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**HOUSE OF
REPRESENTATIVES**

STANDING COMMITTEE ON TRANSPORT AND REGIONAL
SERVICES

Reference: Transport networks inquiry

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HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON TRANSPORT AND REGIONAL SERVICES

Thursday, 6 April 2006

Members: Mr Neville (*Chair*), Mr Gibbons (*Deputy Chair*), Ms Bird, Mr Haase, Ms Hall, Dr Jensen, Mr McArthur, Mr Richardson, Mr Ripoll and Mr Schultz

Members in attendance: Ms Bird, Mr Haase and Mr Neville

Terms of reference for the inquiry:

To inquire into and report on:

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

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Committee met at 8.55 am**BEATTIE, Mr Ken, Acting General Manager, Strategic Policy and Development, Queensland Department of Main Roads****HUNT, Mr Dan, Deputy Director-General, Policy and Strategy, Queensland Transport****PHIPPS, Mr Renny Paul, Director, Freight Policy, Queensland Transport**

CHAIR (Mr Neville)—I declare open this public hearing of the House of Representatives Standing Committee on Transport and Regional Services on its inquiry into the integration of regional rail and road networks and their interface with the ports. This is the 22nd public hearing of this inquiry and, as part of an extensive program of public hearings and visits designed to gather information from people directly involved in the main issues of the inquiry, a further hearing will be held in Toowoomba tomorrow, where we will probe some of the inland issues of the road and rail transport networks. Today the committee will hear from the Queensland government, the Port of Brisbane Corporation and a number of other witnesses including mining companies and the like.

I welcome representatives of the Queensland government. The committee does not require you to give evidence on oath, but I remind you that these are proceedings of the federal parliament and, consequently, they warrant the same respect as proceedings of the House itself. It is customary to remind witnesses that the giving of false or misleading evidence is a serious matter and may be regarded as a contempt of the parliament. But, having said that, you are most welcome. Mr Hunt, would you like to give us a five- to seven-minute overview of your submission so we can spend most of the time on questions.

Mr Hunt—The Queensland government places a very high importance on facilitating domestic and international trade and is fully aware of the need for efficient and sustainable linkages between the various components of the state's freight network. In fact the Queensland government underwrites much of the trade growth through its investment in rail, road and ports. The freight transport network plays an important role in the economic prosperity of Queensland and a large percentage of Queensland's regional economy is based on the sale of bulk commodities generally moved through its ports.

In fact all of Queensland ports except Brisbane are net exporters, and many are dedicated solely to the exports of single commodities such as coal, bauxite and sugar. Although Queensland's 16 ports are adequately served by existing road and rail links, increasing demand due to population growth and growth in export commodities has led to a growing number of incidences where capacity constraints have affected freight movements and trade opportunities—for example: increasing road haulage of bulk commodities to destinations served by rail; increasing congestion and conflict between heavy vehicles and passenger vehicles en route to and from ports and other parts of the network; limited windows for freight movement on rail due to passenger priority on some urban and inter-urban routes; and ancillary facilities, such as terminals and holding yards, coming under pressure from capacity increases and social and environmental constraints.

A number of Queensland ports are hosted by regional cities, and access to these ports is becoming a significant issue with local communities and the transport industry. Remedial infrastructure works in an urban environment are costly and impact greatly on local communities. In an environment of high import and export growth, a significant financial burden is being placed on the state to provide sufficient capacity and to safeguard options for future capacity increases on the network. Our submission to the inquiry in June 2005 was initially concerned that the AusLink initiative was preoccupied with discrete corridor studies and linkages to the major ports in Melbourne, Sydney, Brisbane and Fremantle. Since then, COAG has agreed to extend the AusLink corridor study process to include regional ports associated with the AusLink national network.

Despite this, the defined AusLink networks still represent a relatively small percentage of the infrastructure used to service Queensland ports. Therefore the bulk of the financial burden for providing connectivity between land based transport networks and the ports falls to state and local governments. If AusLink's aim is to promote trade facilitation, then there are a number of infrastructure projects both within the defined AusLink network and the broader regional network in Queensland in which the Commonwealth could invest, such as the northern missing link on rail, the southern missing link, the southern infrastructure corridor into Brisbane, new access to the Port of Townsville and further stages of the Port of Brisbane motorway.

Part of the Australian government rationale for AusLink was recognition that the land transport network required substantially increased investment to meet current and future needs. It promised to move towards an integrated approach to transport infrastructure, planning and investment with a focus on the land transport network as a whole, which would naturally provide improved transport links across regional Australia leading to better land transport links between regional centres and our major cities. The Queensland government strongly supports this objective. However, there is little evidence to date that the AusLink processes advance these objectives in Queensland. Significantly, Commonwealth contributions amount to less than 10 per cent of the state's total transport budget. The advent of AusLink has not yet changed its balance, but we remain hopeful.

CHAIR—I would like to compliment you on this submission. It is very good and I wish that the other states had been as cooperative.

Mr Hunt—Thank you. I acknowledge Mr Phipps, who did a large part of the work on that.

CHAIR—You have gone right to the nub of the problem—that, despite AusLink redefining the federal government's attitude, there is still a lot of grey area around where state responsibility finishes and federal responsibility starts and where there might be joint ventures. I am just talking off the top of my head; we have not sat down and averaged these, but I get the feeling that nearly every port city in the country needs about \$70 million in one form or another, either for bypasses, overpasses, duplication of rail links or ring-roads around towns to facilitate the better movement through those ports as the first priority and urban enhancement as another. Do you get that feeling? Mackay talked about it, Gladstone talks about it all the time, as do Newcastle and Port Kembla—not so much Port Hedland, but in a number of other Western Australian ports as well there seems to be this common thread that, as we have ramped up to new demands on us from resource-hungry overseas clients, our near urban infrastructure around port cities is not standing up to it.

Mr Hunt—That is right. I think one of the themes that we tried to bring out in our submission is our concern that the approach under AusLink is based on defined corridors. Particularly when you get to urban areas, the issue is how the network operates. We think that, generally, in the planning for transport we have to think about network approaches rather than just the individual links. That flows into all of our port issues. It is particularly an issue in the major cities. In Queensland we have issues in Brisbane, Gladstone and Townsville, which are directly on the line.

Mr Beattie—And Mackay.

Mr Hunt—Yes, and Mackay. The fact is that the hinterland for our ports is generally flowing to the west from the ports. The corridor that AusLink focuses on is the north-south corridor, and there is a mismatch between the two.

CHAIR—We are coming towards the end of our inquiry. Assuming that we wanted to make a recommendation, to what extent do you think the state would participate if we put up a program to facilitate better access to the ports or better urban facilities?

Mr Hunt—We would be very keen. We are coming to the end of a corridor study from Brisbane to Cairns, which we are doing cooperatively with DOTARS. One of the things that we have pushed quite strongly in that process is that, while it is a north-south corridor, we need to think carefully about the linkages into each of the ports that are adjacent to the corridor. We are doing that to an extent. We are keen to work with the corridor. One of the things we have tried to stress is that, whilst we have some issues with AusLink and the way it has been implemented, we have absolutely no agreement about the objectives of AusLink. There is very strong support for a coordinated approach to planning and investment in the transport system as a whole. I think the Queensland government would be quite happy to cooperate.

Mr Beattie—We certainly would be. We are in fact cooperating on every aspect of AusLink but, in particular, the corridor studies in Queensland. I guess the big issue is that if you are going to approach it from a corridor perspective you have to go beyond that and look at the total network. We see the AusLink network as a collection of corridors rather than a network that affects trade or freight movement generally. The big issue in our regional cities is with regard to the point you touched on about the use of the roads by both passengers and freight vehicles and the implications of heavy vehicles in urban areas: noise, safety, congestion and so on. So we would be more than happy to work towards that program. In fact in our submission we have listed a number of projects that would probably help to get the ball rolling.

CHAIR—The term Roads of National Importance has been dropped and AusLink has taken it over. It seems to me that there is a category of road that falls between a number of chairs that does not suit any pattern. Your response has been very heartening.

Mr HAASE—Obviously your response to the chair is predictable in that we would all like more funds to do the job. How would you advise us to come up with a recommended formula for the distribution of costs in relation to road infrastructure within states? Should it be a fifty-fifty deal? Or because it is traditionally a state role ought it be a 60-40 deal? Is this something you have given consideration to?

Mr Beattie—In the first instance, if we look at the AusLink network as opposed to the old national highways network, the state view is that the national government should go back to the position of fully funding the national highways. We make that point in our submission. That would be the first thing. A good example of that would be the Gateway Motorway, particularly with Australia TradeCoast and so on—which is a very big job being fully funded by the state. Here in Queensland we have an arrangement with local councils where we have set up what we call the roads alliance. It is the other end of the spectrum, but there are a lot of roads that are important regionally. We have tried to group local governments together and look at those roads of regional significance.

We are jointly funding the work on those roads. We are working together to prioritise the roads and to ask what is good for the region as opposed to an individual council. Every council gets its turn. They are all involved. It is a joint state government-local government initiative looking at that particular parcel of roads, which is quite similar to what you are talking about. But the group you are talking about is at a state and national level. We have the national highway, we have these major AusLink routes, but there are probably some big arterial roads or access roads from the west, which Dan was talking about, which are key roads that we really need to take a joint responsibility for. We would have negotiated. Under AusLink they talk about the national government making an assessment and an offer of a contribution. I think we need to work through that together. Off the top of my head I would not like to give you a formula but I know we can work it through.

Mr HAASE—It is very easy to recognise that it is a difficult dilemma. We tend to be reinventing the classification system of roads. It strikes me that the federal area of responsibility is in enlarging rather than diminishing. Conversely, of course, that indicates that the state area of responsibility is diminishing.

Mr Hunt—The way we see that is that the federal area of interest has expanded considerably with AusLink but the federal area of responsibility has shrunk to nothing. The federal government is now saying it no longer has a road network that it is accountable for the condition of as it was under the national highway system. But it has an interest in the whole of the network. This is a simplification, I know, but it has taken the funding that once was devoted to the national highway network and has now said that it is available for the broader network. That in the end will leave holes in the national highway network that the state government is going to have to fill. That remains a major issue for us: the bucket of money is being spread more widely. The state has resisted so far but, in the end, somebody is going to have to come and fill in the areas where the Commonwealth previously had sole responsibility.

Mr HAASE—Is there any satisfaction for the states in the opportunity to prioritise sections of road that have not previously been covered by federal funding?

Mr Hunt—We are very interested in that, but I guess we are looking for new federal funding, not diversion of federal funding from a national highway that still needs significant investment.

Mr HAASE—One of the areas that is of particular importance to me, even though my area of responsibility does not venture into Queensland, is the Winton Road through to the border as part of the outback highway. Are you familiar with that?

Mr Hunt—The Matilda Highway, yes.

Mr HAASE—As of 2004, we have committed \$10 million, to be matched by the states and territories, to upgrade the 10 major sections. Can you give us any report of what is happening on the Queensland side of the border in relation to that section of road? I accept readily that it is not part of this specific inquiry, but I just wondered if you could—

Mr Beattie—We can get some information for you.

Mr HAASE—That would be much appreciated because we just started the works in Western Australia and the Territory. We just released \$7 million of funding for those, and I wonder what is happening in Queensland.

CHAIR—With all this expansion around ports, you say we need to define these AusLink corridors. The councils that we talk to do not argue that, because they have a resource-rich region or a big freight task, they should get preferential treatment. They never argue that, but they do argue that there are huge royalties coming out of minerals that have been exported and quite reasonable gains to state governments and private rail operators arising from the transport of that material. Although they do not argue that they should have some sort of preferential access to that, they do argue that what goes on around their town and region is central to the GDP of the state and the nation and it is not a reasonable proposition to ask the ratepayers—sometimes of comparatively small cities or only reasonable sized towns—to bear the burden of that infrastructure, which in normal circumstances they would not have to bear. What sort of formula should we put in place that at least makes those corridors to ports and arterial roads through towns that facilitate ports and things like that? How can we formularise it so that it at least remains cost-neutral to those towns? Gladstone is a case in point—not just because it is in my electorate. Newcastle is another example. How do we get a formula that does not disadvantage the ratepayers of that town?

Mr Hunt—I am not sure it is possible to get a formula. In terms of the royalties, I think you could make the same argument about the company tax that the companies pay. There is a massive contribution to the Commonwealth coffers from that. There is already major state investment in places like Gladstone. There is a huge amount of state investment into that area over the last couple of decades. But a whole lot of benefits flow to the local governments too. I am not sure I am answering your question.

Mr Beattie—I would argue that the vast majority of the major arterial roads and so on in regional centres—even here in Brisbane, the capital city—are state owned roads. We have about 34,000 kilometres of state controlled roads. That is much more as a percentage and actual kilometres than a lot of the other states. We spend more per capital on those state controlled roads than any other state, as far as I am aware. I guess I would say for a start that we control all those roads but we at a state level also have a very good relationship with local councils and the Local Government Association of Queensland. We work very closely with them. I understand the issue and I guess it applies at local, state and federal government levels. It is never enough. I have a background as an economist, and the first thing you learn is that there is never enough. We are all struggling. I think the ultimate game is to work together to get the best result out of the money we at all three levels of government can get our hands on. I guess that is the principle behind AusLink and that is why we support very strongly that principle of working together. I do

not think there is a formula but I think if we work together we will probably get a better result for the dollars we have access to.

Ms BIRD—First of all, I just want to explore a little more the ‘passenger versus freight’ conflict, because we consistently hear this. Often programs will be focused on one or the other. For example, in our inquiry we are talking about the movement of freight, but they are so intrinsically connected that it is almost a false separation because in so many places we hear people saying that they have all the pressure—particularly political pressure—around passenger movement. People will always put pressure on you for roads and passenger rail and so forth. But, where there is a competition between them for the use, often there is almost a bottleneck created. I am from New South Wales, so in Sydney I am conscious of the number of freight trains that are limited as they come through the Sydney network, for example. I am wondering if you are experiencing the same thing here. Perhaps you can comment on what is the capacity for a greater separation of those movements?

Mr Beattie—Seeing as it is one of the major points I have put down, I should probably comment on it. The conflict between heavy vehicle movement in urban areas, passenger movement and the surrounding urban environment is a real issue. We have struck this access problem in every major regional port: Gladstone, Mackay and even here in Brisbane, with rail access. It is not so much now, but 20 years from now we will have the issue of conflict between passenger and freight movement on the existing port access rail. It is a major issue and we find there is community objection to heavy vehicle movements here in Brisbane, through what we call the Brisbane urban corridor, and in Mackay—even when looking at the solutions we are proposing to get to the port.

I guess the answer is that we have to look a lot further into the future by preserving corridors and have a much longer term view of what we need. Initially, I cannot see any way around it, other than that it will cost money to resume land and acquire the necessary corridors in those areas. But, somehow or other, we have to create some sort of buffer as best we can and limit the negative aspects, through policy application in particular.

CHAIR—We had a sort of national ports conference in Newcastle yesterday, in which we ran a seminar as part of this inquiry. It is interesting, Mr Beattie, that the point you make about the securing of corridors was a theme throughout that conference. It was not necessarily to build them tomorrow but to make sure the corridor was secured. It is pleasing to hear you come from the government perspective on that.

