in terms of a bottom-up regional approach is that we are not quite sure what Worsley is doing and what other products might come on to the track. So when we are saying to the rail track owner, ‘We need this many train paths and this much capability,’ we really have no idea—I guess we have some general concept of what might happen, particularly with the other alumina producers—or understanding of what other projects might be coming on stream, what that might mean to the rail system, the timing that might require for dual tracking of the track or where it should be dual tracked from, if it all. So it would be very beneficial, I think, if users like Alcoa and other major users could lock in to that regional process, which then locks in to the state and the federal process. We are operating in a little bit of a vacuum. There is a lot of good information floating around but I think some of those links need to be strengthened. I strongly support that.

**CHAIR**—Thanks for your evidence and thank you once again for your submission.

[10.03 am]

**BELYEA, Mr Nick, Executive Director, Transport Industry Policy, Department for Planning and Infrastructure, Western Australia**

**MARTIN, Mr Greg, Director General, Department for Planning and Infrastructure, Western Australia**

**HENNEVELD, Mr Menno, Commissioner, Main Roads Western Australia**

**NORWELL, Mr Gary John, Executive Director, Technology and Environment, Main Roads Western Australia**

**CHAIR**—Gentlemen, we do not require you to give evidence under oath, but I remind you that these are proceedings of the parliament and consequently warrant the same respect as proceedings of the House itself. It is customary to remind all witnesses that the giving of false or misleading evidence is a serious matter and can be construed as a contempt of the parliament. Having said that, I welcome you to this inquiry. There seems to have been some ambivalence on the part of some state agencies in other states to appear. It is encouraging and it is indicative of the progress that is going on in this state that such a high-powered delegation has been prepared to come before us. We thank you for and compliment you on that.

I think at times some state instrumentalities appearing before this committee are a bit intimidated and think that they are going to get into a state-federal political or infrastructure responsibility problem. Let me assure you that this is a totally bipartisan committee. In the 12 years I have been on the committee we have not had a vote; we have always reached agreements by consensus. We have only had three dissenting reports, and they came from government members, not from opposition members. I think that says that we are a pretty cohesive group. All we are interested in is getting results through our reports for the people that we are dealing with.

To give you an example, fairly recently we did an inquiry into the dreadful rail crossing smash where four or five young people were killed. We were going to do that as part of our road safety inquiry, but it was such a compelling case, and the parents came across to give evidence, that we took it out as a separate study. Now we have a study on level crossings for Australia. It was the willingness of Western Australians to come forward that gave us the opportunity to do that. Please do not feel intimidated. Say it as it is and, if you think the Commonwealth can be of greater assistance in these matters, say how you think we can do it. Who is going to lead?

**Mr Martin**—I will.

**CHAIR**—Do you want to give us an overview of your submission?

**Mr Martin**—Yes, thank you. I would like to refer to the submission that we submitted to you last year. It is important to say that things have really moved on since that time. You will notice that there are some statistics quoted in the back of that submission. Through your visits around

the state you will have realised that many of those stats are way out of date. There is a growth going on here which is very significant.

**CHAIR**—And impressive.

**Mr Martin**—Yes, it is, and we would like to impress you with the way we are trying to deal with it from a state government perspective in terms of an integrated planning approach. Probably the most important thing to say is that we have one minister with a planning and infrastructure portfolio, which takes into account land use, planning and transport. Of course the agencies, two of which are here today, work very closely together. We believe we work closely together. The ports happen to be in the same portfolio with the same minister, so we work closely with them.

I will go to a brief introduction, drawing from the submission we made to you last year. We will make one particular point that is important and hopefully resonates with what you have heard during the week. Fundamentally, we are saying that the AusLink national network does not do the job that the objectives set out to achieve. Our main bid today is to demonstrate to you that there needs to be a more extensive network in Western Australia. We are not necessarily saying that the Commonwealth should pay for everything on that network, but we want them to be candidates—that the Commonwealth consider payment because we think they match the objectives of the AusLink program. I would like to give you four maps which will help me explain the point that I want to make to you. The important map is the map on the front, which is the strategic freight network. That is a network that we are working on in Western Australia.

**CHAIR**—Before you go any further, would one of my colleagues move that we accept this document, take it into the record as an exhibit and authorise it for publication?

**Mr RIPOLL**—I so move.

**CHAIR**—Are there any objections? It is so ordered.

**Mr Martin**—This network is the base that we are working on in this state. You will notice that on the map red represents rail and black represents road. This is the framework that we think we should be promoting to the Commonwealth for a national network under AusLink mark 2, if there is one. If you turn the page you will find the AusLink network in green, which you will be familiar with. You will notice there is quite a distinction, the difference being that the AusLink national network as it is at present has the Great Eastern Highway, which comes basically from the east through Kalgoorlie to Perth, and the Great Northern Highway, which extends from Perth through Port Hedland up to Darwin. It misses the substantial port activity that you visited this week. We think this is not reasonable in terms of meeting the national objective of supporting export and economic development.

The second map gives you an idea of port throughputs. They are port authority throughputs. There are a number of other ports that are not port authorities. They are basically ports that come under state control, but that largely are not under the Port Authorities Act. For example, Port Walcott is the third largest export port in Western Australia, although it does not happen to be a port authority. We have three of the six top export ports in the country in Port Hedland, Dampier

and Port Walcott. If you compare these stats with the stats on the back of the submission, you will notice that it indicates that in a year there has been a dramatic increase in the export activity.

The third map I have included comes from the Department of Industry and Resources. You may well have had some of these presentations already, particularly in regional areas where they have talked about prospectivity of minerals, for example. If you overlay this with that national network map or with our strategic freight network routes, you will notice that the strategic freight network routes better match the sort of activity that is coming into these regions. Our point is we would like to see the Commonwealth recognise an extended national road and rail network, particularly connecting to the ports.

**CHAIR**—Do you think it should be part of AusLink, or do you think there should be a regional program per se?

**Mr Martin**—Can I come around your question?

**CHAIR**—Yes.

**Mr Martin**—We are working on a state transport plan. The reason we are working on a state transport plan is that we need to have what you might regard as a state network, which is good for the state to consider what investments they should and need to make. We believe that state network plan should be the same as the Commonwealth network plan. As I said a little earlier, the issue is that the Commonwealth is going to spend its money where it sees justification, but we would like to have the state network plan as the candidate for Commonwealth funding as well as state funding.

**Ms HALL**—So in the development of that state plan, you would be taking information from the regions and using that to develop your state plan?

**Mr Martin**—Absolutely. It is a matter of what activity is required in what location—

**Ms HALL**—So a bottom-up approach.

**Mr Martin**—and, in particular, the support to the ports. As I am trying to explain, we have Esperance, where you have been, and Albany, where you have been. Bunbury is included in AusLink stage 1, which was a late addition, but we missed out on Geraldton, which is now looking like being a much more active port—in fact, there are questions now about whether a second port is required in the Geraldton region—and we missed out on Dampier, which is a major port just behind Port Hedland and is potentially going to rival Port Hedland in terms of its volume of exports. It is really quite important that we recognise we have export ports which are nationally significant that need to be on a land transport network.

I will come back to the question about whether this should be a regional program as against a state transport program. I am not sure that I know the right answer to that. As long as it is recognised, whichever funding mechanism it is, and it is the more appropriate funding mechanism to achieve the ends, I would say that would be quite satisfactory to us. We are not trying to channel this; we are trying to look at the end result, or the outcome, that we think is right for the state and the nation.

**Mr Henneveld**—I want to add to that. It is not an effort to expand the network in order to attract additional funds under AusLink. It is really a recognition that there are ports of national significance along there that, if there are projects that are required on that network, can compete on a priority basis in a fair way with other projects anywhere in Australia.

**Mr Martin**—And we believe it would be very competitive in that way, because of the export activity that is coming out of Western Australia. We look forward to the challenge of making sure those cases are well made.

**CHAIR**—I must say that the planning, control, general appearance and efficiency of your ports is very impressive. Although they are not big ports yet—they are well under 15 million tonnes—the committee has been enormously impressed, especially with Albany and Esperance, by just how well they have done. To think that Esperance is an iron ore port is just unbelievable, given the level of cleanliness compared with what you see in the old ports. We are not on an environmental kick here of any nature, but it is going to be a problem with regional development.

**Mr Martin**—It is proving to be absolutely necessary. Albany is now likely to become an iron ore exporting port. You have obviously had evidence along those lines. Geraldton has now started. Probably three years ago no-one would have thought that Geraldton would be exporting iron ore. There are exports going out now and the prospect is that there are substantial quantities to go out, even to the extent, as I said earlier, of perhaps requiring a second port because of the limitations that Geraldton will have.

**CHAIR**—We flew up over that area, by the way. We had a helicopter and were given a briefing on that. It is not that far. The cost will still be quite substantial, but it is not a difficult thing to link up.

**Mr Martin**—My minister I believe is making an announcement today along the lines that Oakajee is the location for an additional port if it is required in the mid west. The other aspect of it, of course, is that an amount of work was done, because there was a prior proposal to develop Oakajee which did not see the light of day. That planning will be used for any further development. The likely use of Oakajee now is different from that previous scheme. There was an industrial development proposed behind the wharf under the old regime. The prospect at this point in time is that we will now have a completely different behind-the-water arrangement, because we will need stockpiling for iron ore and potentially stockpiles for multiple users of the port. There is some resetting of that required, but a lot of the basic work—looking at the planning for a particular development—has been done.