Mr Hunt—South-east Queensland has been one of focuses in the regional planning process that we have gone through relatively recently, and I mentioned the southern infrastructure corridor earlier, which is a corridor from the west of Brisbane through to the standard gauge line south of Brisbane that is focusing on preserving a long-term corridor there. It may not be built on for a long time, but—

CHAIR—You have done a lot of good ancillary work. When we did our last inquiry on roads here, you took us through all your new bus interchanges.

Mr Hunt—We are continuing to develop that.

CHAIR—It was almost like a dedicated train line.

Mr Hunt—That is basically the principle. It is more flexible than that.

CHAIR—Especially that southern corridor—it is very impressive.

Mr Hunt—At the moment further work is going on, bringing the northern busway further into the city. There is planning work going on for a northern busway into the northern suburbs and for an eastern busway. Construction will start before too long on a link to Green Bridge, which is being built by the council. The other point on the corridors is that, particularly in urban areas, we can look at preserving the corridors in the long term for interurban freight or intercity freight, but there will still be the major issue of managing conflicts between passenger and freight in the distribution task within the cities. In economic terms, that is a very major part of the freight task overall. That is a network management issue, and we cannot just think about the freight part and the passenger part separately. We have to manage that as a network, and I think that is a critical part of the problem we are facing. Again, that is a difficulty with the AusLink process.

Ms BIRD—Basically you are saying that it is the management of the sharing of infrastructure that is an issue. Is it unrealistic, perhaps, to expect a duplication-separation type of arrangement?

Mr Hunt—It may be possible in some parts of the network. In rail we can try to keep some separation for that. On road, we are strongly encouraging through traffic to use the Logan and Gateway motorways to access the Port of Brisbane, rather than going along the Brisbane urban corridor—the Kessels Road route.

Ms BIRD—The problem with roads, of course, is that every time you improve them for passenger movement it just encourages freight onto them and then the passengers are unhappy again, aren't they?

Mr Hunt—And vice versa; when you improve it for freight movement, the passengers will use it as well.

Mr Phipps—The southern infrastructure corridor, which was mentioned earlier, is really about separating passengers and freight. We have never built a freight line, except for the coal network, in Queensland. But this is building a whole new corridor because a lot of our population is forecast to move to the western part of the city, therefore increasing demand for passenger rail and further limiting freight travel through to the Port of Brisbane.

Ms BIRD—Have you got limitations on your rail movement at the moment, in terms of the hours that freight can use it?

Mr Phipps—Morning and afternoon peaks are generally out of bounds for freight. You can sneak a train through occasionally, but it is rare.

Ms BIRD—That is certainly what we heard in Sydney—that that is quite a bottleneck for some of—

Mr Hunt—That will get harder over time in Brisbane, too, because we are growing very fast.

CHAIR—Could we move onto another subject? It impacts on a lot of things and we will be talking about it tomorrow in Toowoomba. The Toowoomba Range seems to be the flashpoint for a number of projects. Obviously the population of the Downs—and Toowoomba in particular—is going to get bigger. If the inland rail is ever going to work effectively, the Toowoomba Range access is going to be vital. In your submission I think you use a figure of just under \$600 million. Is that the all-up cost of doing that?

Mr Hunt—That figure is probably fairly dated now. No doubt it is considerably more than that.

CHAIR—Could you give us a bit of an overview of how you see the Toowoomba Range link going? We will go out there tomorrow and everyone will be hot for this inland railway link from Melbourne to Toowoomba and perhaps on through the western line and up through Wandoan and so on to Moura. Those things may end up going in parallel, but it seems to me—as I said before—that this is the touchstone to all that sort of thing happening. How might this inquiry facilitate that? What are the main problems? We heard in earlier days—for example, in our last inquiry—the idea of a new road and rail corridor down from Toowoomba. But in more recent times I understand that has been looked at as two separate things. Can you give us the flavour of where you are on that and what might be needed to accelerate that thing?

Mr Hunt—We have identified a corridor for both road and rail down the Toowoomba Range. I understand that in parts that is joint and parts of it are separate because of the different needs of the different modes. On the road side—Ken might comment on this—I think the Commonwealth has committed \$10 million fairly recently towards the planning and feasibility study of the road part of that. Part of that feasibility process will be drilling a pilot tunnel to determine the geotechnics for the tunnel as a whole. Do you want to talk more about the road side, Ken?

Mr Beattie—I guess the only comment I would make is that it is early days now and I certainly would not commit to any figure for the cost of the Toowoomba Range crossing. I think we are talking about a road of over 40 kilometres through range country. Until the more detailed planning studies are done, it would be a very courageous man who would give anything like a firm cost for it. To support what Dan has said, it is very strongly supported by the local council. I am sure if you go to Toowoomba you will be strongly encouraged by the local council. We are working together with them and the Commonwealth, obviously, in the planning stage.

CHAIR—Let me say this about this committee: we do not want to publish a report that is just a wish list. That is why we are probing you. We would like to put down on paper some sort of reality. If you take the argument at present—and you would be familiar with this from your rail side—the east-west rail corridor is taking 80 per cent of the freight task. The north-south corridor used to take about 12 per cent. As I understand it, under ARTC it is moving up in the 17 to 20 per cent range. We are told that it will not go beyond about 30 per cent—35 per cent at the outside. So if we are going to get these semitrailers off the road between Melbourne, Sydney and Brisbane, then there is going to have to be another rail corridor in the near to medium future. It seems to me that the Toowoomba Range is pivotal in getting momentum into that project. That is why we wanted to hear your views on how that might be facilitated. Is there a case for Commonwealth seed funding of the Toowoomba Range, with that in mind?

Mr Phipps—From a rail perspective, we are running up against capacity constraints on the Toowoomba Range.

CHAIR—Even now, on narrow gauge?

Mr Phipps—Yes. It is a very old alignment, as you would appreciate. We cannot run very large trains down there. There is growing interest from mining companies who have coal deposits on the downs and want to export coal. Several mines up there are either opening up or ramping up capacity to capitalise on higher export prices. The grain industry, when it has a good season, takes a lot of the corridor's capacity as well. Plus we have our general freight trains, which run up and down.

CHAIR—Assuming you did the rail corridor, you would do it in two gauges: narrow and standard?

Mr Phipps—We would certainly make provision for standard until we knew when the inland rail link was likely to happen and which route it would take: from the west down to Brisbane—or if it would come to Brisbane at all.

Mr Hunt—There are two scenarios for the upgrade: one is inland rail, which may well drive the Toowoomba Range crossing as part of that project. If it did not happen, the issue would be the carriage of coal from the Darling Downs to an export port. That is the issue that is pushing the capacity constraints at the moment and that is also being addressed as part of the southern missing link rail study. So the choices are to actually build a new rail corridor to Brisbane or look at Gladstone as the source. Looking at Gladstone also has some potential advantages in opening up other coal precincts between the Chinchilla area and Gladstone.

CHAIR—Where would the coal go if it came down the Toowoomba Range?

Mr Hunt—If it goes down the Toowoomba Range, it has to go through Brisbane and come out of Brisbane.

CHAIR—It would need a coal loading facility.

Mr Hunt—There is already a coal export facility in Brisbane that I think exports around five million tonnes a year. It is a relatively small one in terms of the other Queensland ports, but it has been operating at that level for quite a long time: the last 10 or 20 years.

Mr Phipps—We are prepared to increase that to 15 million tonnes a year if we can get the rail capacity.

Mr Hunt—But the decision is really between Brisbane and Gladstone. I do not know what the costs are for either of them, off the top of my head, but it is distance versus complexity in terms of the Toowoomba Range crossing. I think, even in inland rail terms, the Toowoomba Range crossing is similar in the estimated cost to the rest of the inland rail from Toowoomba South. It is a massive project in terms of cost and complexity.

CHAIR—How far advanced is the state government on the other half of that concept of going from Toowoomba to Gladstone through Miles, Wandoan, Moura et cetera?

Mr Hunt—There is a study under way into the southern missing link, as we are calling it, which is linking that Miles-Wandoan area into the system at Theodore. Do you want to talk about where we are going with that?

Mr Phipps—Queensland Rail have been involved in planning that corridor for many years. I am not sure how close they are to an actual feasibility study, but I know that work is progressing on that at the moment.

CHAIR—We have heard that there are at least five coal mines along that route.

Mr Hunt—Potential ones. I think Xstrata have been showing a fair amount of interest. They have mines on the northern end of that link, closer to Theodore.

Mr Phipps—They have a lot of ATPs—authorities to prospect—in the area. As you say, the figure might be five or it might be more, but it is a fairly long haul, especially for coal coming out of the Darling Downs to head up to Gladstone for export. It would be one of the longest hauls in Australia, certainly for steaming coal.

CHAIR—There would be some merit in putting some of it through the Port of Brisbane?

Mr Phipps—Economically. Then the other side of that is that there are issues with the Port of Brisbane too, as the coal has to go through the Brisbane suburbs—

CHAIR—The urban corridors.

Mr Phipps—and that is an issue in itself as well. So this is not a simple issue.

Mr HAASE—I am wondering what is that distance that you are talking of that is perhaps too great a distance for coal.

Mr Phipps—It is in the order of 500 kilometres. As I said, that is a very long haul for steaming coal. I think some of the coking coal can easily sustain long hauls at the moment, given the high prices.

CHAIR—That might not always be the case.

Mr Phipps—That is right.

Mr HAASE—But I believe coal is an abundant commodity.

Mr Hunt—Yes. It is an abundant commodity.

Mr HAASE—I was going to ask—and it goes to the value of the commodity, of course—is there any hint of preparedness from corporate Queensland for tripartite funding of infrastructure?

Mr Hunt—I think the coal network in Queensland is largely funded by the industry, ultimately. QR may invest in it, but it has users that pay to use that system. It is a fully commercial network. I think industry pretty much pays its way.

Mr HAASE—Would capital involvement be rare in Queensland? I am familiar with the Pilbara, in Western Australian, where rail infrastructure is built by the companies involved. I would think it is a rarity in Queensland.

Mr Hunt—I think it is rare because it is largely common user infrastructure in Queensland. The Western Australian mines are different in that they tend to have discrete mining areas going to a port and most of the lines are single-user lines.

Mr HAASE—You would be aware that situation is very much in the spotlight presently.

Mr Hunt—Yes, but Queensland has grown up with the development of an excellent coal rail system. There were capital contributions from the companies early on to get the system started. It is now funded by QR and paid for by freight rates. Industry is certainly paying its way on that system. I suspect industry may well argue that it is more than paying its way on that system. It is a publicly owned and common-user system operated commercially.

Mr HAASE—This committee will have greater opportunity today to gauge the opinion of industry but, from the Queensland government's perspective, what is the level of contentment with the rail infrastructure among industry today?

Mr Hunt—I suspect that at the moment there may be issues in terms of capacity that are related to the rate of expansion of the coal industry in the last couple of years, because it has boomed with price. That has pushed capacity in some areas. Is that fair to say, Renny?

Mr Phipps—Yes, in the Blackwater system in particular.

Mr Hunt—There is the issue that there is actually investment coming to address those needs. We would argue that QR has invested in accordance with the expectations expressed by its customers. We may be up against a capacity constraint in some areas at the moment but I suspect that is also reflected in the mines themselves in terms of there being a different rate of ability to meet capacity increases.

Mr HAASE—How do you deal with the—and the word 'clamouring' comes to mind—requests from industry for improved infrastructure? What process of analysis do you use to prioritise one commercial demand from another when it comes to state infrastructure investment?

Mr Hunt—The easiest thing to use is this: what commitment is industry prepared to make in terms of committing to use the infrastructure once it is constructed and to meet the costs of it through those user agreements? The ports and QR will all seek to sign industry up to long-term commitments to use the infrastructure that they are asking for. In times when demand is very high, I think that industry is very happy to sign up to those. In times when things are a bit tighter there is less willingness to sign up to long-term contracts for expansion.

Mr HAASE—I refer to the nature of those long-term usage contracts. Are they on a take or pay basis?

Mr Hunt—In general, yes.

Mr HAASE—So you would say that such expansion and prioritisation can be commercially driven and that if industry is prepared to enter into the agreements then the states will find the financial resources to build?

Mr Hunt—That is my view, and over time I think that has been borne out by the experience in Queensland.

Mr HAASE—Could you tell us a little about Queensland Rail's point of view on intermodal hubs. That is something that we have not yet discussed this morning.

CHAIR—We should preface our remarks on this by saying that we had the original concept that these were going to be at places like Shepparton, Parkes—where we got a real towelling about them yesterday—Moree and Toowoomba. But the evidence we received in Port Kembla and Newcastle seems to be about a need for freight hubs on the eastern side, rather than on the western side, of the divide.

Mr HAASE—Yes. It is a topic that this committee is concerning itself with. I think it is an important part of the study. We have heard some opinions that suggest that these hubs ought to be absolutely commercially driven, that where there is a demand from the operators the operators will identify them and push for them and that that is not the case at present. I think the suggestion is that we might be getting a little ahead of ourselves in our fascination with intermodal hubs in that they are expensive. We understand that every time you offload and reload a commodity that adds to the cost of it. What do you see as the role, now and in the future, for intermodal hubs?

Mr Hunt—I might ask Renny to comment in a second. One thing that I think is a core government role—it is the same with the corridors—is identifying and preserving the sites for those intermodal hubs. Development of them may well be a commercial issue for both road and rail freight carriers. But actually finding the sites for those things can be as difficult as identifying the corridors themselves, because they need a fair bit of land and they need it in strategic locations. Renny might comment specifically on some of the issues. I will preface that by saying that this will be Queensland Transport's view. If you want QR's view you will need to talk to QR. They are independent.

Mr HAASE—I accept that I am generalising with the term, so it is about the Queensland government in its association with rail planning.

Mr Hunt—That is fine.

Mr Phipps—Last year we undertook what we called the 'South East Queensland Inter-modal Freight Terminal Study' to look at the issues that you have just raised. There seemed to be a growing demand for intermodal freight facilities. We have two in Brisbane—the Acacia Ridge terminal and the Brisbane Multimodal Terminal at the Port of Brisbane. Both of those facilities

probably have sufficient capacity for the next five to 10 years, as far as we can ascertain, but after that you will probably need a third or fourth terminal. In the south-east Queensland region we have identified some sites as being potentially suitable for a large intermodal, multi-user facility—one to the west and one to the south of Brisbane. The things we find you need for freight terminals are obviously good access road and rail. We also need a good catchment for freight which is close by. That is why putting freight terminals in distant parts without a catchment is fraught and industry are telling us that they want to be closer to where the freight is, because once freight is on a truck it will stay on a truck. If it has to go 100 kilometres to get to a terminal, it is cheaper to keep it on the truck, as you say.

There is a lot of commercial interest in the development of multimodal terminals at the moment. We are seeing interest from P&O, which has a plan to roll out terminals in each state. There are plenty of other interested parties. We are also seeing a resurgence in what is being called rail connected warehousing, which is not really a multi-user terminal in the true sense of the word but goes back to the old days of having sidings beside industrial areas that can use rail—so rail is not really used as a multimodal distribution point but the freight comes in on rail and is consumed within 500 metres of the siding. Those two elements seem to be working in tandem at the moment, if we can believe what we are hearing from the private sector.