**CHAIR**—We would like to talk to you about some specifics. In Bunbury it is pretty obvious that there are two or three problems. One will be the duplication of the railway from Brunswick junction into Bunbury. That seems to be not just for passenger facilitation but for the general efficiency of the port and the interplay between the woodchip and alumina—

**Mr Martin**—And coal.

**CHAIR**—and coal. We understand that there is going to be another project developed at Capel. Is that commercial-in-confidence at this stage?

**Mr Martin**—That is something that I cannot give you any advice on.

**Mr Norwell**—I do not know the details, but it is possibly mineral sands, because Capel is the centre of the mineral sands extraction industry in WA.

**Mr Martin**—What they have been doing progressively is extracting and then rehabilitating. Whether that is what you are alluding to, I cannot be sure. It would be our suspicion that that is what we are talking about.

**CHAIR**—The completion of a ring road around Bunbury seems almost essential. That is our take on it. You have done stage 1 of that, haven't you?

**Mr Norwell**—Yes, there has been quite a lot of work done on what is called the Bunbury outer ring road. Main Roads and DPI have been liaising and looking at the options and defining the future alignment and land requirements.

**CHAIR**—At Esperance one of the big problems appears to be that the road from Ravensthorpe to approximately 50 per cent of the way to Esperance—the western side of that road—is in quite bad condition. Is there any plan to deal with that? It is a state highway.

**Mr Henneveld**—There is state funding as part of the Ravensthorpe nickel project. There is a recognition that the road needs to be upgraded, particularly the road to Esperance, and there is money being set aside. I think we are just about to award contracts to start that work.

**CHAIR**—Good.

**Mr Martin**—Clearly, we are always constrained by funds and it is a matter of setting priorities. I was listening to your comments to the previous witnesses. Main Roads is in a very good position to give advice about where their needs are. Of course, there is always a red line on their list of needs as to what goes first. Our state transport plan will eventually have identification not only in strategic terms, what links are needed and what links need to be upgraded, but we would expect also some recognition of condition deficiencies or life expectancy issues that need to be covered by the plan.

**CHAIR**—We are very impressed with the submission we received from Albany. Do you know the submission I am referring to?

**Mr Martin**—No, I do not. We have not seen them. Was this Albany city or the port?

**Ms HALL**—It was from the Great Southern Development Commission.

**Dr JENSEN**—On the question of bypasses, something that has struck us is that at almost every single port we have been to, not only in WA but Australia wide, the issue of bypasses around population centres and so on is seen as a critical factor. Why the deletion of Fremantle eastern bypass? It is a reserve that has been in place for a number of years. It seems that everywhere else the bypass is seen as a critical issue. Here we have the deletion of a reserve for a bypass. There seems to be a traffic problem already, particularly in relation to rail. For instance,



from Tydeman Road to Fremantle Station you have a mix of passenger and goods traffic and you also have a lot of level crossings. In fact, in some cases delays can be up to nine minutes.

**Mr Martin**—You have asked a number of questions in your question. Let me try to step through them. The government made a decision to delete the Fremantle eastern bypass.

**Dr JENSEN**—What was that based on?

**Mr Martin**—I believe that the consideration is that it was not needed and that it was going to disrupt the amenity of people living on that side. But I repeat: it was a government decision to remove that plan. With respect to how we are going about dealing with Fremantle, extensive work has been done over the last two or three years as part of a metropolitan freight network strategy. A six-point plan has been developed to try to ensure that the inner harbour at Fremantle is used to the maximum extent. I am sure Kerry Sanderson, who I think is coming to see you shortly, will be able to give you more detail. Let me pre-prime that particular discussion.

**Dr JENSEN**—Would it be correct in saying that essentially the outer harbour should be seen as an overflow facility?

**Mr Martin**—Yes, that is correct. That is the position of the government and I believe that is generally well accepted. The inner harbour will be used to a particular limit. That limit is somewhat flexible; it will be dependent upon the acceptability of that activity by the community. The six-point plan is aimed at trying to minimise the impact while the inner harbour level of activity grows. But at a particular point it is regarded that that needs to be the practical limit and the overflow facility is in the outer harbour. We are trying to get better efficiency of truck traffic, trying to make sure more boxes are carried on each truck and less empty running. We are also looking at things like hours of running and so on. We are trying hard to do it.

At the same time we are working on the development of the outer harbour planning. Kerry will give you details about that. We have a steering committee well advanced. We have done a strategic assessment, which is just about to be finalised, of the social, environmental and economic aspects of it. There are, if you like, strategic approvals in place and when the government chooses to move on the developing of it we will not have to move from a standing start. We are ready to go and we will have a level of strategic approval in environmental and other terms.

So, we are looking forward. At this stage the government is anticipating we might need that facility in the 2015-17 time frame but if we can manage to get more out of the inner harbour before it becomes necessary to go with that then that is what our aim would be. That is an example of the planning we are doing. All of the agencies within the portfolio are working very hard to make sure that we do that work well and that those strategic approvals do stand the test of time. There is always the risk that, if you get approvals now, in five years time there might be a question about whether you can use them.

**Dr JENSEN**—I guess there is also the question of the efficient use of intermodal facilities.

**Mr Martin**—Yes, there is.

**Dr JENSEN**—For instance, I believe that 39 per cent of the traffic from the Fremantle inner harbour actually goes to O'Connor and not to the Kewdale facility.

**Mr Martin**—Yes. We are looking very closely—as most states are—at what we are going to do about terminals. Ideally, you want some distance so the economy of the transfer and the running of shuttles or rail are better. But when you look at the geographic extent, the question is: where is that freight, if it is imported, coming in and where is it going to? To take it too far away to distribute is crazy. It might actually help to shift the freight quickly out of the port and through the metropolitan area but then it has to be distributed back, so it is a complex exercise to work out where you should have those terminals. But Kewdale has been secured as a terminal, there are questions about a terminal down at Kwinana, which we are looking at, and then there are questions about terminals a little more remote, such as at Northam or York, because we have, for instance, export hay, which is a quite massive, growing industry. The average member of the public would not appreciate that but now all of a sudden there is a quite substantial volume of trade in hay. So the notion of where terminals are, how they are accessed and the links between them is very important.

**Dr JENSEN**—Also there is the efficacy of use. One thing that I think really stunned this committee was finding out that, with a lot of the rail traffic that comes from the east, carriages that have goods in them to go to Esperance actually come to Perth first, are decoupled, assembled on another train and then sent to Esperance—which seems to be remarkably inefficient.

**Mr Martin**—I do not know the detail of that arrangement but there are questions, so we are looking at terminals in Kalgoorlie. Obviously, there has been quite an amount of agitation and enthusiasm in Kalgoorlie for those terminals, but once again it is a matter of what is the justification, what is the cost, who is going to pay and who is going to run it. There is an active program going on right at the present time looking at perhaps having a terminal at Parkeston. There is currently one in West Kalgoorlie, which you would be aware of. We are going through that process to determine what level of support we would recommend that government give to such a development.

**CHAIR**—On the general matter of rail: excluding the suburban passenger service and the Pilbara privately owned railway lines, what is the general attitude of the government now to the remaining rail services, especially in light of the Babcock and Brown and QR arrangements?

**Mr Martin**—The policy of government is to promote the use of rail for freight. They like to see a preference given to rail, and it is a very active campaign of the minister to achieve that. The question is how you go about it. It has been made more complicated by the most recent announcement about the sale of the business and the lease of the track. We are in the process of trying to establish what that really means, and the minister is keen to do that. We were doing extensive work with ARG, in particular, in relation to the grain network—the narrow gauge as well as the standard gauge rail network. In fact, we had a four-party involvement. We have worked over the last year with Cooperative Bulk Handling, the Australian Wheat Board and ARG—Australian Railroad Group—on looking at a grain study.

**CHAIR**—Is that the one that is to be released shortly?

**Mr Martin**—We expect so. It has not been signed off finally by the stakeholders yet but it is virtually complete. It is talking about the relative efficiency of road versus rail, how we could get more grain on rail and what would be required. There are issues such as whether we keep all of the grain lines currently operating open and what level of government support might be required to have this happen. These are all things that eventually will go to government for some consideration, but they have had very serious consideration by the four parties in a very cooperative manner. It is made a little more complicated now by a change in the ownership and management of the lease for the rail network and also of course by the dynamics that go on between the Australian Wheat Board and CBH. So I am unable to make any grand prediction about it except that the minister is still very keen to see—if at all—that we certainly retain rail to do grain cartage and if possible enhance it. Once again I come back to the diagram that you have got in front of you. We need to think about how rail can do that task and if we have got rail in a condition so that it can do that task and the additional tasks that are being required of it. So it is a work in progress.

**CHAIR**—This is not levelled at any state or federal government or any political party—it is just the way things happened—but, with the privatisation of a lot of rail, it seems to me that the rail was sold before it was brought up to standard. Because of that, the new operators have tended to, where they could, make a dollar virtually closing or just putting some lines into essential maintenance and repair. What will be the continuing role of the state government? You obviously do not own any more of these lines now.

**Mr Martin**—We do own them, but we have leased them.

**CHAIR**—Quite frankly, until they are upgraded they are pretty well worthless anyhow. But what will the ongoing role of the state be? Would you be putting seed money in with—

**Mr Martin**—That is something the government will have to consider. I think this government is concerned that it is being asked to pay money to upgrade some of the rail lines where the leases were sold by a previous government. I think it would argue that the people who bid for and were awarded the lease had every opportunity of making their own assessment about what the condition was and what was needed, but the reality is that if we are wanting to see more product, heavier loads and more efficiency on rail there is a question about how those lines will be upgraded. This is a very live issue for the government at the present time. I think it is fair to say that the government is reluctant to be spending money. On the other hand, it has a goal of getting more on rail and having it more efficient, so a decision will have to be made.

**CHAIR**—Because for every rail line that you allow to close that is more work on your roads, isn't it?

**Mr Martin**—Absolutely, and part of the equation that we have to consider in giving advice to government is: what are the implications of throwing more of a load on not only state roads but local roads? We have a very elaborate, longstanding and effective arrangement of sharing responsibility for the funding of local and state roads here. You may well have had some briefing on that already.

**CHAIR**—Doesn't it also beg the question: is a proposed AusLink or regional program necessary, and, if one is necessary—either extending AusLink or creating a new program for regional infrastructure—should that be just on road or also on rail?

**Mr Martin**—My view is that it should consider rail. If you take a very strategic objective of having the land freight network work in the national interest—in other words, to help exports, efficiency, productivity and so on—then it needs to be a consideration. The issue will then be: to what extent is government happy to make contributions towards what might be a private operation? It is a very similar situation that we are dealing with at a state level, which I think does need to be considered at the Commonwealth level too. What is the overall objective, and is it worth our while to make that investment, while regarding that the share that governments make is not unreasonable? And does it help governments achieve the ends that they have?

**CHAIR**—I know this is a political question, and if you decline to answer it I will not be in any way offended, but is there a role for both the state and federal government in a regional plan?

**Mr Martin**—I think there is. Let me go back to the AusLink mark 1. Menno and I spent a great deal of time talking with Commonwealth officers in the development of AusLink mark 1, with a view to trying to get a government approach that was a shared approach between the state and the Commonwealth. We worked very hard on that, as I believe a lot of our interstate colleagues did too. I personally would like to see a lot closer arrangement so that we do things that are mutually supportive.

**Mr Henneveld**—There is a regional pool as such in the current AusLink, and some of the principles behind how projects are allocated is that state and local government work with the federal government to come up with projects that are—

**CHAIR**—But a lot of regions cannot get into the mix. That is the problem, isn't it?

**Mr Henneveld**—I do not know why that is. We are encouraging local government. As Greg said, we have a good relationship with local government. We are encouraging groups of local governments to put in proposals and we are willing to facilitate that. But the allocation to Western Australia has been very poor under that regional pool. We have picked up \$1 million out of the first \$93 million that was allocated. I am not sure how much we will get out of the remaining \$100 million that was recently announced. We do not seem to be able to get into that regional pool in accordance with the objectives that were first set for it. You can draw your own conclusions as to why that is.

**Ms HALL**—That is obviously a real problem for Western Australia, given the great demands on your infrastructure at the moment and the way your economy is booming.

**Mr Martin**—Particularly if you look at local government: long distances and low capacity to pay in many locations and local government areas.

**Ms HALL**—And a poor rating base and a sparse population.

**Mr Martin**—That is right. One of the things I would like to elaborate on is the state regional road group arrangements that we have here. Have you been briefed on those?

**Ms HALL**—Yes.

**Mr Martin**—I think they have been very successful because, fundamentally, local governments are making the decisions about where state money goes. Of course, they would always like more, but at least there is an allocation to them and they make the decision as to where it is spent, with the technical advice of people from Main Roads. So Main Roads are technical advisers to those regional road groups, but the decisions are made by elected members of local government. We think it is a very good model. Queensland has emulated it and modified it for its purposes. We think it once again proves that our approach is to work closely with other levels of government.

**CHAIR**—Yes, it is impressive.

**Ms HALL**—We heard from a smaller local government area, Ravensthorpe, yesterday. They were talking about the planning group that they were included in and how there were crossovers between that group and other groups that they were involved in. They felt that they were disadvantaged because they were included in one particular group.

**Mr Martin**—There are always boundary issues with those regional road groups.

**Ms HALL**—Yes. That was the issue I was about to bring up—the boundary issue.

**CHAIR**—They are on the extreme east of one group and the extreme west of another.

**Ms HALL**—I am sure that they are not the only local government area that feels that way.

**Mr Martin**—I think it would be fair to say that there are not too many of those, to my knowledge. There are a few that you undoubtedly would hear from, but there is always going to be a boundary issue somewhere—they would rather be over the border with another group than the one they are in. But I think that is quite a rare occurrence. Most of them are happy to deal within the group to which they are assigned.

**Ms HALL**—To follow on from that, being aware of the fact that there are some local government areas that are included in groups in which they feel isolated, disadvantaged or whatever, does the government have in place a special mechanism to ensure that those smaller local government areas have a right of appeal or redress or something like that?

**Mr Martin**—Let me explain what happens. Menno, perhaps I am trespassing into your territory now. In some cases, the major town and the smaller adjoining local government areas are in one group. There is sometimes some tension about the town believing that they are a superior authority and deserve more attention.

**Ms HALL**—I can understand that.

**Mr Martin**—The most satisfactory way of dealing with it obviously depends on the relationship within that group and whether they work well together. The most important factor, I believe, is that there is a long-term view of what funding they will get. On that basis, they are able to say, ‘This year you will get some value. Next year, we will do yours.’ So they can do some trading over a period of time about what will happen. If funding is restricted to an annual basis then it is everyone in for themselves, so I think the single most important factor is that there is a forward view of what funding will come with some certainty. Then there can be some decisions about how it is handled year in, year out.

**Ms HALL**—But those priorities can change, can’t they?

**Mr Martin**—Yes, they can, but it is a democratic process.

**Mr Henneveld**—To add to that, the way funds are allocated is that we have just gone into our second five-year state funds to local government agreement.

**Ms HALL**—It would be useful if you could explain that for us.

**Mr Henneveld**—There are 144 local authorities and nine regional road groups, so some of them have three or four local authorities and some of them have 14 or 15 in each regional road group.

In the past, funds were allocated on the asset preservation model, so every one got their fair share of the cake in terms of what they were entitled to. The minister was keen—and I think this answers the question you raised earlier—that smaller local government authorities should not be disadvantaged through that. She has looked at readjusting the way in which the allocations are made not only through the asset preservation model but also on a population basis, which is a better reflection sometimes. The government has put a floor, a bottom level, of funding for local authorities to receive funds. That brought fairness into it for very small local government authorities. Generally speaking, that approach was agreed to. We had a workshop of all the heads of the regional road groups where they agreed to that method of allocation. I think it is working pretty well.

**CHAIR**—On that point—and I am going back to Ravensthorpe again—the problem is that half of the road from Ravensthorpe to Esperance is in the eastern cluster and the part of the road that is in trouble is on the extreme eastern edge of that funding group, who do not see it as a priority. Notwithstanding that, neither local authority was complaining about the principle of the group funding them—in fact, they were quite supportive of it—but they said that there has to be some recognition of a situation where, with something like this nickel project, you get a potentially very dangerous situation and you cannot do anything about it unless there is either state or federal intervention. Their argument is that there need to be new roads both to Hopetoun and 10 kilometres down towards Esperance in the area that we are talking about and then an upgrading of the remaining part of that road to the centre point.

The thing that we found a bit disturbing was this: yesterday they told us that the new standard being set by Main Roads will mean that, when you want to widen a road, you will no longer be able to do shoulder rehabilitation; instead, you will have to dig it out to foundation level, rebuild it on both sides and then reseal over the top. Surely a road like the one from Ravensthorpe to

Hopetoun is never going to have very heavy traffic and the old style of shoulder rehabilitation is sufficient?

**Mr Henneveld**—I will let Gary answer that. But my view is that it depends entirely on the traffic that is on the road.

**CHAIR**—But is there a new rule on the requirements of road widening coming in from Main Roads? That is their very clear understanding—

**Mr Norwell**—That is a surprise to me. I have never heard of anything like that.

**CHAIR**—Let me assure you that they gave the committee a very clear understanding that that is how—

**Mr Henneveld**—Gary is responsible for standards.

**Mr Norwell**—I can only imagine that when we did our assessment of the strength of some sections of that road—we have what we call a falling weight deflectometer, which measures deflection and strength—some parts of the pavement were not seen as having a significant remaining life. In that case we might have said: ‘Under that sort of traffic regime, with the road trains carting nickel concentrates or whatever, we expect that that pavement will only last, say, eight, nine or 10 years. It makes better economic or whole-of-life-cycle cost sense to reconstruct it now rather than to come back later to do it.’ That is the only justification I can think of. There is nothing wrong with widening an existing pavement.

**CHAIR**—They seem to think it is a global rule and—

**Ms HALL**—Can I just clarify whether you are definitely saying that it is not a global rule and that you are the person responsible for making it?

**Mr Norwell**—Yes.

**Ms HALL**—So we take that as fact.

**CHAIR**—They were saying that Hopetoun is going to be used as a dormitory suburb for Ravensthorpe and that it will have just normal passenger traffic and light trucks. They will not have heavy traffic. Surely, in that instance, just shoulder rehabilitation would be sufficient.

**Mr Norwell**—Most certainly.

**CHAIR**—That is good. Thank you for clarifying that.

**Mr Henneveld**—Their engineer makes that decision. It is not Main Roads telling them what they have to do.

**CHAIR**—You will find the local authorities in that area have a very clear understanding of something else, so I am glad you clarified it.

**Mr Norwell**—Maybe we can arrange for the regional manager to go and have a chat with the council at some stage.

**Ms HALL**—That was raised by Ravensthorpe. That was not raised by BHP. It was raised only by Ravensthorpe.

**Mr Henneveld**—We will arrange for our regional manager to speak to the people in Ravensthorpe and explain to them what they can do.

**CHAIR**—Before we wind up, another area I would like to touch on, and this is not unique to WA—in fact, it relates to just about every port, I think with the exception of Esperance and Portland—is the huge problems we have coming up with the expansion of these ports by dredging, increasing the depth of the port or creating new or passing channels. I think it is going to be a huge expense to someone. What is your forward planning on that?