Mr HAASE—Do you believe that the creation of intermodal facilities ought to be driven by the demand of business—that is, commercial demand—or do you believe it should be dictated by government in order to facilitate solutions to perhaps other acquisition of corridor, duplication of corridor or grade separation costs? Do you see where I am going? We may say, ‘Let commercial interests drive it,’ and that will happen when the corporates can make a quid. They will say, ‘Right; we want a facility here, and we will break loads and repack.’ But ought not governments say, ‘No, we can save on the cost of infrastructure in the form of corridors, acquisitions and that sort of thing, and we will dictate that commerce unloads and reloads freight so as to facilitate an express or whatever?’ Just where should the mix be?

Mr Hunt—I guess what I am trying to say is that getting the land for a major intermodal terminal can be just as hard as finding the corridors themselves, and we need to coordinate with the acquisition or protection of the corridors. Renny noted that we have identified potential sites, possibly still with some community issues, to the south of Brisbane and certainly to the west of Brisbane. Protecting those sites for the future is the first thing that the government has to make sure it does.

Mr HAASE—That can be costly, can’t it?

Mr Hunt—Yes, that can be costly. When it comes to developing them there may well be a need for someone to come in and undertake some seed funding, which will have some risk associated with it to get it used. One of the features of the freight industry is its dispersed users.

CHAIR—Could it be a joint federal-state thing?

Mr Hunt—It could well be a joint federal-state thing. We would certainly welcome federal government involvement in that sort of area.

CHAIR—So you are saying that the state government provides an area like an industrial park and secures that—

Mr Hunt—We are certainly doing that as part of our planning for the south-east.

CHAIR—and the state government also makes land available to the commercial people, but you think some seed funding is needed upfront to get that off the ground.

Mr Hunt—It may well be needed when it is time.

Mr Phipps—Seed funding would be useful to develop business cases that we could use to encourage industry to invest. As Mr Hunt said, the real thing is to have the land available and then you can decide whether you are going to let the private sector develop it for commercial ends or whether for some environmental or other sustainability issue the state should build it and encourage its use by a variety of policy measures or whatever. Ideally, we would obviously like the private sector to take the risk and the reward on new terminals.

Mr Beattie—Renny mentioned policy. Everything in transport planning is a balance between passenger and freight or between modes or between environmental needs and urban needs and so on. I would argue that the location of any intermodal hub would have to be strongly influenced by the commercial need, and you would take that into consideration. A government, through policy means, should have an influence on not only where it is but how it is used and how access to and from that hub—in particular, access through urban areas—is controlled. There has been an underestimation of the influence of policy on managing the transport network in that regard.

CHAIR—The other four mainland states have trouble with grain lines to various degrees. Western Australia is tackling it at present, and New South Wales has a lot of challenges, as have South Australia and Victoria. You are a bit luckier here in the sense that you have these main arterial lines going east-west. What is the Queensland government doing to try to preserve the integrity of the grain lines?

Mr Phipps—That is mainly a matter for negotiation between QR and its grain customers. They are still negotiating on price for the coming season, as I understand it.

CHAIR—Is the state government putting any subsidy into those grain lines?

Mr Hunt—One thing the Queensland government does which I do not think the other state governments do is have a CSO contract with Queensland Rail for infrastructure across the state. The state government puts in around \$200 million a year into below rail infrastructure basically to keep the state's rail system at the condition it is in. It is not major funds for expansion, but it provides a base to keep the infrastructure there across the state. Some of that will go into the main line, but significant parts of it go into the east-west lines to make sure that we keep that base infrastructure there for rail.

CHAIR—That is seen as the community service obligation?

Mr Hunt—Yes, that is right.

CHAIR—That is interesting. We are looking for a model to make a recommendation.

Mr Hunt—We have done a lot of work on that over the last few years.

CHAIR—Can you give us a short paper on that?

Mr Hunt—Yes, we are happy to.

CHAIR—Grain lines are something that we really have to grapple with.

Mr Hunt—Certainly the way we have approached it has not been an approach about subsidising any particular commodity; it has been a decision taken by the state that the state wants to have the rail network remain across the state, and to make sure that happens we will put some level of base funding in to keep that infrastructure there.

CHAIR—So the condition never slips?

Mr Hunt—The objective is to try to ensure that the condition does not slip. That is a major thing for Queensland, and we have kept that investment up. That is again part of our concern about AusLink—that Queensland has 20 per cent of the rail network in this country but gets around half a per cent of the AusLink rail funding. The reason for that is that we have kept the system in reasonable condition in Queensland but we feel that we are now penalised by the Commonwealth because of the good management of the system.

CHAIR—Did you say that you only get half a per cent?

Mr Phipps—We get about \$7 million.

CHAIR—Out of a pool of what?

Mr Phipps—Something like \$1 billion.

Mr Hunt—That is part of our feeling about AusLink—that we are not seeing a change in multimodal funding in terms of what Queensland gets out of AusLink. We are seeing drips of money coming in in terms of rail. But we will certainly give you a paper about the below rail infrastructure contracts.

CHAIR—With an emphasis on grain lines, if you would not mind. Thank you very much for your evidence today. It has been very enlightening and you have been very frank, which we appreciate. We trust we can come back to you if we need more information.

[9.51 am]

COLEMAN, Mr Jeffrey William, Chief Executive Officer, Port of Brisbane Corporation

MORTON, Dr Rick Michael, General Manager, Planning and Environment, Port of Brisbane Corporation

CHAIR—Welcome. Although the committee will not require you to give evidence under oath, I have to advise you that these are proceedings of the federal parliament. Consequently, they warrant the same respect as proceedings of the House itself. It is customary to remind witnesses that the giving of false or misleading evidence is a serious matter and could be regarded as a contempt of the parliament. Having said that, you are most welcome. Before we start, will you be referring to this document in your submission?

Mr Coleman—We may well do that. We will leave it with you after the event. We will refer to it for maps.

CHAIR—Would my colleagues like to move that we take this into the record as an exhibit and authorise it for publication?

Ms BIRD—Yes.

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

Mr Coleman—Good morning and thank you for the opportunity to speak to this committee. We have a chance here to give you a bit of a feel for the Port of Brisbane and the role we have in the local economy. We probably do not need to let the committee know, but we are located in the fastest-growing region in Australia. South-east Queensland is experiencing massive population growth, which is putting a strain on a whole range of infrastructure. There are currently around 2½ million people here but, more importantly, that is expected to grow to 3.7 million people over the next 20 years.

As far as the port goes, our business does not stop at the border. We are not just impacting on the south-east corner of Queensland. We have a lot of cargo going into and coming out of the Northern Rivers of New South Wales. That is also a very fast-growing region in the country, with a growth rate of 17 per cent in the last 10 years. If you look at our hinterland, the area that the Port of Brisbane services, it runs all the way through Queensland for a number of commodities but also down into northern New South Wales for a range of commodities. It is a very broad catchment area and it is growing very quickly.

The first big map we have given you shows you where the Port of Brisbane is located at the mouth of the Brisbane River. We have about 1,000 hectares of land that we manage, which is very large for a port anywhere in the world—1,000 hectares is a very large piece of real estate. Our port development is focused on Fisherman Islands, which is highlighted on the map. It is a man-made island and therefore it is a greenfield site. We are not redeveloping a port here; we are developing a new port. That is unique in Australia. It is quite unique in the world in a lot of ways

that we are developing a new port. There have been a lot of old ports up the river over the years, but we are progressively relocating those old ports to the new port at Fisherman Islands. It is a really amazing thing to see; you will hopefully see it this afternoon and you will be quite amazed at the size of it.

Another important thing about the Port of Brisbane is that we have significant buffers. You can see that we are located in Moreton Bay. We are not located in the middle of the city as are the ports of Sydney and Melbourne. We are not located close to residential areas. That is a huge advantage when operating a port which operates 24/7. We do not have to worry about residents. We are a long way away from them and we can get on with business. That is a very important point.

We are the second largest capital city port in terms of total tonnes. Melbourne is the largest, we are second and Sydney is third. We are a very diverse port, different in some ways to Sydney. We are diverse in terms of both imports and exports, and we are quite balanced. We have a very diverse trade. We have containers, cars, oil, cement and petrol being imported into the port. We have two oil refineries in the city, which is unique as well. On the export side, we are a coal export port with containers, a lot of grain and rural commodities and woodchips. In terms of containers we are the third largest Australian port, with volume this year of about 750,000 containers. We have some graphs that can show you that.

More importantly, we are the fastest-growing Australian container port. Over the last 10 years we have grown at 11 per cent per annum compound, which is a remarkable growth level in any business, let alone a business like ours with very long-term investments and infrastructure. An 11 per cent per annum growth rate for 10 years makes us by far the fastest-growing port in the country. We have about 18 per cent of the east coast trade, and that is growing all the time. Five years ago we had a market share of about 15 per cent. So it has gone from 15 to 18 per cent of the Brisbane, Sydney, Melbourne container business. Clearly we are a port of some significance in the national arena.

An important thing about our port is that we are master-planning the port. It is not something that we have inherited so much; we are developing a greenfields facility and, really importantly, we are our own planning authority. We can approve developments on our land, which is quite unique in the Australian context. All Queensland ports are in that position. When you do the tour today, you will see a whole range of warehouses, container parks, wharves and facilities. We are our own planning approval authority for those. So if we are looking at getting the job done we do not have to rely on getting council approval or state approval to do it. We have very strong planning controls but, as you will see, the quality of development is very high. But it is important in developing infrastructure for the future that we can plan our own developments.

We invested \$140 million in capital expenditure in the port last year and that was more than all the other capital city ports put together. Over the last five years we have invested \$440 million, which is also more than all the other capital city ports put together. I think that puts a little in perspective the fact that we are building a port facility which will not have bottlenecks, which is prepared for the future and has plenty of capacity to grow. So we are investing massive amounts of money, and you will see some of that on your tour today. But when you think that we are the third biggest container port and we are investing more than all the other ports put together it is quite a remarkable thing.

On top of our investment, we have significant private sector investment. We have just had Patricks invest over \$100 million in a world-first automated straddle terminal, which you will see this afternoon. It is the only one in the world.

CHAIR—What is a straddle terminal?

Mr Coleman—The straddle is the big piece of machinery that picks up a container, moves it around the terminal, takes it up to the crane to put under the ship or on the truck. These were always driven in the past by people; we now have high-tech and these things are robotic. It is remarkable technology. Patricks did it at first in Brisbane because of the confidence they have in the infrastructure we have. There are a whole range of other companies investing tens and hundreds of millions of dollars at the port. It is not just our investment that is massive; it is also that of the private sector.

We have seen significant improvements in productivity. You do not just invest money to create more capacity; you have got to make sure you are more productive. We have seen our productivity double in the last five years, which is, once again, quite remarkable. We are very strong on environmental controls. We are in a very sensitive part of Moreton Bay. We were the first port in Australasia—and, as far as we can work out, the first port in the world—to get an environmental accreditation. So we are very innovative, very focused on the environment we operate within and very engaged with community as well. We built this facility with very little public concern because we have a great deal of credibility with the communities we operate in because we have engaged them for a number of years. As you will see this afternoon on your tour, we have got a world-class port.

You can build a world-class port but if people cannot get to it you are wasting your money. There are three ways that you can get to a port: via a channel or a harbour, rail and road. I will deal with the three of those because they are all contentious in various ways in different ports around the world. We have a 90-kilometre channel. The channel runs from Caloundra to the port, so it is quite a long channel. When white settlement came, the channel in front of the port we have now was about one metre deep. The port now has a depth of over 14 metres, so over a period of 100 years the Port of Brisbane has worked, in its various guises and in a corporate way, to deepen the port.

In the last five years we have been planning for the calling of larger ships. They are bigger, wider and deeper and they are carrying more cargo. We deepened the port from 13½ metres to 14 metres in 2000, to 14.7 metres in 2005 and then to 15 metres in 2006. We have done that very quietly, very effectively and without increasing any port charges. It is part of the way we plan long term. We did not get caught out by larger ships. We were planning ahead to make sure that our channel did not become a point of congestion. We have a very capable channel. It can handle any vessel we can foresee for the time being. Certainly we are not constraining the national shipping industry because of our channel.

We also have plans to develop that channel going forward—to straighten it and shorten it. There has been a lot of long-term planning to make sure that our channel is not a bottleneck or a constraint on the growth of the port. We have rail to the port, right down the middle of the port island, which you can see on the diagram we have given you. We have both narrow gauge and standard gauge. Basically you can go from the Port of Brisbane to anywhere in the country. You

can go north on the narrow gauge and south or west on the standard gauge. It is a very effective rail system, which the port helped to fund some years ago. We have a dedicated intermodal terminal at the port which we own and operate. It is a very effective way of moving cargo off rail or road to the marine terminals, as you will see today. It is very efficient, very effective. There are truck waiting times of less than 12 minutes. We just keep turning over and moving the cargo between the different modes. So it is an intermodal terminal, which we own and operate.

We have rail to the port, which carries bulk cargoes such as coal and grain. Once again, it works quite effectively. About 15 per cent of our containers come in or leave on rail, so it is a good facility. Queensland Rail is making further improvements to the network. The freight network has to come through the passenger network. It has always been a bit of a constraint, but QR has been very effective in improving the amount of rail we can get to the port. Looking to double coal volumes in the next couple of years, the rail system can handle that as QR is investing enough to make sure that we can continue to grow. We think the rail capacity is adequate for the medium term. In the longer term, some work may be required but in the medium term it is okay.

In terms of the road to the port, we have had significant growth in containers, as I mentioned. We are moving the old port out of Hamilton. We have a major facility at Hamilton where we move roughly 180,000 cars through. We are moving that out to the port as well, so the pressure on road is very significant. We have the potential for an excellent road network, there is no doubt about it. You can now drive from the Port of Brisbane to Gympie, from the Port of Brisbane to the bottom of the Toowoomba range and from the Port of Brisbane to the border without a set of traffic lights. That is quite remarkable. We have the potential for a fantastic road system. We can get to motorways very easily and in short distances. But the last six kilometres of the road to the port is our biggest constraint. We have access to fantastic motorways except for the last six kilometres, which you will see this afternoon. The state has already worked with the federal government in providing stage one of the port motorway. It runs from the Gateway Motorway—as you can see on your map. The first four kilometres down to the port was completed in December 2002, which had a fantastic influence on the movement of cargo in and out of the port.

CHAIR—Is that the black line on the coloured map?

Mr Coleman—Yes. The first four kilometres is done. It is just the last six, which is planned for some time in the future. We have seen significant growth, as you will see from the graphs we have given you. As we move the old port from Hamilton to the Port of Brisbane, we are going to see a quite significant increase in traffic. We have potential for a fantastic road except for the last six kilometres, which is a current and future bottleneck. The Port of Brisbane Motorway is part of the AusLink network. Stage one has been done but stage two is still somewhere in the distance.

CHAIR—We might start on that point. Queensland Transport and the Department of Main Roads appeared before the committee earlier. They did not put a figure on the estimated cost. What is it going to cost to finish that?

Mr Coleman—We do not know. It is not something that Port of Brisbane can do. But in the south-east Queensland regional infrastructure plan the figure of \$150 million is mentioned. I

cannot say if that is right or wrong but that is the number that is in the state government's forward planning document.

CHAIR—As you said, we will see it this afternoon, so we will not waste a lot of time on it, but what is the constraining factor? Is it the width of the road, the configuration of the road?

Dr Morton—It is probably a bit of both. It is its carrying capacity, the profile of the road. It is the width. The road is currently operating at a level of service of D, which is very poor. In peak hours, am and pm, it comes down to an E. Because of the single access point state for stage two of the motorway, if we have an incident we have significant congestion. As you will see today it is a very old-style road: narrow with tight turns.