**Mr Martin**—In the broad, I think it is in the mind of each port. As you say, dredging is a very expensive business, particularly if you have to do a one-off dredging exercise rather than linking it up across a number of ports.

**CHAIR**—Or if you have basalt underneath it.

**Mr Martin**—Yes, that is right—if you have hard rock and so on to dredge. One of the things we are considering is what is happening in international shipping, what sort of shipping is likely to come to Australia and what sort of shipping is likely to come to what port. Do we have ports that really are going to have the biggest ships coming or do we have only some ports that are going to have the biggest ships coming? What are the shipping lines doing? How are they arranging their activity? Are they going to call at all ports or are they going to come to one port and then there will be some subsidiary transport via land or sea to shift things around? Before you embark on a program of supporting major dredging, you have to make some assessments about whether it is really going to be necessary, because you can spend a heck of a lot of money. That is where we are at the moment. We are having that discussion in the state, across port authorities.

**CHAIR**—You have a study on that going on, have you?

**Mr Martin**—Yes, we have. For instance, you might be aware that at Port Hedland we were looking probably only a few months ago at how we could get the maximum capacity out of Port Hedland. We are now looking at what is happening to the Pilbara ports and where we are going to expand to. We are not just talking about the maximum capacity of the ports but how we are going to expand. That is what has happened now with this boom in export prospectivity.

Coming back to the point about dredging, I think it is a matter of making sure we are making as wise a decision as we can, because otherwise we can spend a heck of a lot of money, and either government shells it out or it starts to be a charge against the users of the port, which makes the port less competitive. So we have to be really sure that a deeper channel, passing opportunities or a double-width channel really is worth while. At the same time, there are issues such as safety, security and continuity. If a ship goes down in a channel, in many cases that would stymie any activity at all.



So it is under active consideration. I do not think I can give you a definitive answer, other than to say we are worrying about it and even state ports are worrying about their competitiveness with other Australian ports, relative to the depth of ships that they can have visit. I do not have a conclusion. You will be talking to Kerry Sanderson—I dare say she may well give you some commentary on that, but from our point of view we think that dredging is going to be required in a number of places but it is a matter of which places, how much and when. That is really what has to be decided.

**CHAIR**—Is there a benchmark? I get the impression that the smaller ports need to get to about 15 or 15½ metres and the larger ports need to get to 18 metres.

**Mr Martin**—I think that is probably about right.

**Mr Belyea**—The 18 metres would be for cape class vessels.

**Mr Martin**—Yes. The 15-metre figure is what people are aspiring to. But I guess what we are saying in giving advice to government, alongside or in parallel with advice that ports would be giving government, is: how well justified is it? Lots of people would like to have a perfect port, and we do not deny them that, but then you have to make sure that they give you the justifications.

**CHAIR**—Give us some guidance. We are going to have to say something in this report, not just for Western Australia but for the whole of Australia. Mackay has this problem, Gladstone has the problem, Port Kembla—all of them have this problem in one form or another, with the exception, as I said, of Esperance and Portland. Even the port of Melbourne has the problem. It is obviously affecting to some extent the efficiency of those ports. You might say that, if you can niche market out certain ports to certain parts of the world, you may never have to go above Handimax in a particular port, Panamax in another port and smaller cape vessels in a third port. But, by and large, if you took Australia generically you would say our port depths were probably two or three metres under the international pace as an average. What do we say to the federal government as the way of either correcting this problem or at least ameliorating it? You cannot sit back and say everyone is studying what they might do.

**Mr Martin**—No, I understand that.

**CHAIR**—There has to be some dynamic there to correct the problem. This is not said with any criticism, but you are looking at niching here and there. That is probably a very good way of handling it but Australia on the whole is falling behind the pace. That seems pretty obvious. Vessels are getting bigger around the world and our depths are not accommodating them, notwithstanding what you have said.

**Mr Martin**—In a particular line of business or activity or export or import you look at what is happening in the particular shipping lines and how they are using those and what that is determining in terms of which ports they will go to. And if the volume of business is sufficient to justify those ships then clearly the dredging should match what those patterns of activity are going to be.

**CHAIR**—How do we help those port authorities get up to that standard?

**Mr Martin**—Just as we are doing corridor studies for the AusLink program, I think that there are studies of ports in terms of what business is going through the ports, what the projections are and how that activity is going to be accommodated. I think that that leads to a conclusion about what dredge depth you are looking for and also, if you have got a very busy port, whether you are passing up opportunities or there is duplication of the channel.

**Ms HALL**—I would like to refer to the previous submission from the chamber of commerce. They identified that there needed to be changes in the relationship between state and Commonwealth and the way the arms of government operate together. They also highlighted the Commonwealth Grants Commission formula and said that the Commonwealth should review its Small Business Assistance Program, making it more transparent with predictable evaluations. Could you comment on that? They also say that the government should only invest in infrastructure if it is affordable and can plausibly be expected to deliver benefits in excess of the costs.

**Mr Martin**—In terms of the relationship between the Commonwealth and state, I am not quite sure what they mean by that. In our comments earlier we have tried to say that we are very keen, particularly with the responsibilities we have, to work closely with the Department of Transport and Regional Services, and I think our relationship is good and we are working on national issues with them. In terms of the Grants Commission, I think that we are probably not expert in that. They are the sorts of things that our Treasury is responsible for. But I believe that there is a concern by the Western Australian government that the revenue that is generated out of this export income is very substantial and in many cases the funding that we get to support the infrastructure that supports this export is very small. If we do get royalties then that figures in the grants that the Commonwealth Grants Commission gives to the state. I think that there are statements on record about how much the Commonwealth gets versus how much the state gets, and in particular in respect of the natural gas developments of the north-west coast. The concern is that we are up for putting in all of the infrastructure on the land but all of the revenue goes to the Commonwealth.

**Ms HALL**—I picked that up from your submission.

**Mr Martin**—There is a discrepancy, and more detail could be given to you from the right sources if you want to know about that. So there is a concern about the Commonwealth Grants Commission and there has been recent publicity about adjustments to the grants to the state. This state feels aggrieved on the basis that we are generating 30 per cent or more of the export income and 50 per cent of the volume of exports out of this state and we believe that the Commonwealth needs to recognise it should be making more contribution to help land based infrastructure and perhaps make the sea channel access more appropriate to the task at hand and what is required for the future.

**Ms HALL**—I suppose that is coupled with the vast distance and the scarce population that you highlight in your submission.

**Mr Martin**—We have a smaller base to fund this so we would be concerned that in your report there be some recognition that there needs to be a reconsideration of that and a rebalancing of that obligation and benefit.

**Ms HALL**—Do you think that there is a greater role for COAG in looking at infrastructure?

**Mr Martin**—I think that COAG in its most recent meeting certainly had a lot more to say about it. In fact, many of the activities that came out of COAG are associated with transport and infrastructure ministers—and in many cases they are almost one and the same. A number of the obligations coming out of COAG are coming back to the transport portfolios and we have got a number of activities that we are engaged on in responding to those. I think that infrastructure is important. Fundamentally, infrastructure is about investment and investment is about making things better for the future. It is not just incurring costs; it is a matter of investing. I think that there is a big difference between cost and investment. If the mindset is about cost we are always in trouble. If the mindset is about investment then we look at those benefit costs you talked about and ask why we need to do it and if you can justify it then that is where the investment should go.

**Mr Belyea**—COAG has set a very tight time frame in terms of AusLink. We have tried to get the Commonwealth through the Department of Transport and Regional Services to recognise ports like Geraldton and Esperance—and you heard in Esperance yesterday about that corridor. It is not a specific corridor but it is now taking eight million tonnes through the port of Esperance. Geraldton is one that has emerged because of China. So AusLink needs to be flexible to add other points into the network and not have to jump through hoops to prove the need for that. We have recognised the need in that we have to get up there and put proper planning in place so that when development does take place and we need a port like Oakajee we are in a position to respond to it. Ideally, with AusLink they would be added into the network sooner rather than later. It is not a choice of saying that you can either have the Great Northern Highway or you can have the North West Coastal Highway. Both are important in terms of freight for the movement of freight to the north of Australia and for export ports like Geraldton.

**Ms HALL**—I think that the No. 1 message we as a committee have received here has been about AusLink, hasn't it?

**Mr Martin**—When I made my introduction I said that we would try to give you one particular picture. We could throw a whole lot of things on the table but the most important factor is that we have export ports which are important to the country and to the state and they are just not recognised in that network, and that seems crazy. The other thing is that not only do we draw those broad lines on the map; if there are feeders to those lines that get to export then some consideration should be given to that too. In other words, even for projects off the national network—if we go back to the AusLink framework—there should be some consideration of arguments for support of feeders that are off the network. Ultimately, if that is where the export products are coming from, they need to be there. AusLink mark 1 has been a very rigid statement—that green map that you have got—of what will be considered. I think the Commonwealth is adopting the attitude of not wanting to contemplate funding anything else. Again, our point is that we are not asking you to fund everything. We are saying: consider what is eligible for funding and admit that for eligibility and then there is a case made for whether it will be funded or not. That goes for the revised freight network and perhaps even off-network needs that are contributing to the overall objective.

**Mr RIPOLL**—Is there a possibility that when AusLink was being created as a program quite a few years ago all these considerations, particularly the growth and the resources boom and

everything else, had not quite hit home in terms of what was happening in WA and that, in a sense, Western Australia has missed out and that that needs to be revised or revisited?

**Mr Martin**—No. I can tell you that we had very vigorous discussions on exactly the same theme that we are discussing and the answer to us from Commonwealth officials at the time was that we could have the Great Northern Highway—from Perth to Port Hedland—or the coastal route. We said, ‘No, we think both are important in the national sense because both of them are doing a task.’ They said that we had to choose one or the other. We maintain once again that we are not asking the Commonwealth to pay for everything. We are happy to make the case, but we want each of those routes to be eligible—and at that time there was Dampier, the second biggest iron ore port in the country behind Port Hedland, just down the road effectively but not on network.

**CHAIR**—We had a third suggestion and one that was quite well put, I might add, to go from Wiluna up about a third of the way between Meekatharra and Newman, a 175-kilometre link, that would greatly improve that north-south minerals corridor.

**Mr Martin**—You will have no disagreement from us. In fact, Main Roads can talk about studies they have done, looking at prospective routes, which mean that rather than driving into Meekatharra you continue on. We would agree with that, but the notion of having that connection, the Goldfields Highway, north to connect through to the Great Northern Highway is something that we would strongly support. That will come out of our state transport plan. In other words, we will be coming up with a plan recommending that framework which may well have that link in it as a prospective link rather than looping into Meekatharra.

**Mr Henneveld**—We have got three different routes that we have identified for that.

**CHAIR**—What is the rough cost of that 150 to 175 kilometres? It would not be cheap, I realise that, but do you have a benchmark figure?

**Mr Henneveld**—It would be somewhere between \$50 million and \$100 million. Would that be right, Gary?

**Mr Norwell**—I am thinking in terms of about \$400,000 to \$500,000 a kilometre.

**Mr Henneveld**—Yes, that is what I was thinking.

**Mr Norwell**—Yes, about \$80 million to \$100 million but I would need to do a bit of homework on that before I—

**CHAIR**—So which one is the AusLink corridor in the interim? Have you settled on one?

**Mr Henneveld**—We have been told that this is it.

**Mr Martin**—We are in the process of putting in the argument through the state transport plan that there should be a revision of that diagram for any further consideration of AusLink.

**CHAIR**—Especially now that Geraldton has come on as well, it gives a coastal highway greater relevance.

**Mr Belyea**—We did actually have a delegation from DOTARS over here recently and we specifically went to Geraldton to give them an appreciation of what is happening up there. I think that they are recognising the importance of that port and how it relates to AusLink so there is work going on with that.

**Mr Martin**—Perhaps we need to be more specific. The Secretary of DOTARS was here two weeks ago and went to Geraldton to have a look at those circumstances.

**CHAIR**—It is not unique to Western Australia. I have an AusLink corridor coming into Gladstone in my electorate. Main Roads want one corridor, the federal department wants another corridor, and I very distinctly want a third one. So it is not unique to here, I can tell you. Even though it is on a smaller scale than this it is still very important. Thank you very much for coming. It is encouraging to see a state government being so involved. Please convey to your ministers our deep appreciation of your being allowed to attend.

**Proceedings suspended from 11.02 am to 11.16 am**

**BRINDAL, Mr Doug, Manager, Logistics, Fremantle Ports****SANDERSON, Mrs Kerry Gaye, Chief Executive Officer, Fremantle Ports**

**CHAIR**—I call the committee to order. Before the next witnesses we have a couple of formalities. From the Department of Technology and Environment, through Main Roads Western Australia, we have two exhibits. One is the Albany Port Access Corridor Review Report and the other is the Esperance Port Access Corridor Review Report. There being no objections the committee accepts these documents into the record and approves them for publication. We will circulate those documents to the committee.

I welcome to the table representatives from Fremantle Ports. We will not be requiring you to give evidence on oath, but we ask you to remember that these are proceedings of the federal parliament and warrant the same respect as proceedings of the House itself. It is customary to remind all witnesses that the giving of false or misleading evidence is a serious matter and can be construed as a contempt of the parliament. Having said that, you are most welcome. I understand you would like to give us an overview.

**Mrs Sanderson**—Thank you for the opportunity to appear. I will proceed quickly with the overview to give a chance for questions. Fremantle port operates from two locations and is the principal general cargo port for Western Australia, handling more than \$18 billion in trade annually. Fremantle has experienced strong growth in the number of containers, with the container trade now around four times the level in 1990-91. I know that a number of members of the committee are very familiar with the inner harbour. It handles the majority of the container trade for Western Australia and provides facilities for handling livestock exports, motor vehicle imports, other general cargo trades, cruise ships and visiting naval vessels.

The container terminals on North Quay are privately operated on land leased from Fremantle Ports, and the inner harbour also has several common user areas. The outer harbour 20 kilometres to the south of Kwinana is one of Australia's major bulk cargo ports, handling grain, petroleum, liquid petroleum gas, alumina, fertiliser, sulphur and other commodities. Fremantle Ports operates a bulk jetty at the Kwinana bulk terminal at Kwinana, providing facilities to handle a range of imports and exports. Alcoa, BP and Cooperative Bulk Handling also operate cargo handling facilities in the outer harbour. Fremantle Ports generally exports around 27 per cent of the nation's wheat and about 19 per cent of the nation's alumina, and handled a total of 25.5 million tonnes of cargo in 2004-05. That would be about the same quantity of cargo handled in Sydney and Brisbane. The inner and outer harbours are linked by rail to interstate and intrastate rail networks; in fact, the link to the intrastate rail network from the inner harbour was opened just this week. There was some AusLink funding for that.

Fremantle Ports is fully owned by the Western Australian state government and operates as a commercialised trading enterprise. At a time when infrastructure has been the subject of political and media attention nationally, Fremantle Ports has been progressing planning and construction projects on a major scale to meet present and future trade needs. The capital works and planning program represents the biggest infrastructure agenda undertaken by Fremantle Ports for decades. In the discussion earlier the committee reflected that that is common around the ports.

Recent capital projects completed include: the construction of the North Quay rail loop and rail terminal to service the inner harbour container trade, \$32 million; infrastructure at the Kwinana bulk terminal to cater for the HIsmelt commercial pig iron project and other customers, \$31.8 million; Victorian Quay road and rail alignment, \$5.7 million; and the upgrading of port security in compliance with the Maritime Security Transport Act 2003, \$2.1 million. Construction of the new North Quay rail link as stage one of the new rail terminal was completed in March 2006, with the infrastructure now operational. More than two-thirds of the cost has been met by the state government and its agencies, with \$9.5 million provided from the federal government's AusLink program. A related and important project in 2005 has been the realignment of the freight rail line adjacent to Victorian Quay. That was relocated to create more land for cargo handling and also to enable the construction of a new road to improve public access to the Fremantle waterfront project at the west end of Victorian Quay.

Fremantle Ports container trade has been growing strongly over the past 15 years, with an average annual growth of 10 per cent. The need to put more containers on rail was recognised by the 2002 metropolitan freight network review as a priority. The dual gauge rail link connecting North Quay is a key strategy in building the rail share for the inner harbour containerised freight. As well as improving freight efficiency, increasing the rail share for land transport of inbound and outbound cargo will help reduce the growth in port related truck traffic on connecting roads.

Other measures to reduce freight impacts on the community are also being implemented or explored, with improved vehicle booking systems being introduced by the container terminal operators, and Fremantle Ports participating in a study with government agencies and industry to determine the extent to which improved logistics arrangements can be facilitated by initiatives such as intermodal terminals, inland container parks and road hubs.

The aim is to develop a clearer understanding of land transport logistics for containers and to identify and evaluate options for achieving objectives in improved efficiency and minimising truck movements to and from Fremantle port for any given level of trade. Container movement studies undertaken as part of the analysis involved looking at the efficiency of truck usage, and they have confirmed that the majority of containers have their origins or destinations in the metropolitan area. As you would have heard, that is similar in Melbourne and Sydney.

In the outer harbour the upgrading of the Kwinana bulk terminal has been tackled as a top priority to service the needs of the HIsmelt commercial pig iron plant and other customers. The upgrading and the extension of Fremantle Ports conveying systems have been completed and a new high performance bulk unloader was installed in 2005. The new unloader has substantially lifted bulk handling capacity at the terminal as well as improving berth availability. In anticipation of HIsmelt expanding its operations to stage 2, Fremantle Ports is currently progressing work associated with the environmental approval process for redevelopment of the currently unused Kwinana bulk berth 1. Ship berthing simulations and modelling were undertaken in 2004-05 as part of this to ensure the design can accommodate much larger post-Panamax ships. All of that is in the interests of improving efficiency.

I turn now to the planning for new container berths, Although based on inner harbour capacity, Fremantle Ports' proposed container and general cargo port facilities for Kwinana/Cockburn Sound are still some years away from being required. In line with the six-point plan arising from the metropolitan freight network review, significant progress has been made towards obtaining

approvals for the overflow facilities. This complex project, one of great importance to Western Australia's ongoing economic health, involves a strategic assessment of the four design options followed by a statutory approvals process once a preferred option has been approved by government. I would like to table this document, which gives an idea of the strategic assessment process and the guidelines. I have several copies.

**CHAIR**—There being no objection, the committee accepts this document as an exhibit and it will form part of the record.

**Mrs Sanderson**—These are the guidelines, and the strategic assessment based on those guidelines is currently under way. Fremantle Ports' expansion plans have been developed through very detailed and wide-ranging studies over more than two decades, so there have been two decades put into looking at the optimum site, and this is looking at the optimum configuration in the area. Road and rail connections are a vital part of this project. It is anticipated that the proposed new container and general cargo ports will be needed by about 2017 to take the overflow trade once the inner harbour reaches capacity. Both facilities—the inner harbour at Fremantle and the additional berths at Kwinana—would then be needed, so both will continue to operate and operate together to handle the container and general cargo trade for the foreseeable future.