Mr Coleman—It has very tight turns and is subject to truck rollovers. We have a world-class port but the last six kilometres of our road does not do us justice.

Dr Morton—There is one corner that is rated at 40 kilometres per hour. That corner is a significant problem.

CHAIR—When we came here for a previous inquiry, an issue was, although you had dual gauge to the port, the standard gauge was being used quite infrequently. I think the noise factor was a part of the reason. What is your current utilisation of the standard gauge?

Mr Coleman—In terms of container trade, about 15 per cent moves out and about half of that would go on standard gauge. It is not necessarily because of noise. If you drew a line of 100 kilometres around the port, that is where most of your cargo ends up. It is not economic for large volumes to be moved on rail, standard gauge or narrow gauge. I think it is the same in most ports. The road transport over a short distance like that is the most effective way to move cargo. That is where we are seeing the growth.

CHAIR—And would what does go on standard gauge go to northern New South Wales?

Mr Coleman—Some will go all the way to Sydney and further afield. We have shipping lines that move cargo on the standard gauge into and out of Sydney. For instance, we do not have a west coast USA sea container line service so anybody who wants to export meat to the west coast of the US needs to rail to Sydney to pick up the blue water shipping service. So cargo does flow interstate on the standard gauge but it is not huge volumes. We are looking to move cars in the future on standard gauge, but there is a bit of investment that needs to happen before then.

Mr HAASE—Firstly, with the dredging you referred to, did you say 14.7 metres harbour depth?

Mr Coleman—And this year we are going to take it down to 15 metres.

Mr HAASE—Will it take a fully laden cape vessel?

Mr Coleman—It will for the coal terminal—sometimes not totally fully laden, but very close. It is quite effective.

CHAIR—Doesn't a fully laden cape vessel need about 17½ metres?

Mr Coleman—I think there are also different classes of cape vessels, so I am not sure it is that simple.

CHAIR—What tonnages?

Mr Coleman—We can take over 100,000 tonnes of coal—so 120,000 to 130,000. As I said, there is a range of cape vessels.

Mr HAASE—What sort of tidal movement do you have in the harbour?

Mr Coleman—We have tidal movements of about two metres. It is not too bad at all. We are very lucky.

Mr HAASE—And do you organise your shipping movements in view of the tide? Do you take your fully laden vessels out on high tide? Is that something that you do as a matter of routine?

Mr Coleman—Yes, it is. We do not control vessel movements; the harbourmaster does, which is part of the state government. But, yes, they do use the tide, mostly for the coal vessels to depart on the high tide or for the large oil tankers coming so that they arrive on the high tide. We have a dynamic under keel clearance system under development, which will be announced in May. All our port movements will be monitored and controlled by a dynamic under keel clearance system, which is very high-tech.

Mr HAASE—Is that the DUKC system?

Mr Coleman—That is the one.

Mr HAASE—It is used extensively in Port Hedland in Western Australia. Further, in relation to dredging, what is your harbour bottom? How difficult is your dredging operation?

Dr Morton—We have soft sediments. Entrance to the port is sand. As you get closer in it is mud and silts. There are very few constraints with regard to dredging depth. Occasionally there is some indurated sandstone or coffee rock but we do not have a major issue as far as that is concerned.

Mr HAASE—You say that you have quietly got on with the job of dredging. I strongly suspect from our experience with the Port of Melbourne that they would like to have quietly got on with the job. It was less than quiet, unfortunately. Are you suggesting that your past performance puts you above criticism or are you addressing the demands of an EPA equivalent or some such thing?

Mr Coleman—We do. We have to get all the normal approvals. It is not something we can just go out and do without that. We plan years ahead; we do not just wait until we have a problem. We try very hard to make sure that we are ahead of the problems. We have all our

approvals. We need to get EPA approvals and we need to get federal government approvals, but we do that well in advance.

Mr HAASE—From your presentation I got the very strong impression that we ought to knock off, put you in charge and just send you around the country to solve all the port problems!

Mr Coleman—I would not like that job in some of the other ports.

Mr HAASE—You are doing very well, let me assure you, and you are very upbeat and positive about what you are doing. That is almost like a breath of spring after all the submissions to the committee. You do say in your submission that you formulated the creation of the Landside Logistics Forum. What was the motivation behind that?

Mr Coleman—I will mention the numbers. The growth in the port that we saw over the last five years surprised us. Even though we pride ourselves on our long-term planning, I do not think we saw the full extent of the growth. So, for a period about two years ago we had a bit of congestion in the port from the transport side, although I think that was probably blown a little out of proportion. What happened was that we had a very large port with generally quite small trade. Suddenly the trade has grown, things have changed and a truck cannot turn up when he wants to pick up his load of containers. He has to book, he has to be organised, he has to plan and he has a schedule. The world changed very quickly. So part of the Landside Logistics Forum was to get the transport industry involved—it is a very fragmented industry—and to try to communicate with them and say: ‘Guys, you can no longer continue to just rock up and pick up a container. You have to get organised and you have to work not just nine to five, Monday to Friday. You have to work 24/7 or two shifts. You have to be more flexible.’ I think we went through a bit of growing pain, but the forum has been incredibly successful and we rarely have complaints from the transport industry. They have changed, they are running longer shifts, they are booking windows and they are working the system properly. It has been successful. We have had the Patrick automated terminal, as I have mentioned. It had some teething problems at the gate when it first opened, as you would expect with a huge change in technology. Once again we have had to work with that transport industry to say: ‘Work with it. Be flexible. Work with the stevedores and make sure that the transport chain continues to work.’ I think if you went there now you would find that the system is once again back working smoothly. It is our way to communicate from the wharf to the depot. We get all the people in—the truckies, the stevedores, the freight forwarders, people who are involved in the chain—to get them to communicate, plan and work out how best they can make sure that there are not bottlenecks at the port.

Mr HAASE—Did the result of that forum indicate to you that rail was not a significant means of transport out of your port into the future?

Mr Coleman—That is right. As I mentioned, I think it is really clear from work in other ports that—

Mr HAASE—That decision that you were discussing with the chair came from that forum?

Mr Coleman—It is part of that—that is exactly right. But there are also benchmarks around the world. You do not run rail for short hauls unless you have no other option. You run long-haul rail and short-haul trucks. I think the economics are quite clear. For instance, if we wanted to run

short-haul rail movements of cargo, which used to happen, to the Acacia Ridge terminal, you would have to take the container off the ship. If you were lucky, you could put it straight onto a truck. You take it to a rail terminal. At the rail terminal you put it on the ground. The train arrives, you pick up the container, put it on the train, take it to the next terminal, drop it off the train and onto the ground, put it on the truck and deliver it. It is very expensive.

Mr HAASE—Then the train is coming back, often empty.

Mr Coleman—Exactly. So if we put it onto a truck and it is taken to the destination, of which by far the majority are within 100 kilometres, within a couple of hours. If you look at our road network, apart from those six kilometres, you can go to Toowoomba without a set of lights. That is remarkable.

Mr HAASE—This is the dilemma we face. The cost of those six kilometres in many of the major ports around the country is such that maybe putting on a rail and expressing it out on a single line to a more remote intermodal terminal is the solution. But you are suggesting that it is certainly not the solution in your case.

Mr Coleman—I am saying it is not the solution in Brisbane for sea cargo.

Ms BIRD—I only have a few short questions, because I will wait until we have the opportunity to go out and have a look. You mentioned talking to the forum about the fact that you now have to operate 24/7 and plan and so forth. Are there any time limitations on the operation of the port?

Mr Coleman—No, there are not. And, as I mentioned, we have those big buffers. So we are a long way away from residential areas that would complain about noise, light or smell. We are very well located so the port is very easily able to operate 24/7.

Ms BIRD—Do those road freight moving companies indicate that it is all right to get out of the port, but you are then going into urban areas to deliver freight? Have they indicated that part of the problem for them is: 'It is all very well, I can get in to you 24/7, but I cannot then move beyond that'? Are there problems with that?

Mr Coleman—There have been some issues with depots not opening long enough for them, but that is changing as well. Importers and exporters, the ultimate cargo owners, are probably more of a struggle, but I think people are realising that that is just a fact of life now.

Ms BIRD—That is a business operation matter. We have heard in other places that there are state and local government curfews on roads and thing.

Mr Coleman—We do not have that. Because of our access, the port motorway takes you to the Gateway Motorway, which can take you to the Bruce Highway, the Pacific Highway or the Warrego Highway. We do not have to run through suburban networks. The geography gives us a fantastic advantage in the transport chain, except for the last six kilometres.

Dr Morton—I guess the point on the last six kilometres, the missing link, is that the route has been allocated and the environmental impact studies have been done. It is just waiting for the button to be pressed to get construction moving. We are right on the cusp of it.

Mr Coleman—The motorway corridor is there, largely. Stage one is done, it is just the second stage that is on the plans as 2015, 2016 or thereabouts. When you see the road today and when you look at the growth that we have seen, that will become a bottleneck.

Ms BIRD—It appears from all the submissions that the vast bulk of importing comes through the Port of Brisbane. Do any of the other ports manage or import containerised or car type imports, or does it all come through there?

Mr Coleman—The vast majority is through Brisbane. Townsville does a few cars and a few containers, but the vast amount of imports in Queensland is through Brisbane. Most of the other ports, like Gladstone, Dalrymple Bay and Hay Point are largely export bulk commodity ports. We are much more diverse. We have coal going out: 3½ million tonnes this year, or maybe a bit more, moving to six million tonnes, whereas my colleagues in Gladstone say that they spill more than that. We are very small in terms of coal ports, and that is appropriate. A capital city port, in my view, should not be a coal port. We do not need the coal to come through here; it should go north.

We need to focus on containers and cars, which, with the population growth and the population base, will naturally come here. There has been some talk in the rail works about moving containers up through Gladstone. I find it difficult to understand how that is ever going to work, because people who are consuming goods are in south-east Queensland and northern New South Wales, so you might be able to rail something to Gladstone but what are you going to do then? Are you going to put it on a truck to bring it to Brisbane? That is where the goods go. The goods do not go to Gladstone. You have to have the cargo and the ships where the people are.

Ms BIRD—Following on from that and picking up the point that you service the Northern Rivers area of New South Wales, how much capacity do you have in planning to work with the New South Wales government? They are obviously not going to be particularly keen to try to get stuff from that part of New South Wales down to the Port of Sydney or even Newcastle. I am wondering how that works.

Dr Morton—Do you mean in terms of infrastructure?

Ms BIRD—Yes.

Dr Morton—We work through the Queensland government, and we certainly make submissions to Queensland Department of Main Roads on where our markets are and where we see contestable cargo. We work largely with the government. That is our approach in terms of influence.

Mr Coleman—I think, too, that the market will pick the best place to send it. People in northern New South Wales do not automatically think they have to move their goods through a New South Wales port. It is a national system. If it is quicker and easier to move it through

Brisbane, which it is within that corridor, then that is what they will do. I think that the customers will determine the most effective and efficient way for them to move their cargo, and it will not be state based.

CHAIR—I would like to clarify a few statistical things. Forgive me, but I cannot remember the full detail of your submission. What is the total tonnage per year?

Mr Coleman—It was 26 million tonnes in 2005. We will exceed that again this year.

CHAIR—Of which, about 20 million tonnes is general cargo as distinct from bulk?

Mr Coleman—I cannot answer that specifically. Our biggest cargo in terms of volume is oil. We have two oil refineries. There are about seven or eight million tonnes of oil; three-and-a-half to four million tonnes of coal; and a million tonnes of cement. It winds down from there. They are the biggest, heaviest products that we handle. Containers are not big in terms of tonnes—you do not get a lot of tonnage from containers—but the sheer volume of movement and logistics that are required for a container are different from the bulk products.

CHAIR—What is your box rate?

Mr Coleman—Dry bulk and wet bulk have different rates. For wet bulk, wharfage and harbourage is nearly \$4 a tonne. For dry bulk it is about \$3 a tonne. We charge people that use our channel. As I mentioned before, we had to create that channel, so it is very expensive. If you use our channel you pay; if you use our wharves you pay for that separately, as well.

CHAIR—There are two interpretations of box rate. What about the box rate for loading a boat?

Mr Coleman—The box rate for the port charge is about \$75.

CHAIR—No, the crane rate.

Mr Coleman—It is about 25.5.

CHAIR—How does that compare with the rest of Australia.

Mr Coleman—Everyone is about the same, give or take a bit. Ship working is not just the individual crane rate; it is also the number of cranes you put onto a ship. If you have a large ship that is well organised you might put three cranes on so you are getting a ship rate of 75. It depends on a range of things and what the ship wants, but the average crane is about 25.

CHAIR—Going back to this problem of dredging—I am not trying in any way to denigrate your philosophy of steadily improving it all the time—we had very strong evidence in Western Australia that to be at the forefront of utilisation of cape vessels the objective had to be about 17.5 to 18 metres. You do not seem to think that is necessary?

Mr Coleman—No.

CHAIR—Do many of your vessels, for example, have to be topped up at Gladstone or Mackay?

Mr Coleman—No. Some of the ship companies with an oil tanker might say, ‘Give us 17 metres and we will bring in 300,000 tonne oil tankers.’ That is fine, but the cost to do that is just astounding. We have two small oil refineries; we do not have massive oil refineries that need massive shipments of oil. They do not have adequate storage for massive shipments of oil. For the businesses that we have, that depth is quite adequate. If you are running a big iron ore port or a big coal port and that is all you do, then sure, you might need a deeper draft.

CHAIR—What is your upper limit—about 140,000 tonnes?

Mr Coleman—Yes, about 140,000 tonnes. But for the container ships we are getting to Australia—4,000 or 5,000 TEU container ships, which is all we will ever see for an economy our size—it is absolutely adequate. As Rick said, we have a channel that, if we chose and if someone wants to pay enough money to do it, we could take deeper. But our strong view is that the depth we have—compare it to Sydney, compare it to Melbourne—is adequate. There is no point having 20 metres if Melbourne has 12 metres. It is not just absolute depth in a port; it is also the network. The network has to be able to support that style of ship.

CHAIR—Did you have a representative at the port seminar in Newcastle yesterday? An economist was telling us that there was \$30 million profit for every metre or half metre. That surprised me. They said the development of channels was a good investment in terms of economics.

Mr Coleman—If you are in those bulk ports, I am sure that is right. If you are running very large ships and very large shipments then I am sure that is right. But for a cargo port like ours, which is a mixed port—it is not a big bulk port—it is a different story.

CHAIR—I must say that you are the only port we have been to that is sanguine about channels.

Mr Morton—The point is also that we have a long-term dredge management plan that has been agreed with the government—with the EPA. It looks 15 years ahead and makes these projections so that when it comes time for deepening there are no surprises. We have agreed environmental management protocols.

CHAIR—You do not have a fight on with the green movement every time you want to do something?

Mr Morton—No, the green movement understands. We work with them; we take their concerns into account. We have had extensive consultations with the Greens over the years and they understand our long-term channel strategy. We are also fortunate, as I said, in having soft sediments to dredge and the environmental impacts are not significant.

CHAIR—No blasting is required.

Mr Morton—No blasting is required and we are looking long term—our dredge management plan goes out for 15 years. Some of our approvals last for six years. We are currently negotiating with some of the government departments to have that extended to 15-year approvals. That will give us far more certainty—and that is what we are looking for.