An integrated strategic assessment of the four port options using the detailed guidelines I have tabled, which have been developed with community input, has been undertaken. This assessment, now nearing completion, takes into account economic, environmental and social issues in comparing the four port options under consideration. A wide range of technical studies has been undertaken. There has been extensive community consultation. Once a decision is made by cabinet on a preferred option, the statutory approval process will follow.

I will now move onto inner harbour deepening. With the international trend towards larger ships, and once the planned deepening of the Port of Melbourne occurs, the trend to larger ships on the Australian trade routes is expected to accelerate. This has led to recognition that the inner harbour is likely to require further dredging to deepen within the next few years, and engineering, geotechnical investigations are occurring in relation to pre-visibility studies of this. What is included in the table is a graph which shows the growth in the size of container vessels since 1992-93. You can see the size has been increasing, but the trend is expected to accelerate.

**Ms HALL**—What is the current depth?

**Mrs Sanderson**—Our depth in the inner harbour is 13 metres. Using our dynamic under keel clearance system, we can accommodate 12.8-metre draft container ships, but we are expecting that within the next five years, we will need to handle 13½-metre draft container vessels and beyond the next five years, up to 14.

**Ms HALL**—What about Kwinana?

**Mrs Sanderson**—Kwinana is dredged to 14.7 metres in the channel, but at this stage not all of the berths can accommodate that kind of depth. In fact, some of them can only accommodate 11 metres.



**Ms HALL**—What percentage can accommodate that?

**Mrs Sanderson**—At the current time in Kwinana, we do not have any facilities capable of handling containers, but the BP refinery can accommodate vessels of about 14-metre draft.

**CHAIR**—And that is your maximum, is it?

**Mrs Sanderson**—In the outer harbour. In the inner harbour, the maximum is 12.8.

**CHAIR**—But of all your ports, 14 is your best?

**Mrs Sanderson**—No, not entirely. In the inner harbour, our dredge depth is 13 metres. We can accommodate 12.8 metres. With our dredging, we are aiming to accommodate 14-metre draft once we dredge, but we will probably do that in two stages. With the outer harbour planning we are doing, we again will probably move to a 14-metre draft initially, but we are planning to be able to accommodate about a 16-metre draft.

**CHAIR**—But you would not be able to take any cape vessels on 14, would you?

**Mrs Sanderson**—No, but we can take post-Panamax vessels on the 14.7 metre. There are some specially designed post-Panamax vessels.

**CHAIR**—They are the slightly wider ones?

**Mrs Sanderson**—Yes. We are working with the industry to work through the issues, but—

**CHAIR**—You cannot get the port down around 16, 17 or 18?

**Mrs Sanderson**—Not in the inner harbour. Even to get it to 14 metres, we are going to have to strengthen the berths to avoid them coming forward.

**Dr JENSEN**—It is Darwin revisited.

**Mrs Sanderson**—Our people are telling us that a 15-metre dredged depth, which accommodates 14-metre draft vessels, is what they think the maximum of the inner harbour is. I am happy with that anyway for the next 10 years, and by then we would need to look at the technology.

**CHAIR**—But you made the point Melbourne will trigger larger vessels coming to Australia.

**Mrs Sanderson**—Yes, that is right.

**CHAIR**—You are the principal general cargo port for the west coast. Won't you need to be getting up around 16 or 17 metres in the foreseeable future?

**Mrs Sanderson**—Melbourne is only dredging to accommodate 14-metre draft vessels. Melbourne has the majority of the container trades, so it will tend to constrain the vessels that

come to Australia. Based on all of the discussions we have had with shipping lines—and we have been exploring this with them—they are saying that 13½-metre draft is probably adequate for the next five years, 14 metres for the next five to 10 years, beyond that more. We are planning to accommodate 13½ and 14 within the next 10 years and, in the outer harbour, we are planning for 16 metres.

Again, when it comes to doing the dredging—and dredging is so expensive—you could take two views on that. You could take the view that you should do it all together or that you should do it in stages. Our feeling at this stage is that doing it in stages will prove the most economic. But we will get the approval for the total. So, in the outer harbour, where we are seeking approvals now, we will be seeking approvals to accommodate the 16 metre but doing it in stages.

**CHAIR**—Would someone like to move that we take into the record Mrs Sanderson's opening comment as a submission and authorise it for publication?

**Ms HALL**—I so move.

**Dr JENSEN**—I second that.

**Ms HALL**—Did you read this 100 per cent word for word?

**Mrs Sanderson**—I tried to do that. There are only a couple of words I changed.

**CHAIR**—It is authorised for publication. One thing we have found in this inquiry, not just in WA but everywhere—with a few exceptions, namely Esperance and Portland—is that just about every port is in some form dredging new channels, widening channels, blasting basalt or whatever it might be. Will it be possible for all the ports to handle this sort of thing without some form of state or federal seed funding or will you just go through your normal funding sources?

**Mrs Sanderson**—I think AusLink saying they will do some funding of channels is important because of Australia's dependence on international trade and because of what happens overseas in the countries with which we compete. If you go to Europe, you will see that largely the equivalent of the federal governments there fund the channels. In the US as well there is funding of the channels. Looking at it, it is going to be very hard to finance it from user charges without having a significant effect on the competitiveness of our exports. I think it is very important to look at what happens overseas. Certainly in Europe and in the United States there is considerable funding of what is the equivalent of the roads in the shipping area—that is, the channels. In fact in Europe they also do quite a lot of the quay line funding, but in the United States it is mainly the dredging. The US Coast Guard actually undertakes work, as you are probably aware.

**CHAIR**—Did you do the actual rail works?

**Mrs Sanderson**—It was a good joint project. We were the project manager for a joint project which involved the Public Transport Authority, Main Roads and us. We had the project manager role so, yes, we did. MVM Rail constructed it. They were the contractor.

**CHAIR**—What was the Commonwealth contribution to that?

**Mrs Sanderson**—The Commonwealth contribution was \$9½ million through AusLink. That was very valuable, because without that it would have been really difficult to get it going. The other issue is intermodal terminals. We are currently looking at the need to have an intermodal terminal in Kewdale, which is linked to the wharf.

**CHAIR**—How far away is that?

**Mr Brindal**—It was about 45 kilometres by rail and about 25 kilometres by road. It is a much more circuitous route by rail, unfortunately.

**CHAIR**—What would you do there? Just describe that for us. With respect to our terms of reference—and I think it even says ‘inland ports’—we anticipated we would get a lot of interest in places like Parkes, Toowoomba, Moree, Shepparton and Kalgoorlie. There has been a particularly good submission from Newcastle on that. There seems to be a case for these coastal hubs as well. Just give us the rationale for yours.

**Mr Brindal**—I guess a lot of it comes out of the freight network review that you heard reference to. I do not know whether it has been explained to you in any detail, but that was a major review of the metropolitan freight network.

**CHAIR**—I am not trying to distract you, but all our evidence against the inland freight hubs has been on the basis on double handling, or triple handling, at each end. Could you describe how the hub provides better facilitation of the port and the state transport system, notwithstanding the additional handling?

**Mr Brindal**—There is unquestionably additional handling with our basic rail operation compared to the current predominant mode of moving containers by road, which is basically from the port or from the exporter direct to the importer. However, there is an increasing move in the road transport industry towards using hubs or depots, which actually introduces a further step of handling and transfer in the road transport function. That will tend to bring the road and rail operations closer together in terms of additional handling and transfer functions. Fundamentally, the plan for the Kewdale intermodal terminal is to establish an efficient road-rail interchange point as well as constructing what we call an inland container park, which will provide empty container storage and processing facilities at that point. The intention of that of course is to allow containers that have been emptied, if you like, by the importer to be de-hired back to that point rather than being brought all the way back into the port. Equally an exporter can then access a box at that inland point rather than having to come into the port to actually pick up an empty box.

**CHAIR**—Do you reload boxes?

**Mr Brindal**—Yes. It is really taking that port function and locating it at Kewdale. This has to compete in the real world. It has to compete against those direct road services that I was talking about, notwithstanding that there is a part of the road transport industry that is moving towards that sort of terminal.

**CHAIR**—Will this Kewdale facility provide for bulk storage as well?

**Mr Brindal**—No. It is designed as a container facility rather than for bulk materials handling, if that is what you meant by bulk storage.

**CHAIR**—No, I meant bulk in smaller quantities—some of those things like talc and mineral sands.

**Mr Brindal**—Anything that moves in a box can be handled through Kewdale. One of the major commodities that we see as being well suited to the rail operation is grain that is exported in containers. Those grain boxes are actually packed not very far away from the Kewdale intermodal terminal. Those grain boxes are under a trial arrangement and are being moved by rail at the moment.

**CHAIR**—Do they put a plastic bladder in them?

**Mr Brindal**—No, they have to be properly cleaned and prepared under AQIS supervision and under accreditation conditions. I think they use the bladders with malt but not with most of the grain.

**CHAIR**—What countries take grain in that form?

**Mrs Sanderson**—A number, but mainly those that can take it in small quantities. It is mostly prepared grains. Vietnam, say, is a case in point, not those countries that are taking the big quantities. As you can see from us having 27 per cent of Australia's wheat exports, it is actually much cheaper still to transport it in bulk, but in this case it is those counties which only have small receival facilities.