Mr Coleman—When we deepened the channel for the first time in the last five years, people thought then that we were over doing it—that we did not need it, that we would never see ships that size. I can remember someone saying, ‘Look at that 2,500 TEU ship out there—that is about as big as we will never see.’ We went further and we continue to go further. We now see 4,000 TEU ships coming in fully laden and there is plenty of capacity for more.

In the liner trades, it is almost the lowest common denominator. You have talked to the Port of Melbourne. Their channel constraint is a constraint on Brisbane. It is the biggest container port by far, but 8,000 TEU ships are not going to come to a smaller port like ours if they cannot go to a large port like Melbourne. Channels are not just port specific; it is also the network.

CHAIR—There are synergies to be had if the major ports are working to some sort of common denominator?

Mr Coleman—It is lowest common denominator otherwise. Melbourne is a constraint nationally. We would love to see Melbourne get their channel deepened. People say that we must be happy that Melbourne cannot deepen their channel. We are not.

CHAIR—That is a very strong point. No-one has made that point to us before.

Mr Coleman—We want Melbourne to deepen their channel. We think it is in the national interest and the shipping industry’s interest for Melbourne to have a deep channel. People say that we compete with them so it is good news for us—but it is not.

CHAIR—What would the impact on the port be of an inland rail route, assuming that the Toowoomba Range connection was done?

Mr Coleman—It depends whether it comes to Brisbane, for a start. There is some talk that it will go to Gladstone, which I cannot quite understand. If there was an inland rail that was effective to the Port of Brisbane that would be good. But, the vast majority of our cargo will still not go on rail. The vast majority of our cargo will go on trucks within that 100 kilometre radius. Consider this example to put it in a bit of perspective: we get 4,000-container ships. One ship can carry 4,000 containers. One rail movement can carry 100. If we get really good about it and we double stack, you might get 200. If one 4,000-container ship comes in, you need maybe 40 rail movements to move that amount of cargo. That puts it in a bit of perspective. Rail will have a niche; rail can move cargo long distances better than trucks but at the end of the day shipping is still the cheapest way to run large volumes of cargo long distances—by a mile. You do not have to construct a highway. You have to have a channel but once you get out to sea it is blue water. You do not have to maintain anything, apart from your channel. It is relatively easy. They can carry massive volumes. Rail cannot do that.

CHAIR—When we talk about road and rail, we talk about rail movements needing to be over about 400 kilometres, unless they are bulk commodity conveyor systems, like in the Pilbara,

Central Queensland and the Hunter. But getting away from those, if you talk about bulk freight we are looking at 400 kilometres. What is the equivalent measure for shipping? Where does shipping cut in as being more efficient than road and rail?

Mr Coleman—I cannot answer that, I am sorry.

CHAIR—There is no classic figure?

Mr Coleman—Not that I am aware of.

Ms BIRD—There is not much of it done around our coast, anyway, is there?

Mr Coleman—No, there is not. It would be good to have a national debate about improving movement of cargo around the coast—not just coastal shipping but using the blue water carriers we have to move large volumes of cargo.

Ms BIRD—I think the Australian shipowners raised that with us in Melbourne, right back at the beginning.

Mr Coleman—There needs to be some debate on that. Rail is good. Rail is better than road for distances greater than 400 kilometres. That is the number we work on, as a rule of thumb. But at the end of the day, for moving large volumes, ships are still the best way to do it.

Ms BIRD—Sorry to come back to this, but I am listening to what you are saying and, coming from Sydney, New South Wales, I am thinking, ‘That’s all very nice, but as your population increases and people move into Brisbane for work from those areas and so forth, you’re going to face the same problems that Sydney faces and that whole thing about putting freight on trucks just going through the network.’ Some of what the Queensland government have identified to us—and I think Melbourne is much the same—shows that it gets to the point where you have to say, ‘It goes on a train to a hub on the suburban fringes and is distributed to from there’, because of the sustainability of that many trucks moving around in the network. The government indicated to us that they are quite interested in some forward planning about that—not saying that this needs to happen now but that we need to identify the corridors and land for hubs. I am interested to know your feeling on that.

Mr Coleman—That is absolutely right. Sydney and Melbourne’s problems are different to ours. I think you will see today, just from the location we are at, that we do not need to rumble through the suburban network in trucks. If you get that last six kilometres done, you will have motorway from here to anywhere in Australia pretty much, which is quite remarkable. You do not have to rumble through Port Botany, Maroubra and wherever else they have got to run through there. We have that advantage. So, yes, for Sydney and Melbourne you are absolutely right. And in the long term—25 or 50 years out—in Brisbane, yes that is right; let us preserve the corridors. You cannot get them in the future, so we should preserve the corridors and have that forward thinking. But our plan for the next 20 years is to have our inland port at the port. We have 1,000 hectares of land; why move it twice?

CHAIR—There was a comment in the Queensland government’s submission saying that urban congestion is a significant problem for Queensland’s major ports in Brisbane, Gladstone

and Townsville. What do you think they are referring to in the case of Brisbane, and can you identify what it is and what is the cost to you, to the port or to the efficiency of the port as a result of that?

Mr Coleman—Urban congestion for us is mostly focused on our old port at Hamilton. I mentioned previously that we are moving the port out of Hamilton. That is a classic case of urban congestion constraining a port. We have 65 hectares there, so we have quite a large port area, and it is constrained. But once again we can show that we are ahead of the problem there in that we are physically moving that out right now. This afternoon you will see the new facilities that we have built. The new facilities are almost finished. The port will move out over the next 12 months or so and we will deal away with that problem. So the urban congestion we are left with is this last bit of port motorway which runs on Lytton Road, which is as you know a public road with warehousing and industry close by and some residential areas. There is also the Gateway Motorway, which the state government is upgrading as well. It is quite congested now but at least there is a plan to deal with that. Once the Gateway Motorway is relieved of some of that congestion, it is another big step forward for the port.

CHAIR—What are you going to do at Hamilton? Are you going to close that down completely or just use it as a—

Mr Coleman—It will be closed down as a port. The majority of it will be closed within the next 12 months. There will be some small remaining cargoes for another 10 years or so, but they are mostly bulk liquid cargoes and some dry bulk cargoes—

CHAIR—What about passenger terminals?

Mr Coleman—That is next door to us. The passenger terminal is not part of the Port of Brisbane; it is the state government and Multiplex. That is immediately upstream of our port area. Once we vacate our port area it will be redeveloped in an urban renewal program. It is eight kilometres from the city and it has got two kilometres of waterfront; it is a nice bit of property.

CHAIR—I would like to thank you, Mr Coleman and Dr Morton. Your evidence has been very frank, to the point and concise. Your additional documentation is excellent, and we thank you for that. As this document is yours as well, we will amend that earlier resolution to include both documents. Thanks again. We are looking forward to this afternoon, too.

[10.35 am]

KLAASSEN, Mr Charles Benedict, Manager, External Coal Policy, BMA (BHP Billiton Mitsubishi Alliance)

LEACH, Mr Noel Richard, Manager, Transport Services and Corporate Affairs, BMA (BHP Billiton Mitsubishi Alliance)

WILLIMS, Mr Ross Herbert, Vice President, Commercial Relations, BMA (BHP Billiton Mitsubishi Alliance)

CHAIR—Welcome. We will not be asking you to give evidence on oath, but I have to remind you that these are proceedings of the federal parliament and warrant the same respect as proceedings of the House itself. It is customary to remind all witnesses that the giving of false or misleading evidence is a serious matter and could be regarded as a contempt of the parliament. Having given that caution, I would like you to know you are very welcome and we thank you for appearing before the committee today. Will you lead, Mr Willims?

Mr Willims—Yes, but there may be some questions that I will refer to Mr Leach or Mr Klaassen.

CHAIR—Good. Could you please give us a five- to seven-minute overview of your submission before we move on to questions.

Mr Willims—Our submission commences by giving you an overview of BMA's operations in Queensland. In summary form: BMA is the state's largest coalminer and coal exporter and we are the world's largest exporter of metallurgical coal—in other words, coal used for steel making. We operate nine mines and use the rail system exclusively—the QR system—to export through three terminals. Approximately two-thirds go through the Hay Point terminal, with the great bulk of that through our own terminal—the Hay Point coal terminal—and some small tonnage through the Dalrymple Bay coal terminal next door. We also export about a third of our total export value through the Gladstone terminal in the south. There is an additional small volume that is supplied to domestic users, but it is approximately two million tonnes out of current production of about 57 million tonnes. Overwhelmingly we are a producer for the export market.

Like all producers in the state we are overwhelmingly dependent on the capacity that is provided through both the rail system and through those coal terminals. We welcome the opportunity to address specific questions that the task force may have of us in relation to our operations and, in particular, operations of the rail and port system and the interface between those. Chair, at this point, I might turn back to you for specific questions that you have of us.

CHAIR—We saw your terminal when we were in Mackay. Thank you for the courtesies offered to us there. We have got the impression at nearly all the ports we have been to, including Brisbane, which we will see this afternoon, that there is an issue, ranging between \$40 million and up to \$150 million, to do with port access or ring-roading around a port or duplication of rail

corridors or whatever it might be. Do you see in your operations any of that sort of logistical activity holding up or constraining your operations to the ports at Mackay or Gladstone?

Mr Willims—What we have seen in the last couple of years in Queensland in the coal industry is a situation where demand has increased much more suddenly than anyone—including, quite frankly, the coal companies—could have anticipated. We were all caught somewhat short by that. Any spare capacity that was in the system quickly disappeared. The exercise now is one of how quickly capacity can catch up with demand.

CHAIR—Can you identify some hot spots for us?

Mr Willims—I think it is right across the Bowen Basin. There are shortages both in rail and port capacity. Every coal terminal is short of capacity, and every coal terminal has plans for expansion.

CHAIR—What about your own?

Mr Willims—We have already announced two expansions to take us from 34 to around 45 million tonnes. The first instalment of that will be in place in August-September this year, and the second will be in place in the first quarter of next calendar year. We have also announced that we are undertaking a detailed assessment to further expand capacity from 45 million tonnes to approximately 55 million tonnes. If that proceeds, that will be in place around 2010.

CHAIR—What is the nature of that? Is it new loaders or better stockpile access or better tracks into the stockpile? Where are the logistical glitches?

Mr Willims—It is a mixture of activities. The first expansion involved additional stockpile capacity and yard machines. In conjunction with that we are also expanding our inloading capacity at Hay Point. The subsequent expansions, if they proceed, will involve a third berth—a new berth—and a speeding up the outloading streams to the ships.

CHAIR—What extra capacity would a third berth give you?

Mr Willims—Around six or seven million tonnes.

CHAIR—On the broader logistics, we have a bit of conflicting evidence on the need for the link from, I think, Newlands to North Goonyella. Do you have a comment to make on that?

Mr Willims—That is one of a couple of options that are being looked at and need to be looked at. The consideration of that particular link comes from the fact that there is significant increased demand in the Northern Bowen Basin. Look at demand forecasts—and I would refer you back to the forecasts that were in a report that was done by the Queensland Resources Council back in August 2004. It referred to a potential increased demand of up to 80 million tonnes by around 2010—in other words, to take exports from around 140 million tonnes to around 210 to 215 million tonnes. The majority of that is projected to be in the Northern Bowen Basin—I think roughly 50 of the 80 million tonnes.

CHAIR—The absence of that link would be a great constraint.

Mr Willims—I will come to that point.

CHAIR—I am not trying to lead you.

Mr Willims—If you look at the existing capacity in the Northern Bowen Basin you have an ability to expand the rail system, Dalrymple Bay Coal Terminal and our own terminal. However, there are deemed to be constraints in how far you can expand rail capacity.

CHAIR—Being a Queenslander, I am pretty familiar with this, but for my colleagues' sake: at the back of this submission is a map of the coal mines, and Newlands to North Goonyella is in that top segment. We received quite a bit of evidence on that at Mackay.

Mr Willims—The point I am going through here is that there are deemed to be limits to how far you can expand the existing Goonyella system that services Dalrymple Bay Coal Terminal and Hay Point. Once those limits are reached the question is how the demand that cannot be satisfied through that corridor and those two terminals can be met. The two options that exist are to rail south to Gladstone or to construct the missing link and rail to an expanded Abbott Point coal terminal. That is an option that needs to be considered once limits are reached on the Goonyella rail system and the two coal terminals coming off the end of that line.

CHAIR—Mr Willims, do you have any interest in that area from Acland to Miles or from Miles back through the Moura system to Gladstone?

Mr Willims—No, we do not.

CHAIR—You are not one of the potential developers?

Mr Willims—We do not have any deposits there. Our interests are in the Bowen Basin further north.

CHAIR—Do you have potential mines in view that you can talk about?

Mr Willims—In the Bowen Basin?

CHAIR—Yes. I am not asking you to reveal any commercial-in-confidence detail; I am talking broadly.

Mr Willims—We announced some time ago that we were looking at options that would grow our production from 59 million tonnes to, potentially, 80 million tonnes by around 2010 to 2012. We have a number of options that would fit within that level of growth. They are predominantly in the northern Bowen Basin, so we are looking at expansion options for existing mines at Goonyella Riverside and for an existing mine at Peak Downs. At the northern end of Peak Downs we also have some greenfield deposits in that same general area. We are assessing each of those. What makes most sense to us from a value proposition will of course inform the final decisions that we take. We have already announced, very recently, one such greenfield development in the form of the Poitrel mine, which is a three million tonne mine. That construction has commenced, and production will be under way relatively soon.

CHAIR—Do you have a coal interest in the other states?

Mr Willims—BMA does not. BHP Billiton does in New South Wales—in the Illawarra and the Hunter Valley.

CHAIR—Do you have any comments on that while you are before us?

Mr Willims—Not in relation to the other states. BMA's interests are only in Queensland.

CHAIR—I understand.

Ms BIRD—I would like to explore something with you. When the Queensland government was before us we raised the issue—I think Mr Haase raised it—of tripartite capital investment opportunities for a new line, and the government representatives indicated to us that they thought the industry more than carried its weight through the cost recovery funding that currently operates. I wonder whether you would like to comment on that and whether, given there has been such a massive growth in demand—and quite rightly so; whether we could have predicted it or should have predicted it is I think a debatable point, but certainly it has happened—you feel there might be an opportunity for a bit more of a mix of direct capital investment and cost recovery models to look at getting some of the new infrastructure needs off the ground.

Mr Klaassen—The existing pricing arrangements for use of the rail and port infrastructure are aimed at full cost recovery. In the rail system, where although the major coal lines are pretty well dedicated to coal there is some other traffic and of course a great variety of traffic throughout the state, the coal companies' payments for access and use of that track are based on what is called 'stand-alone cost', which is paying for those lines as if no-one else was using them. So additional traffic on those lines is able to come on at a much reduced marginal cost.

Certainly, in terms of our own port, it is a very simple question. But in terms of the coal companies' use of the other multi-user ports, that is full cost recovery as well. And they are dedicated facilities, of course. As for the future, there is a major planning exercise going on as we speak to identify the options for future expansion of rail and how that ties in with the proposed expansions of the various ports facilities. Also, considerations such the northern missing link, as Ross mentioned, and how that may be required to achieve full demand will be discussed from a strategic, entire network view.

In terms of the funding arrangements associated with those, I am not aware of any particularly innovative proposals. The basic premise is that those expansions need to stand on their own commercial feet. Potential funding issues may arise to the extent that some of those tranches of capacity are substantial. Ports are a typical example. They tend to come on in fairly big chunks and there can at times be a lag between when companies are able to sign up and commit to using those facilities and absorbing the capacity that gets added. But that is not a new issue for the industry, and I believe there are processes in place which can sort any staging issues such as that out. As Ross said, there is a bit of catch up going on because of the speed and scale of the increase in demand but I believe there are other processes in place to work that out, and that is under way.

Ms BIRD—I asked because a cost recovery type model is not always the most responsive in terms of getting things to happen reasonably quickly. If, say, the federal government is looking at large infrastructure investment certainly now you will get your money back, but there are competing priorities in the short term as to whether the sorts of money needed is allocated. It has been raised with us that the federal government's investment in infrastructure, as a percentage of GDP, has been going backwards. I just wonder about the capacity to organise tripartite agreements that may then rebalance the cost recovery mechanism to get things moving a bit more quickly. I am not asking you to commit to saying, 'Yes, we'd like to do that,' but do you think there would be a flexibility of interest amongst industry for perhaps some innovative ways to get those things moving?

Mr Klaassen—I would need to better understand the concept you are talking about. There certainly can be a role for government if needed to assist with funding of a major essential infrastructure expansion, one that is of state-national interest, to overcome that staging issue, to get it off the ground and perhaps cover a period between commencement and full absorption through individual commercial commitments by users.

Ms BIRD—I think what is happening here is that I am a New South Wales person talking about state owned railways and things. That is probably where the mismatch is in what we are talking about as well. I apologise for that. But it seems that the issue about these things needing to happen comes up constantly and that we have, inherently, a conservative reaction from government about how they have all these competing interests and whether there is the capacity to look at new funding models.

Mr Klaassen—One of the interesting aspects that has come out of recent experience—and it is relevant to government involvement but not exactly in that context—is the issue of government ownership. The experience the industry has had with the Central Queensland Ports Authority, for example with the Gladstone port and its responsiveness to demand increases from industry and its ability to anticipate those, develop a business case, go to the government owners, get the required approvals in a timely fashion and develop future expansion options, has thrown up the potential benefits of having strategic multiuser facilities like that in government ownership. It appears to have been an advantage in the Gladstone port process.

Ms BIRD—On the issue of predicting growth: it was raised with us very early, when we went and had a look at some of the bottleneck issues that occurred when we had all the ships off the coast, that a lot of that was driven—I think the port authority themselves said this—by a sudden change in Japanese policy and some new deadlines set for the way the import was going to be costed to the buyers. They massively stockpiled before that date came around. It was raised with us that perhaps there needs to be a government body or a government-industry body or something that actually does bit more proactive searching out of what is happening in the market areas and what potentially might come online. What are your views on that?

Mr Willims—I think the people that are best informed and, of course, have most at stake are the companies themselves. Coal companies generally are very well informed of circumstances that are influencing logistics issues. I would counsel against suggestions about having a new body established that could examine or research those sorts of issues because I think they are pretty well understood.

Ms BIRD—Are they shared by industry?

Mr Willims—No, they are not. For antitrust reasons they cannot be shared.

Ms BIRD—You see the dilemma that creates for government, because with the publicity around the ships off the coast it suddenly becomes a government responsibility: ‘It is infrastructure; why aren’t you guys solving this problem?’

Mr Willims—If you are referring to the likes of DBCT, for example, and the queue off that terminal, we have got to be mindful that DBCT faced a particular set of circumstances that led to that queue being formed. We had a terminal that had been sold by the government to a private operator without an access undertaking in place, and then an access undertaking subsequently had to be developed. There were requests for enormous increases in demand and you had a new owner that had to assess those requirements and work through an access undertaking while it was faced with this sudden increase in demand. There were particular circumstances there. There may have been along the way issues in relation to what buyers were doing in terms of stockpiling et cetera. That is certainly the case. But we have got to be mindful of the full range of circumstances at that terminal. As I said, I do not believe that there would be any body that would be better informed than individual companies, who have most at stake through exports through that terminal.

CHAIR—Ms Bird makes a very good point: governments, not individual companies, are blamed for bottlenecks. More broadly, governments are blamed for not anticipating the circumstances that lead to these failures. That brings me to the point I opened on: to what extent should government intervene? We have had two points of view on that North Goonyella-to-Newlands link, the ‘northern missing link’. One school of thought says, ‘Wait till the market demand is there,’ and others say, ‘If you want to open up new coalmines in that area, you need to get on with it.’ Similarly, with the Taroom-Wandoan link across to Theodore or across to Moura, a couple of routes are being considered. Again, if you want to open that up, to what extent should government stimulate that or assist the state government to get those links in place?

Mr Willims—I think the starting point for that is the feasibility studies around both of those options and other options. I think there is a very legitimate role for government in undertaking and, I would suggest, in initially funding those feasibility studies. In the case of the northern missing link, that is what had happened. I am of course less familiar with the southern missing link. From that point we then come back to the issues that Mr Klaassen had addressed. There may be circumstances where, because of the lumpiness of investment, if a level of demand is not quite there to justify decisions, there may be roles for government in pushing those processes. But that initial role really does start at the feasibility stage. Beyond that, at the end of the day it is up to commitments from companies of usage of those systems on a user-pays basis.

In relation to the particular case of DBCT, I know there was a fair bit of criticism of government at that time. I do not know, in the case of DBCT, what more could have been done in that circumstance where you had this large upsurge in demand, limited capacity and lead times of two to three years for installing new capacity. I do not know what anyone could have done, quite frankly—

Ms BIRD—Were you publicly saying that at the time? Was that the commentary you were making at the time?

Mr Willims—Generally, that was the comment that I was making in individual discussions with ministers.

Ms BIRD—Sometimes the general media does not hear it. That is the point I was making.

Mr Klaassen—That is part of the point, isn't it? 'Ships off the coast' is a good story, it is very visible and it becomes the lightning rod. In that sense, it is useful to draw attention to a bottleneck, as you say. But it is not very helpful in terms of what needs to be done to genuinely address that bottleneck in the long term. Having ships off the coast for coal and other commodities is not a new thing and to manage those invariably requires a short-term response, which is done. It needs to be put in place as an indicator of the need for longer-term planning, which of course is not something you can provide the answers to quickly. You put the processes in place.

CHAIR—I cannot understand how we got it so wrong. I was in Japan and Korea on a delegation two years ago and I had been on other delegations to Korea. You get to know some of the personalities and the way they operate. But the thing that I felt came through very clearly was that there was a great insistence on the part of all the people we met with for Australia to respect the position of Japan and Korea in relation to the emergence of China. They could obviously see that demand happening two years earlier. Their intelligence was showing them that China was going to become a player and obviously skew world markets for a time, and yet we did not seem to be ready for that in any way, shape or form. The queues just developed and we said, 'Oh, golly!'

Mr Willims—It depends what people mean by 'China becoming a player'. We went from a situation where it was it was projected on the back of a very large increase in China's coal exports that China was more likely to be a competitor than a market for Australian coal. It changed very quickly. Coals ain't coals. The market is in a number of segments, and what emerged was a demand from China for particular metallurgical coals.

The other thing that happened was a much higher level of overall demand worldwide, for a whole range of reasons, for metallurgical coal. The same was true of thermal coal. As you look back at the time and forecasts, I did not see anyone who was forecasting the demand that emerged. The important thing about all of that was that, when that demand emerged, there was very little spare capacity in the system to respond to it.

Ms Bird interjecting—

Mr Willims—Precisely. But in terms of the particular terms of reference for this exercise, if you look at rail and port infrastructure, there was very little spare capacity, which was quickly soaked up, and you had two- to three-year lead times before you could generate sufficient additional capacity.

Mr HAASE—I am concerned about whether the construction of new rail is the solution to capacity building or whether the increased requirement can be addressed through technology. What train separation do you have on the coal lines generally in Queensland?

Mr Leach—I think that is more a question for QR. From memory, I think they are moving to a 20-minute train separation moving down the critical path of the Connors Range just outside Mackay. I think that is the minimum distance they will, for safety reasons, allow between trains. I think that envelope is getting pushed very hard at the present time trying to squeeze out every little bit of additional capacity they can.

Mr HAASE—As the BHP Billiton side of your knowledge would perhaps be aware, in Western Australia BHP Billiton owns exclusive rail in association with its iron ore exports. That is currently under challenge. But has there ever been a consolidation of leases in the corporate sense to the point where dedicated rail infrastructure built by the commercial sector has been considered over here?

Mr Willims—Certainly not recently.

Mr Leach—There certainly has not. I think that we really have had the view that what we have is what we have. It would be uneconomical to try and duplicate the rail system we currently have. We need to try and make what we have work better or supplement that by further infrastructure enhancements as we go. A slight angle on what you mentioned about building new rail—and it is possibly something to keep in mind; I think it should be considered—is that when we look at the Abbot Point-Newlands line we continue to try and push more and more coal down one funnel, particularly into the Hay Point-Dalrymple Bay area. We have to remember the old adage of putting all your eggs in one basket, because something could happen to that particular line. For example, if Cyclone Larry had come 200 kilometres further south than it did it would have had catastrophic effects. So any decision to build new rail should be taken with that strategic view in mind to mitigate your risk and possibly look at the issue: does Queensland need a third major coal system that could respond and keep some coal moving in the case of some major incident?

Mr HAASE—In the main, would you suggest anything new is a government capital responsibility and that cost recovery be done through industry on a user-pays contract basis? Is that the bible that you would recognise as being acceptable?

Mr Willims—Essentially that is right. You have to recognise who owns the rest of the rail system in the state and what makes the most sense in terms of the overall operation of the system.

Mr HAASE—I am not familiar with the nature of the coal operation. Does a company fill a vessel, or is a vessel filled by numerous companies?

Mr Leach—In the coking coal area, most vessels will take a number of hatches of different companies' coal to suit the particular blend the buyer wants to put into their steelworks. Thermal coal is different—that is, we are not great producers of thermal, but thermal coal usually goes in total shipments by one producer.

Mr HAASE—Do you have a particular message? I have looked at your submission, and it does not focus specifically on one particular point. Is there a single message that you want to leave with us today? Where do you see the greatest need for a single piece of infrastructure—if you have made such a decision? You have not made it clear to me at this point.

Mr Willims—I do not think there is one single piece of infrastructure that we would identify. We are using a couple of distinct parts. If one looks at the Bowen Basin, there are requirements in terms of expansion or capacity on the Goonyella system, feeding those two terminals. Similarly, there is the need for expansion in the southern part of the state, feeding Gladstone. In terms of a single message, I think it is simply that this state is enormously well placed in terms of its resources, as it has been in the past, to feed a much higher level of demand. The question is how it satisfies that demand. I think the last few years have taught us some lessons in terms of the increase that has occurred but, as we look at the next couple of years, the exercise is one of how the various parts of this industry can work together in terms of satisfying that demand and realising the opportunity that is ahead of us. It is an enormous opportunity at this stage, fed from some of the best resources, both met coal and thermal coal.

CHAIR—Let me take you one step further: what do we as a committee recommend to achieve that? That is the answer we are looking for. Do you see any one critical area in which the federal government should be participating to move that forward?

Mr Willims—Beyond what is happening now, I think the short answer is no. I do not see any one specific step or measure that the Commonwealth might be taking.

Mr HAASE—What about when it comes to the point of future expansion? We have spoken of the future and increasing opportunities, therefore it follows we will have new pieces of infrastructure. Given that, from my perception, there are multiple players involved in various coal leases, how should a government, be it state or federal or both cooperating, make decisions about which particular piece of infrastructure to create first? Do you have a clear point of view you might give us on that—for instance, ought it be accepted that there is a bidding process, that one particular group of potential users might pay a higher rebate to make sure that that infrastructure was built earlier than another piece that another group of producers might be interested in?

Mr Willims—The short answer to your question is that there is a need first of all to understand the costs and other issues involved in infrastructure alternatives. It is only when those costs are understood that individual companies, for example, and groups of companies that have alternatives in how they can meet their demand can take sensible decisions.

The reality is that companies will have the opportunity to fund alternatives, and they take those sorts of decisions all the time and that will continue to be the case. The starting point, however, is a proper assessment of costs. And that indeed is what is happening right now in Queensland through Queensland Rail and the industry working together on what is called a rail master plan. There are various suggestions about particular options that make more sense than other options. The only way you can get a proper handle on that is through what I have suggested—proper cost assessment as part of this rail master plan. From that, individual companies can do a ranking on what makes most sense to them.

Mr Klaassen—I would agree with that. We see the role of government as being facilitating and enabling. That is, where necessary helping to facilitate feasibility assessments, getting behind proper planning and, where necessary, providing the proper framework for even handed negotiations between the parties who actually need to make the decisions, that is, the infrastructure providers and the infrastructure uses. They are the parties who ultimately use and pay for those facilities. In terms of language, what can governments do to facilitate and enable rather than create? Creation is up to the people—the commercial parties—directly involved.

CHAIR—Thank you, gentlemen. That has been very interesting. We appreciate the time you have given. You are obviously big players in this field and it was good to have your wise counsel.

Proceedings suspended from 11.20 am to 11.42 am

AINSWORTH, Mr Phillip Arthur, Managing Director, King and Co. Property Consultants

RICHMAN, Mr Tom, Manager, Public Relations, King and Co. Property Consultants

CHAIR—I welcome the next witnesses. You are not required to give evidence under oath, but you should recognise that these are proceedings of the federal parliament and consequently warrant the same respect as proceedings of the House itself. I have to caution all witnesses that the giving of false or misleading evidence is a serious matter and may be regarded as a contempt of the parliament. Having said that, you are most welcome. We have your submission in front of us. Is this a supplementary submission?

Mr Richman—I have given you a supplementary submission, but I will make a statement on the initial submission.

CHAIR—I ask that someone move that the supplementary submission of King and Co. be taken into the record and authorised for publication.

Mr HAASE—So moved.

CHAIR—Are there any objections? There being no objections it is so ordered. Also, we have an annual report from the Port of Brisbane Authority. Again, would a colleague kindly move that we take this into the record as an exhibit and authorise it for publication?

Ms BIRD—I so move.

CHAIR—There being no objection it is so ordered. I invite you to give us a five- to seven-minute statement, and then we will move to questions. You may refer to either document.

Mr Richman—In our supplementary submission—the one you have in front of you—we offered ideas in support of the ages old case for building a 1,800-kilometre inland rail freight link from Melbourne to the Fisherman Islands and back, adding that failure to implement such an important piece of infrastructure might eventually allow port facilities such as Gladstone, Newcastle and the soon to be dredged Port Phillip Bay in Melbourne to dramatically outperform the Port of Brisbane in terms of freight volume and revenue. Not to do so would also deal a blow to plans for reducing intracity truck traffic in south-east Queensland and make impossible the fulfilling of AusLink's projection that 'within 20 years' 40 per cent of non-bulk freight will be transported by rail along the north-south corridor of Sydney, Melbourne and Brisbane instead of the present 17 per cent.

Included in our presentation was a tunnel based Toowoomba Range crossing from Gowrie to Grandchester, which would allow double-stacked containers to enter and exit Queensland for the first time, something they cannot really do now. The possibility of developing parts of the 520-hectare Purga investigation area to the south of Ipswich, as designated in the south-east Queensland regional plan, into a primary intermodal marshalling yard and, most importantly, an argument for providing standard gauge rail-freight tracks from Purga to the Port of Brisbane via

a south-west corridor, which has yet to be built, in both directions as well as along the existing Logan, Gateway and Port Motorways.