**CHAIR**—Will the port own that facility?

**Mr Brindal**—That is one of the models that we are looking at.

**CHAIR**—Would that be an inland version of your port?

**Mr Brindal**—Yes. The new rail terminal at North Quay that Kerry mentioned in the opening address was developed by the port but was put out to tender for various private operators to run. What we would be looking for is probably developing the Kewdale one so that there is an end-to-end capacity there. So we would do a similar thing at Kewdale as we have done at North Quay but ultimately put it out to a tender arrangement for a terminal operator who can obviously operate those two points but probably also provide a rail shuttle service between those two points.

**Mrs Sanderson**—We found that was very important because we could then make one of the criteria that they develop the rail. If they had long-term ownership that would not work as well, but we have year-by-year monitoring of targets to see how it is going.

**CHAIR**—Would you use sprinter trains?

**Mr Brindal**—No. They have had a crack at that in the eastern states, I understand, without a great deal of success. A number of issues are associated with that which, no doubt, you have

heard about at your other hearings. The focus here has been on really utilising basically second-hand refurbished equipment, both locomotives and wagons. We have to understand that, over short-haul rail journeys of this type, rail really struggles to compete against road—and that is not news to anyone, I do not think. It is not just a question of the extra handling. Rail by its nature is a very high capital intensive enterprise. It costs a lot of money to set up. In particular, when you are in sort of start-up mode, as we are basically at the moment, you really cannot afford to carry those very high capital costs that are associated with new equipment, whether it is cargo, sprinter or anything else, for that matter. Most of the focus to this point in time has been on, as I said, using reconditioned locomotives and wagons that can be sourced from elsewhere, not new equipment. We would see that being the case until we get up to the 100,000 TEU type of level, and probably by that time it will be hard to source second-hand equipment anyway and we would be needing to move into new capital equipment.

**Mrs Sanderson**—It is more a question of the economics; it is not that we would not like to have something like that.

**CHAIR**—What is the relativity of your box rate with, say, Sydney, Melbourne and Brisbane?

**Mrs Sanderson**—We are behind each of them. We are fourth in Australia in terms of the number of boxes. Ours is about 470,000 TEUs, so it is significantly behind certainly Melbourne and Sydney.

**Dr JENSEN**—I would like to deal with some of the infrastructure—road and rail—near Fremantle itself. I am aware of problems, for instance, with the Tydeman Road level crossing, where you have significant conflict between road and rail traffic and conflict between goods trains and passenger trains.

**Mrs Sanderson**—I would not call it so much ‘conflict’. We anticipate that with four trains a day—that is, eight train movements—we will be able to handle our targets that we have set for rail. Each of those trains will take about four minutes to cross those level crossings. There is a delay to traffic at that time, but again it is a matter of the economics. In the longer term, as the trade grows, there are some plans to realign Tydeman Road northwards of the rail link. We have very much been trying to put the capital in that is required now, and as it grows into the future, if it can be justified, it would be fantastic to realign Tydeman Road. It is the same with the passenger trains. There are particular problems, as you are aware, in Sydney and, yes, there is some conflict here because one cannot have the goods trains in the peak hours. But, at the same time, we believe there are lots of railway paths for the relatively small distance that they need to share. We are really talking about the Fremantle traffic region to the Fremantle train station, which is not really very long. It is probably—

**Mr Brindal**—400 or 500 metres.

**Dr JENSEN**—I was aware that it was not very long.

**Mr Brindal**—That is the only point of conflict, although it is not a Sydney type situation.

**Dr JENSEN**—No, I was not suggesting that.

**Mrs Sanderson**—We do all the modelling and work it through and we feel very confident that what we have done is the right thing. It is like anything—we could have spent twice as much on the new terminal there and built it twice as big, but our aim was to build it at the size that is needed now, and we are planning on a second stage in five years.

**Dr JENSEN**—There will certainly be a problem in the future with the lack of ability to double stack.

**Mrs Sanderson**—We have done studies on that as well.

**Mr Brindal**—Yes, we have. That is something for the future, and certainly the sorts of train numbers that Kerry was mentioning—four trains or eight movements per day to handle 300,000 containers a year—would involve a double-stacking operation. The work that we have had done indicates that we could achieve that. There are some overhead obstacles along the track.

**Dr JENSEN**—Yes, I have heard about quite a few problems.

**Mr Brindal**—The estimates are that it would take about \$2½ million to give us the sort of clearance that would allow a double-stack operation to proceed there. But I think that is a little way down the track for us yet. As I said earlier, we are really just in the early growth stages with the rail operation and the really critical thing at this point is very efficient intermodal terminals at both ends of the train journey. If we do not get that, if we cannot get the volume there in the first place, there is no point talking about double-stacking trains.

**Dr JENSEN**—Sure.

**Ms HALL**—Those intermodal hubs are your No. 1 infrastructure need.

**Mr Brindal**—Absolutely.

**Mrs Sanderson**—We believe so. In fact, we want the double stacking but we are saying at the moment that that probably comes secondary to the intermodal terminal.

**Dr JENSEN**—What about the road infrastructure? I mentioned the issue of the deletion of the Fremantle Eastern Bypass route with the previous people giving evidence. Something that we have noticed in just about every single port that we have been to is that a big issue is bypasses, and this is the only one that I am aware of where the bypass has been specifically deleted.

**Mrs Sanderson**—It was in the context of the freight network review. I always said that from a port perspective what we want is a certain performance out of the network. The port is only as good as the network. The port needs good land transport, it needs good sea transport and it needs to operate efficiently. So I said, ‘We are not road planners, but what we need is a certain performance out of the network.’ That was the kind of feedback which went into the freight network review, and it came out with a number of strategies. The strategies were to do with the rail transport and getting an increased share on rail.

They were also to increase the efficiency of truck use. At that time, it was estimated that about 30 per cent of the trucks that journeyed to Fremantle went empty one way or the other. Also—

Doug would have the actual statistics—a number of the trucks are not using their capacity. They are travelling with maybe one container where they could handle two—this kind of thing. The freight network review also looked at some improvements that could be made with the existing roads to improve the intersections. Overall, the aim was to provide a good performance out of the transport network in the absence of that particular road.

**Dr JENSEN**—I would agree on the issue of logistics. Certainly we saw that with the Newcastle coal logistics chain. The problem that I have, even with improved scheduling, is that, as you have alluded to, you have a lot of sets of lights and so on. There are a number of issues with that. Obviously there is the fact that any trucking movement is not going to be as efficient because it is going to take a significantly longer amount of time. You are going to have community problems down the track, if you do not already, and obviously there is the potential issue of negative road safety outcomes. The question I have with this is: how much efficiency is being lost through the deletion of FEB? If FEB had been completed with Roe 8, what would have been the average travel time from the port to Kewdale, for instance?

**Mrs Sanderson**—I do not really have those statistics; I am not sure whether Doug does. The road movement that we are looking at, in terms of the improved efficiency of road vehicles, will include such things—which are being explored—like priority running at night-time for trucks along some of the major highways, like Leach Highway. There are improvements at some of the intersections to get the separation with the light. One of the primary ones was the completion of Roe 7, to take it to the Kwinana Freeway. If you are getting a lot of the trucks to come onto the Kwinana Freeway, that is a major advance.

**Dr JENSEN**—What about the trucks that are coming from Kwinana? They go along Leach Highway, then they are supposed to go on Roe Highway, and then back onto Kwinana Freeway to get off either South Street or Leach Highway. It seems to be very circuitous.

**Mr Brindal**—Undoubtedly it is not the most direct route, but that was a decision that was taken not so long ago and prior to an election. That was part of the government's policy with respect to that.

**Dr JENSEN**—I am not wanting to get political here but the question that I am asking is: how much is this going to negatively impact the efficiency that you have on-road?

**Mrs Sanderson**—We do not think it should have that much of an impact, if the kind of road improvements that are being talked about do get put in place. It is quite an interesting approach. It is a bit like public transport, but for freight it is saying: 'We have got the existing system. What can we do to make the best possible use of that?' Part of that was to increase the rail share. At that time we had a rail share of about two per cent; we are now targeting 30 per cent. Part of the truck utilisation was: how stupid is it to have these trucks running around empty? Can't we coordinate the booking better?

Doug was making the point about the inland terminal—a system which now delivers empty boxes back to the port and then to the exporter is leading to unnecessary long road movements. What we are working on, through the freight network review, is the whole demand management approach. The really brilliant thing, which will be difficult to achieve, would be to get to a stage where you deliver a box to the importer, the importer can directly deliver it to the exporter and

then it comes back. Now, if you do all the surveys of container movements, you find that they go here and then back to there, and out to there and back to there. There are a lot of movements. So I would hope that with the changes which are being made in the road, with more analysis and work on the container movements and what we can do to improve the efficiency of that chain, it will mean that we actually benefit—

**Dr JENSEN**—In the short term.

**Mrs Sanderson**—And remember as well that we are working on getting the balance of road and rail, which is very well accepted by the community in all the surveys we have done.

**Dr JENSEN**—With the outer harbour, basically it is an overflow facility. What capacity will the outer harbour have?

**Mrs Sanderson**—We are designing for about two million containers. We believe the inner harbour has a capacity of about 1.2 million TEUs, and the outer harbour will have a facility—and there is diagram shown in those reports—which will take the whole planning horizon for the next 30 years, so it is essentially about two million containers. That is why you need both the inner harbour and the outer harbour operating.

**Dr JENSEN**—Are you talking about two million total containers?

**Mrs Sanderson**—Just the outer harbour is two million TEUs.

**Dr JENSEN**—That does not sound like just an overflow to me.

**Mrs Sanderson**—The overflow will grow bigger than the primary, but it begins as an overflow.

**Dr JENSEN**—So with the projected growth that you have, you can see that there is going to be a real constraint with both inner and outer harbours in about 30 years time.