We also urge that this concept be initiated within the next five to 10 years, not the 20-plus presently being bandied about, and we came to the conclusion that it should be financed solely by the federal and state governments as part of a national rail-freight system whereby the money allocated to that end is seen as an investment in our nation's future, not simply as the cost of bribing marginal electorates, or so it would seem. Needless to say, this view stands in opposition to those who would rely on the likes of public-private partnerships for funding, an option that is not in the best public interest let alone the economic benefit of users and operators.

Since then, a number of bothersome questions have arisen that beg to be answered before there is any further talk of the concept's viability. For example, how do you counter the Queensland state government's refusal to even consider a rail-freight only corridor to the Port of Brisbane via the southern suburbs, which is a critical link if it is ever to see the light of day, let alone gain public and therefore political acceptance? Is the Acacia Ridge marshalling yard, which is increasingly constrained by residential encroachment and other limitations, approaching a use-by date as this state's primary rail interchange? What is it about Purga that makes it such a promising alternative to the Acacia Ridge yard, should the latter's intermodal function be ultimately reduced by economic, political and geographic realities of servicing purely local traffic and second- or third-tier trucking companies? Finally, what other pieces of the inland rail network should be considered and how should the whole lot be financed? With those questions posed, we attempted to answer them in our second submission.

CHAIR—What is your take on the proposed inland rail? Obviously it is in some respects a relatively simple exercise to get it from Melbourne to Toowoomba, but what happens then?

Mr Richman—What happens then is that you tunnel a bypass beyond Toowoomba, from Gowrie to Grandchester. You have Purga as a rail marshalling yard at least 250—

CHAIR—Gowrie to Grandchester is a huge distance for a tunnel.

Mr Richman—It would be partially tunnelled, where it is appropriate, which is already under investigation by Queensland Rail. I believe they have just completed a full study of that, and it is part and parcel to it.

CHAIR—What would it cost to have a dedicated corridor or a new rail corridor from Gowrie or from Toowoomba into the Port of Brisbane?

Mr Richman—Part of the problem is that the costing is not just costing for the tunnel leg or for other parts of the rail link to the Port of Brisbane but also for retrofitting the Acacia Ridge marshalling yard, for example. That has not been detailed either in or out of government, as far as we can tell.

CHAIR—According to evidence we received earlier today, most of the output of the Port of Brisbane finds its way to places within 100 kilometres of Brisbane. Would you envisage that Gowrie—I think it has another name; Castleton, is it?

Mr Richman—No, I do not think so. It is from Gowrie to Grandchester.

CHAIR—I know where Gowrie is. It is just that in all the documents I have seen thus far the proposed rail to road hub was at a place called Castleton, west of Toowoomba.

Mr Richman—I've never heard of that. It would come up through Melbourne and through Dubbo.

CHAIR—In your vision, what would trains going from Melbourne to Toowoomba initially and then to Brisbane carry? What sort of freight would it be?

Mr Richman—Container freight primarily. There is an age-old proposition of extracting coal and other ingredients from the Surat Basin, and that would connect with the line that would go up to Gladstone. But the purpose of it would primarily be containers and, when it goes intermodally through the Downs area, it would carry produce to the Port of Brisbane as well.

CHAIR—You talk about it being double stacked from Toowoomba's port. Is that really feasible once you get into the immediate Brisbane area with single stacking?

Mr Ainsworth—Our proposition is that it would be a dedicated rail track—standard gauge or dual gauge where necessary with supplementary narrow gauge, where it is appropriate, to go north from those marshalling yards.

CHAIR—Is it feasible?

Mr Richman—Yes, it is feasible.

CHAIR—Is it feasible to double stack right to the Port of Brisbane?

Mr Richman—Yes, it could be feasible but not where there is overhead electrification.

CHAIR—Yes, but you are going to cross that in several places, aren't you?

Mr Richman—If you build a tunnel—this is for example, and this is not the problem—through the Toowoomba bypass of 7.2 metres in diameter, that would allow double stacking. At present there is no double stacking because of the tunnels that come up the Sydney route or any other route.

CHAIR—It is not a problem, however, until you reach the electrification, is it?

Mr Richman—You would not take the route that is electrified. We are talking about a route that is completely dedicated to rail freight. It does not share the track with passenger freight at all.

CHAIR—I understand that. My concern is that there is a whole network of electric trains around Brisbane. How would you cross those? Would it be by tunnelling or overpasses?

Mr Richman—By tunnelling or by cutting or de-grading the track to go below areas that were not appropriate. It is just an engineering situation; it is not impossible.

CHAIR—I understand that too, but it is at a cost, isn't it?

Mr Richman—It is at a cost but countering that there is the cost of not doing it.

Mr Ainsworth—Your question raises the situation that it is on demand, given what freight is coming up from Melbourne. There is probably not much coming up now. How can there be when we have not really got a freight line from Melbourne to Brisbane? Our whole proposal is a plan looking into the future. There are no costings in it. It is really on a physical feasibility aspect based on our knowledge and experience of Brisbane. I believe what we have put here is something that proposes a network for the next 50 or 100 years. We are not proposing that all these things be done in the next five or 10 years. What we are saying is this: let us have a plan and get the corridors in place for these places so that you can plan, instead of having political expediency doing the planning—which if you read our report you will note has cropped up as to whether the cast-iron guarantee by the current government means there will not be any dedicated rail lines to the port.

As to what cargo would come on these lines, that is out of our province. We do not have that knowledge or experience. However, with the growth in south-east Queensland and the need to remove trucks from our roads—and that must be a common requirement by everyone—if we are to increase rail freight in the next 10 or 20 years, major decisions have to be made. We would further say that these decisions and their financing are probably out of the realm of the state government, and certainly local government. We believe there is a strong argument for federal funding in preparing for the future network.

Mr Richman—And more of a balance in federal funding. For example, Queensland has 25 per cent of the nation's rail freight network but only received, in the last AusLink budget, 0.5 per cent of expenditure. That went largely to retrofitting the signalling system in Casino, which is not even in Queensland. Also, in the 2004-09 AusLink budget, 91 per cent of the money was for roads and nine per cent was for rail. That should be more balanced, both geographically and proportionately.

Mr HAASE—I have heard a great deal about this, even as a Western Australian, and I listened to a great body of evidence this morning from Brisbane ports who are very bullish about the idea of servicing that port well into the future. I confess that we did not specify whether we were talking 50 years or not, but I was certainly mindful of 50 years. They said that rail was not the solution, that the products they were handling across those wharves—it was a two-way flow certainly—were not bulk commodities. We agreed that a 400-kilometre journey for rail was about the economic minimum and that vehicular or tyred transport was the solution for freight distribution around the Brisbane hinterland. That was a fairly thorough and well-substantiated point of view, as a result of their landside forum group deliberations. It strikes me that this is yet another point of view, but it is just that at this stage and, from your own admission, there seems to be a great deal of resistance, certainly from the Queensland government. What would you say to the proposition that rail is not a prerequisite in future for freight across Brisbane wharves?

Mr Richman—Perhaps I can paraphrase Mandy Rice Davies and say: they would say that, wouldn't they? From what I understand, the Port of Brisbane is very enamoured with boats: ships are more economical than moving freight by truck or rail. However, at the office I have a stack of reports from the engineering association and a report card to government that says the opposite, that rail freight to the port—particularly being able to carry produce from Eastern Downs and eventually from the Port of Melbourne without having to go through the bottleneck of Sydney—would save an incredible amount of money. There may be some statistics on how much money it would save and how much money it would make. So I would weigh those reports against that of the Port of Brisbane, which has a vested interest in maintaining the shipping component as the dominant component.

The only problem with the Queensland state government and their reaction relates to the political sensitivities about carrying a dedicated freight link through the southern suburbs. They were burned 20 years ago in a public reaction to what we have called the Gumdale line to the southern suburbs and, more recently, the one going from Yeerongpilly, Dutton Park and so on. There was another one in Richlands where there was a huge citizen outcry. Following the sensitivities of the koala motorway at the end of the Goss period, they do not want to touch it.

What we have done, both in using our own investigation and in contact with appropriate engineering firms, is develop an alternative to that which would basically bind the link from Dutton Park or Larapinta, along the Logan Motorway to the Gateway Motorway to the Port of Brisbane Motorway, using the government land that is either amidst the two lanes or paralleling the two lanes. This would obviate any problem of going through residential or near residential neighbourhoods, for example. We also presume this is predicated on creating Purga as the dominant rail marshalling area, or something like that, as opposed to Acacia Ridge, which we see—the QR-Pacific National stoush notwithstanding—diminishing in dominance and eventually relegated to servicing secondary and tertiary trucking. It just cannot expand; there is too much residential encroachment around it.

CHAIR—Where is Purga on your map?

Mr Richman—It is within the Ipswich city. Purga is a 580-hectare investigation area under the south-east Queensland regional plan. Maunsell has done a report on that which has not been released but from which we have been able to find some information, and we figure that around 250 hectares of that can be used as a rail marshalling yard, a greenfields rail marshalling yard, a multimodal marshalling yard, with the appropriate 2,000-metre sidings that are the minimum for profitability. It would service these huge areas such as Ebenezer, Swanbank, the new Amberley site and Bremer. It is within an ideal triangle of the sites that are going to be the most dominant in the next 10 years, as serviced industrial land is running out in Brisbane.

CHAIR—Do we have statistics, for example, on how many containers are moved within Australia as against those brought in as against those going out? In other words, what is the dynamic that justifies the Melbourne to Brisbane inland link?

Mr Richman—I do not have the statistics in front of me. The statistics are accessible and were part and parcel to the myriad reports that said this is much more cost effective to the average user than is equivalent trucking. For example, the inland rail link in its early days, right

away, overnight, would get 2,500 trucks off the road—that is, B-doubles coming up the New England Highway and other routes—and would create 2,400 jobs.

Mr HAASE—I really do not have any further questions but I want to say that the whole paper, in my opinion, firstly has to convince people that this is a viable proposition. I know that you have formulated all the evidence, and you have presented it very well, but I am sure you appreciate that it has to get to the first step. It has to be something on which governments, federal and state, are agreed is a proposition. In discussing this proposition we are talking about the minutiae before there is that cooperative agreement and belief that it is the final necessity.

Mr Richman—Ironically, it is something that is supported by Queensland Transport. Queensland Transport is one of the stakeholders among the groups of people promoting this concept. There is also a private group with whom we have pretty much gone parallel but not intersected with—that is, Everal Compton. We have found that they are more interested in going to Gladstone, and the Port of Brisbane connection of it is expendable. As for what cargo would come on these lines, that is out of our province. We do not have that knowledge or experience. However, with the growth in south-east Queensland and the need to remove trucks from our roads—and that must be a common requirement by everyone—if we are to increase rail freight in the next 10 or 20 years, major decisions have to be made. We would further say that these decisions and their financing are probably out of the realm of the state government, and certainly local government. We believe there is a strong argument for federal funding in preparing for the future network.

Ms BIRD—I am from New South Wales, so I am still trying to get my head around what you are talking about. One thing government representatives said this morning, and which the port acknowledged, is that, as the predicted population explosion continues along its way, some of the ports' sanguine attitudes to access capacity may be put under pressure and they may find themselves facing some of the issues we have seen in Sydney and Melbourne with high density population areas around ports. In those areas, the real focus is on a rail to intermodal hubs for distribution from that point. Is that what you mean when you talk about Purga?

Mr Richman—Purga would be an intermodal or multimodal hub. Trucking would be totally integrated in a way that cannot—or, I assume, will not be able to—happen in Acacia Ridge.

Ms BIRD—Are we are talking about an outer suburb?

Mr Richman—It is a completely undeveloped area south of Ipswich and within the Ipswich City Council area.

Ms BIRD—So it is probably the same as the Ingleburn-Minto development area in south-west Sydney in terms of distances.

Mr Richman—Now you have me at a disadvantage.

Ms BIRD—This is always a problem.

Mr Ainsworth—It is just south of Amberley air base—if that helps.

Ms BIRD—But what you are talking about here is not what I would think of as an inland intermodal hub; this is connected to the servicing of Brisbane regional distribution?

Mr Richman—It is a service for all of south-east Queensland—for trucking coming up from Melbourne to the port and also to service the areas of Swanbank and Amberley Air Force Base—which is expanding enormously and getting huge amounts of federal money—Ebenezer and Bremer. Ebenezer itself is 3,300 hectares.

Ms BIRD—These are all manufacturing development areas?

Mr Richman—These are in the process of becoming general industry hubs—in fact, the general industry hubs of the whole area—as residential encroachment makes trucking to existing facilities very tentative.

Ms BIRD—I have a picture now of what you are talking about. We hear a lot about exports, but, in terms of imports coming in through the Port of Brisbane and the challenge of moving them through these new areas, would you see this line as being particularly for things like cars, for which a significant increases in numbers is predicted?

Mr Richman—Either value-added or raw goods that are needed for manufacture —necessary parts, for example—that could be brought in through the Port of Brisbane and taken to these four huge areas for assembly, refinement or detailing.

Ms BIRD—For detailing or final work and distribution from there.

Mr Richman—It would be the most cost-effective. Closer to Brisbane, everybody acknowledges that intracity shipping or freight movement is better done by trucks.

Ms BIRD—That is particularly so with that sort of product that does not need anything done to it once it arrives. Thank you, as that has clarified it for me. It is obviously linked in with what the Queensland government said to us about the longer term stuff. They are saying we need to identify not only corridors but land for hubs and so forth.

Mr Richman—And reflecting what you said before, we are mindful of the fact that a thousand people a week are moving into Queensland and that the infrastructure has to be provided to service this.

CHAIR—We are perhaps at a little bit of a disadvantage that there are quite complex arguments in part 2 of your submission which we will just have to try to absorb, so it is pretty hard to question you on them. Have you done a notional costing of the Toowoomba one? You have got other potential links: you have got the Teviot deviation and you have got the Woollamar deviation. Are they immediate ones or are they long term?

Mr Richman—Those are being hypothetically researched by the department of transport. If you read the article, you will see that we think, for reasons of flooding, being near a dam and so on, that those will not be possibilities. It is the same with creating Bromelton, in Beaudesert shire, as an alternative inland port. That is something that is being actively promoted by the department of state development and Queensland Transport. We think that, because of

topography, lack of water, lack of amalgamated land and lack of servicing, that is an impossibility. It is the same thing with Greenbank, which is owned by the Army. It is a perfect area but the Army say they are not going to give up any of it.

CHAIR—Take all that huge infrastructure of new train lines to the north and south of Amberley and across to the existing interstate line, taking all that the more you come down further towards Bromelton. You really have to ask yourself: does that not beg the question that it might be better to come across the range at Warwick and feed straight into that system from the south?

Mr Richman—The people that are advocating going to Gladstone actually see Warwick as serving that function. We think that having spur lines and having an intermodal—

CHAIR—It would still go through to Toowoomba if it were going on to Gladstone anyhow, wouldn't it?

Mr Richman—Yes, it can split off from Toowoomba or Warwick—and they are even talking about Roma—and go up to Gladstone. Purga seems to be the best site for a marshalling yard because of its proximity to the area where it would service spur lines or intermodal trucking with Ebenezer and so on.

CHAIR—Has anyone done any detailed studies on the distribution costs from Purga as distinct from Acacia Ridge?