**Mrs Sanderson**—Yes. We have adopted a planning horizon of about 30-plus years. At the moment we have said, ‘Let’s get to the 3.2 million containers.’ Bear in mind that we are currently at about 500,000. We think that is quite reasonable and is a reasonable planning horizon. In this state we tend to be planning well ahead, about 30 years. Closer to the time we do the more detailed planning.

**Mr Brindal**—One would be hoping that, in that sort of time frame, there would be significant technological advances as well. You cannot just take a static view.

**Dr JENSEN**—Absolutely.

**CHAIR**—Just leading off Dr Jensen’s question—which also leads into one that Ms Hall wants to ask—coming from the eastern states does much container traffic come to you for dispatch?

**Mrs Sanderson**—It depends.



**CHAIR**—Say, from Adelaide.

**Mrs Sanderson**—We have quite a reasonable movement of coastal trade. At various times we have had lines bring containers in here to be delivered over to the east, but it is a niche trade—it is just with the high-value ones.

**CHAIR**—Let me describe one of the things that has fazed us a bit. It does not have anything directly to do with the port but it may impact on you in other ways. Two out of every three trains coming from the east apparently do not decouple at Kalgoorlie. They go right into Perth, where trains are reassembled and freight for Kalgoorlie goes back up again. Or, in the case of Esperance, which is even sillier, it goes past the turn-off to Esperance, comes all the way into Perth, gets rescheduled, goes back on a train to Kalgoorlie, where there is some form of decoupling, then goes down to Esperance. That is an add-on of about 1,000 kilometres. When you get containers coming and going like that, how do the containers get to you or away from you within the Perth metropolitan system? Where are the trains recoupled?

**Mrs Sanderson**—Mainly in Kewdale. For Fremantle, if there were a container that came by rail it would tend to get off at Kewdale.

**CHAIR**—Would it be decoupled at Kewdale or decoupled somewhere else and brought into Kewdale?

**Mrs Sanderson**—My understanding is that it would be decoupled in Kewdale. For the first time, we have introduced through our new rail loop project and our new rail line on Victoria Quay a dual gauge in the port, which means that we can now accept trains directly from other regional areas, such as Bunbury, Albany or Geraldton.

**CHAIR**—On the narrow gauge?

**Mrs Sanderson**—On the narrow gauge. From Kalgoorlie, they would not have to decouple it at Kewdale if there was sufficient cargo to come through to the port. In fact, one of the prospective commodities we are working on to get on rail is hay, which will come from somewhere like Northam, and we envisage it will come straight through by rail. It probably depends on what they have found most economical for trains. It is a bit like ships—they may find it more economical to bring the whole train rather than stop and decouple it.

**CHAIR**—But when they get into Perth do you have any impacts from this decoupling and recoupling of trains? You seem to have a very efficient flowthrough system for the port.

**Mrs Sanderson**—It is not bad, because we get the ammonium nitrates coming through.

**Mr Brindal**—I am not up to speed with the sort of operation you are talking about there. The intrastate distribution of course would be handled by ARG, whereas the interstate distribution is coming over by Pacific National, so you have different operators involved there.

**CHAIR**—Pacific National have their own depots there?

**Mr Brindal**—Yes, they operate the main terminal out there called the Kewdale intermodal complex. They have the lease over that whole area.

**CHAIR**—Your area would be an adjunct to that?

**Mrs Sanderson**—Yes. That is what we are looking at. It would be closely related to it, or adjacent, but particularly targeted at an efficient wharf movement backwards and forwards. I am quite interested in what is happening in Enfield in Sydney, for example, where they are focusing on having a balance of container terminals so that they do not put all their eggs in the one basket, so to speak. This is probably one of the important issues, because there tends to be a lot of community pressure. I think if you balance, it is a lot better.

**CHAIR**—Ms Hall has a question that probably leads in from that on how the containers are controlled.

**Ms HALL**—I have two questions. One of our terms of reference refers to intelligent tracking technology. I wonder whether you might like to comment on that. Also, what role will the improved and new technology have in improving the efficiency of your ports?

**Mrs Sanderson**—That is a hard one unless you have tried a technology. We are putting in place an AIS technology now which is a ship-tracking technology. At the moment there are a number of intelligent tracking technologies, and there is a certain cost associated with them, so in the industry it tends to be those cargoes which want security or added control which use them. But I see that there will be an increased use of the tracking technology. From the port perspective, I see that being particularly beneficial in the vehicle-booking systems and making better use of the knowledge so that a truck that comes to drop off a container can have booked to pick one up and that people know if there are any hold-ups along the route. For example, if there is a traffic accident somewhere, trucks know about it so they are not all queued up or continue to come. I see that there will be increased use made of them—and the technologies are constantly improving—but at this stage it is probably not at a rate to make a huge difference, although looking at our port I believe the AIS is going to make a difference in security. Certainly the encouragement of the vehicle-booking systems has resulted in an improvement.

**Mr Brindal**—The more efficient systematic movement of containers is going to require much better information systems than we have in place at the moment. It is quite startling to see how much of the system still operates on a paper-trail basis with people conveying information over phones and things like that. That surprisingly even involves some of the large shipping lines, which are very large, sophisticated organisations in many respects. So if we want to achieve the sorts of high levels of efficiencies in the system which we all want to see there will need to be better information systems. It goes back to the earlier questions of how you get road from 50 per cent utilisation to 70 or 80 per cent utilisation and how you get proper control over empty running and those sorts of things. It is going to require some very sophisticated container-tracking capability.

I know Victoria started several years ago looking at a system like that. I guess we wanted to see how far they got with that, but it seems to have stalled a little in recent times. I do not know if you picked anything up from them along those lines, but they were going to move into a trial

container-tracking system as a first step towards developing that sort of information system to improve overall efficiencies.

**Mrs Sanderson**—A lot of the shipping lines want to add this service for their customers. Customers want to know where their box is, with an emphasis on just-in-time. So it will come, but we need to work with that and figure out what the right role is for a port to play. We very much have a facilitating role to help the trade flows. Increasingly we have found that we have had to get into the logistics and inland terminal areas, mainly to make sure that those flows are efficient. We will keep monitoring that.

**Ms HALL**—Does 20 per cent of the state's grain go out through Kwinana?

**Mrs Sanderson**—It is 20 per cent of the nation's wheat. It is very high.

**Ms HALL**—That leads on to my next question. Yesterday we took evidence from the Cooperative Bulk Handling group. They stated in their presentation that a similar system to the one that works in the Hunter with the coal chain would not be appropriate for grain handling going to the ports. Given that that coal chain works where competitors have come together and are working together because they have seen that it delivers benefits to each and every one of them, would you like to comment on whether or not you see that it could be beneficial here?

**Mrs Sanderson**—It is interesting that you should raise that. I had a discussion with a group yesterday from the industry, and we were saying how hard it is to get an authorisation. People often cannot get together to know what the benefits would be until they have already got an authorisation from the ACCC. We think there should be a sort of preauthorisation so people can get together and discuss it and see whether there are benefits. I am not privy to as much information, but I should say that it has always concerned us—and I have discussed it with parties at various times—that for a number of years the ship delays for grain ships coming to Fremantle have been very high and very costly. There are a number of factors in that. There is AQIS not inspecting at anchor like they used to. There are delays in getting the right grain in the right place. There is also a lack of coordination between the ships. Some are on an FOB basis; some are on a CTF basis. And all the ships may arrive together just by chance and all get delayed.

So I am not sure whether the point CBH made is correct or not, but I feel that there has to be a better way, certainly from a shipping perspective. In fact, in our bulk facilities we have recently introduced a booking system for the ships so the ships can see when others have booked and hopefully try and avoid those same times. So at least in that area I think there is a potential. I think with us they have been prepared to accept that, because we do not operate ships and people know we are trying to be transparent and facilitate trade, but the ACCC process is a bit of a challenge.

There are many regulatory challenges that I think all ports face. Even with dredging, there is the potential duplication of the federal environmental process with the state process and how complex it is to get sea-dumping permits. So I would hope that through the COAG and other processes there is a lot of work done on that simplification and facilitation. At the same time, there are reasons these regulations are in place—I do not question that; you need to do it right—but I am not sure that we need to make it quite as complex as we do.

**Ms HALL**—So you think COAG needs to look at this?

**Mrs Sanderson**—COAG have, I think. The recent decision by COAG, if I read it correctly, is really saying that this is the kind of area that needs to be tackled. I do not think that they did it as much in the environmental area as I would have hoped, but in other areas, yes.

**CHAIR**—On that note, we have run out of time, unfortunately. We would like to thank you very much for coming today. It has usually been our practice to visit you. I think we probably visit the port of Fremantle more than any other in Australia. We have always been well received, thoroughly briefed, taken on inspections of the port, taken through the tug terminal and taken out on the tugs—a whole range of things—so your hospitality to this committee has been quite outstanding. I am sorry that we could not visit you in person this time, but thank you for coming in. We greatly value your contribution to this inquiry because, with the bigger ports, it adds another layer. Some problems are the same and some are unique to the regional ports. By talking to you, we get a good way of sorting those out. We hope we might see you again sometime in the future.

**Mrs Sanderson**—Thank you for allowing us to appear, and if you wish to visit Fremantle at any stage we would obviously be delighted. I am sorry that you did not have an opportunity this time, but there will be other occasions, I am sure.

**CHAIR**—We were very impressed with all the Western Australian ports, especially by their cleanliness and orderliness.

Resolved (on motion by **Dr Jensen**, seconded by **Ms Hall**):

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

**Committee adjourned at 12.09 pm**