Mr Richman—There is a commercial-in-confidence problem. Maunsell McIntyre did a study last year. I was able to look over his shoulder and get some information but it is not to be released.

CHAIR—Let me put it to you in another way. Is the argument for Purga reasonably sound?

Mr Richman—Yes. Everything that I have been able to discern through doing research and partially from commonsense—and the other thing is seeing extracts from the Maunsell McIntyre report that fell off the back of a truck—suggest it would more than pay for itself. But it is a moot point, because there has to be some greenfields area because Acacia Ridge has a use-by date. It is as simple as that.

CHAIR—You have certainly put the cat amongst the canaries with this submission and we will need to give it a bit more study. We may need to call you back once we have studied your submission. We will not put you to that obligation unless we have to. I am at a bit of a loss to engage with you as to the remainder of your report.

Mr Richman—Sorry about the lateness of it.

CHAIR—There is nothing wrong with it. It is just that in a half-hour session, having not even had an executive summary, it is hard to get into the details.

Mr Richman—That is why, in my introduction, I tried to give a bit of an overview of where it was leading.

CHAIR—We will be sending you a copy of the *Hansard* draft of today's proceedings for any editorial corrections. We trust that we can come back to you if we need more material.

Mr Richman—Yes, of course.

CHAIR—Mr Ainsworth and Mr Richman, thank you very much for your attendance today.

[12.15 pm]

GOLDING, Mr Barry, Project Manager, Export Coal Producers Executive

PEGLER, Mr John, Chief Executive Officer, Ensham Resources Pty Ltd

CHAIR—Welcome. Do you wish to comment on the capacity in which you appear before the committee today?

Mr Pegler—I am Chief Executive Officer of Ensham Resources, a company which produces coal in Central Queensland for export markets. Today I represent the chairman of Export Coal Producers Executive, a body which represents coal producers and shippers out of Gladstone. Our chairman, Mr Ian McCauley, is injured and sends his apologies to the committee.

CHAIR—Whilst we will not be placing you under oath, I have to remind you that these are proceedings of the federal parliament and warrant the same respect as proceedings of the parliament itself. It is customary to remind witnesses that the giving of false or misleading evidence is a serious matter and could be considered to be a contempt of the parliament. I now invite you to give us a brief overview of your submission.

Mr Pegler—The committee has a copy of our submission and there are a number of points I should draw from it. A group such as ours attempts to find common ground among producers and to provide means of collaboration, notwithstanding the fact that producers themselves are competitive and will have different views. I am sure you will have had some of the producers before you in their own right. However, promoting commonality is a worthwhile initiative which all of us adopt, notwithstanding the differences. We focus on initiatives to improve the integration of regional rail and road freight transport. In particular, we say it needs to be custom-built for a particular coal delivery system because coal resources and resources generally are different, the geography is different, the markets will vary and, whilst there are some general rules, there are differences in specificity as well. So one cannot adopt a one-size-fits-all approach to these matters. There are issues such as capacity planning, common systems and the development of plans that will be system dependent.

The Gladstone coal delivery system has, in effect, two rail networks—one is predominantly electric and the other is diesel. The regulated below-rail haulage monopoly is Queensland Rail—or Queensland Rail network access, to be precise—and, whilst above-rail haulage is at the moment open to competition, Queensland Rail National is the only operator for bulk-coal haulage. There are two terminals at Gladstone—the RG Tanna terminal, which is by far the larger of the two, and the smaller Barney Point terminal. The terminals have large stockyard capacity. In the case of RG Tanna, it is about 10 per cent of annual throughput, while cargo assembly at Barney Point is somewhat smaller. Whilst rail cargo is predominantly coal, it must interface and integrate with passenger and freight trains as well, sometimes causing conflict in priorities.

Whilst it might be that, as a general principle, heavy-haul rail systems are most efficient when mine, rail and port are owned and operated as a single entity, the Gladstone system is multi-user

in many ways: there are 11 mines, eight coal companies and two rail companies feeding into the one port. It is worth saying that this delivery system, this supply chain, does not end there. It is the interface to the seaborne carriage of coal to customers beyond. I guess that is obvious, but the implication is that the optimisation of system to seaborne is not a task on its own that one can take on. The optimisation of the rest of the supply chain to end users in Asia or Europe generally is far more complex, and in fact I would suggest it is undoable.

That has some implications for capacity and governance. That issue itself promotes the need for some collaborative mechanism. We use the words 'trust and cooperation' in Mr McCauley's submission, but perhaps 'collaboration' is how I would summarise those two words. So efficiency is driven, if you like, by having as much transparency of information as is possible so that as much cooperation as possible can be generated. Being realistic, at the end of the day we are talking about a system that is delivering saleable coal to end users who are mainly offshore by entities that are highly competitive.

For this purpose-built entity to work it requires that there be open channels between the parties, those parties being not only the users but also the rail link and the port entity. As far as is possible it requires transparent sharing of forecast tonnages and, ideally, the full knowledge of the contractual commitments being handled through the system. It also requires good knowledge of the intended capital works being made known by their being published.

It is important that capacity planning be based on forecasts that are provided to an organisation responsible for publishing these forecasts. That seems obvious, but it is difficult to achieve. At the end of the day what will move in the coal system is driven by the view that a producer has of the share of markets he will obtain offshore in Japan, Korea, China, India and elsewhere in Asia and in Europe. It is no mean task to forecast participation and at the same time forecast expected growth in those markets.

This delivery system operates through monopoly services, if you like, provided by Queensland Rail Network Access and the Central Queensland Port Authority. It needs published, rolling 10-year plans for capacity expansion based on a range of scenarios. Single-point forecasting is not terribly helpful. We know well enough that the world is governed by sometimes unexpected political and economic events, so one has to be able to deal with possible scenarios, possible slips and possible gains in off-take.

The desire is to formalise the planning processes between the system parts—the link and the port as a portal—using reasonably longish term plans notwithstanding the political uncertainties elsewhere in the world. From that we would be able to schedule and cost the works required to put in place the infrastructure necessities—in the case of Gladstone's port, the shipping channels as well as the physical hardware. The shipping channels are an issue of consequence for Gladstone's port. This issue entails a 28-kilometre channel which ships of a quite large size—cape size, as it is referred to, which means ships of anything towards 200,000 tonnes in capacity—are able to negotiate. This channel formation and deepening has mostly been provided by the coal trade and the companies participating in it. Channel maintenance has been provided in the same way. The producer group is used to find ways of allocating transparently shipping paths on a fair basis. The challenge arising now will be the collaborations necessary with non-coal users who perhaps have not participated to the same extent in the formation of this infrastructure.

CHAIR—Does that mean they are outside the traditional bulk commodities going through Gladstone? Is that what you are saying?

Mr Pegler—That is right. Fundamentally, the facilities at Gladstone are built on the basis of the coal trade, perhaps to the advantage of producers.

CHAIR—And also to those of other things such as woodchips, until recently, and magnesite.

Mr Pegler—Absolutely; a diversity of materials pass through Gladstone.

CHAIR—I think we get the flavour of what you are saying. We will probe some of the concepts. How many companies does your group represent?

Mr Golding—I was just doing a list. The problem is that it keeps changing. There are about nine companies.

CHAIR—Is that every company in southern Bowen Basin?

Mr Golding—I have plagiarised BMA's map. It has got everything from Gregory's south and goes into Gladstone.

CHAIR—And they are all members?

Mr Golding—Yes. Everyone that exports coal is a member.

CHAIR—Having formed this group, what is your main objective? For example, are you trying to work this group up to the level of the Hunter Valley coal chain? Is that style of operations your objective?

Mr Golding—In fact, no it was not.

CHAIR—That has been a very successful model, if not the most successful model in Australia .

Mr Golding—Those that put ECPE together had the advantage of visiting all the ports in Australia as well as ports overseas. They came up with a structure that suited the Gladstone exporters, which is a fairly loose structure which could be allowed to evolve into whatever it needed to evolve into. But the main objective of it at the time was to ensure that the assets were used efficiently.

CHAIR—Do you think that is the case in Gladstone?

Mr Golding—That the assets are used efficiently?

CHAIR—Yes.

Mr Golding—I would say yes.

CHAIR—What is your view on where Gladstone should be? You know there is an expansion under way there. Is that meeting your expectation? For example, I understand the RG Tanna facility is going up by another 40 million tonnes and then there are plans to build a third facility on Wiggins Island. Do you have any comment on those?

Mr Pegler—Both of those expansions are quite important. I think it is fair to say that CPQA is finding the implementation of those plans extremely challenging in the current market. Finding the skills necessary to do that and the physical imports necessary to put those things together is very challenging for their schedules, their programs and their estimates.

CHAIR—Put it this way: has the port let you down in any way thus far?

Mr Pegler—It has high moments and low moments. It is fair to say there are times when the disruptions at the port are extremely expensive and result in very high costs for customers for demurrage and delays in shipping. But on balance, over time, Gladstone has been one of the better ports.

CHAIR—When Surat Basin coal comes on stream, is it envisaged that it will be part of your group—or is that up to the individual operators?

Mr Pegler—That is up to the individual operators. Some of the existing operators have interests in the Surat Basin. Do you want to comment, Barry?

Mr Golding—Membership of ECPE is purely voluntary. As I said, it is not a formalised group, so people can come and go as they wish. But I think they find it is in their best interests.

CHAIR—Some of your members are in the group. Some of the potential Surat Basin miners are in the group. What is your take on the Toowoomba to Gladstone section of the Melbourne-Gladstone line?

Mr Golding—I do not know about Toowoomba to Gladstone—

CHAIR—Acland, if you like.

Mr Golding—but it certainly make sense to bring coal from Surat to Gladstone. The geography of the route is quite good, and the route is logical—if you look at how far coal is hauled, it is not a large distance. But that is not within ECPE's ambit.

CHAIR—What is your perception of Gladstone itself? Do you think there is sufficient evidence there of state and federal government interaction in access to the port, not by rail but by other means—accessibility to arterial roads?

Mr Pegler—Our point of interest is coal, which is hauled in bulk by rail, so we tend not to have a good, close knowledge of other transport modes.

Mr HAASE—In your submission, you referred to the difficulty in various aspects—the multiples of users and the small number of providers of services—and the necessity for a great deal of trust to make the system work. Do you recall that in your submission?

Mr Pegler—Yes.

Mr HAASE—How often does the system not work, and what specifically causes the breakdown of trust—assuming you are right when you say that trust equals efficiency and smooth operation, and that a lack of trust causes breakdowns. Can you be more specific in that regard? I can understand what you are getting at but, quite frankly, I cannot believe how it works in the first place. I would be interested to know, if you can categorise them, the issues that prevent that smooth running from time to time.

You answered a question from the chair on demurrage and the frequency of its occurrence. I know, for instance, that my major iron ore exporters in the Pilbara in Western Australia are very happy to see five vessels anchored off at any one time because the last thing they want is a shortage of shipping. Can you make general comments on those issues?

Mr Pegler—Would you like to get some of the history on these issues?

Mr HAASE—Yes.

Mr Golding—The group was formed out of necessity because it is one of the few ports where there is not a corporate body that has some control, if you like. Looking at the other coal ports, Hay Point is completely owned by BMA; DBCT has an operators board, basically, and it looks after ordering trains and controlling the port; Port Waratah is run by the shippers but Gladstone is not. It has always been unique. It was probably the instigation of the original Gladstone Harbour Board that got the whole thing going, with not a lot of support from anyone, quite frankly. Mr Neville will know that.

CHAIR—They were pretty good at running themselves up until recent times.

Mr Golding—That is right. It has been very independent and, I think, very proactive. As to the system working and why it works, it works of necessity. There is no overarching body that can take overall control.

CHAIR—I take you back to Mr Haase's question. You have made a comment about planning and sharing the forecasts of tonnage and so on. Do we interpret by that that you are not happy with the planning or you are not happy with the forecasting from the Port of Gladstone—that it does not allow you and your constituent membership to plan effectively? Is that implicit in that part of your submission?

Mr Golding—I think everybody has been caught out by the current coal expansion, as Gladstone has been. In the past the Port of Gladstone has always been developed fairly well ahead of capacity, as has rail. That applies to all Queensland systems. In the past there was always more than adequate rail and port capacity, but this coal boom caught everyone out.

CHAIR—You have not answered our question.

Mr Golding—I was getting to it.

CHAIR—Okay.

Mr Golding—Currently the capacity is not there. As to whether, had we had earlier sharing of the anticipated demand, we could have predicted that and therefore put in place infrastructure earlier is questionable, but I believe it probably would have been possible.

Ms BIRD—I put it to the BHP Mitsubishi consortium that I was not convinced. They said nobody could have predicted it; I doubt that. Further in their evidence they told us that coal companies are well in touch with their markets and to some extent do anticipate. I take on board what you are saying about these authorities publishing their 10-year plans, their forecasts and so forth, but it is difficult from a government perspective to do that when they also tell us that what they know is commercial-in-confidence and they do not want to share it. Surely some of the dilemma is around the fact that you are asking governments to invest taxpayers' money in infrastructure when sometimes the industry itself holds on to information that would allow that longer term planning to perhaps be more effective. Trust and cooperation is a two-way street.

Mr Pegler—The contribution to planning by governments is of considerable importance. It is not possible for any one producer to have a way of being able to match demand and supply in a reasonable and sensible way. It does not matter what market we are looking at. Let us say we are looking at thermal coal into Asia. A producer will have a view about what his participation will be to such and such a customer in such and such a country in North Asia. He has no idea what his competitors view of that is and he has no idea, therefore, what it is he is actually going to do. So he does what any commercial entity does; he takes a view as to what that would be.

That is why it is important that, at the various national and state government levels and in entities such as this one and Queensland Rail, there is a reasonably independent view taken about what this service is being provided for. In other words, it looks offshore not onshore. It is difficult to predict, and that is why you will hear people say things like, 'Nobody saw it coming.' What is really meant is that what was surprising was how a bump in demand accelerated. Over time the average line will look consistent, but there will be ups and downs, as we all know. That basically says that some kind of scenario based approach is important because it is just not possible to follow the exact profile of demand. It is important to have a sufficiently confident knowledge of the fundamentals in any main market, whether it be thermal coal, met coal or iron ore, as to what the structure of the market will be and what the underlying demand is, and to look past the choppy water in the short term and try to match to that longer term picture.

An issue for us, generally, is short-termism, where people say, 'Oh my gosh! Is what people said will happen next year going to happen next year, or not?' It is actually quite irrelevant. What is important is whether that line will be about right over the five- and 10-year terms. The timing issue is impossible, and it is important that sufficient capacity be put there for the country, the state and the enterprises to take advantage of those lifts and knocks as they come along. I guess that is why you see some differences in message.

Ms BIRD—So what you are saying to us is that, if there is clearer 10- to 15-year planning in terms of government and infrastructure, that will affect what the industry will undertake in terms of its markets. For example, if that planning is saying, 'This is a potential growth in India or China,' then industry can say, 'This is what we could look at accessing in that market.'

Mr Pegler—That is exactly so.

Ms BIRD—And your decision about that will be informed by what you can get out of the country.

Mr Pegler—Yes, so there is some chicken and egg there. If one looks at the expansion in coal supply ex-Indonesia over the last five years compared with expansion out of Australia, you are left with the question: were the capacity here, would history have read that way?

Ms BIRD—Of course, the other dilemma is: if we were again taken by surprise and the whole thing flat lines, would we have coal companies saying to the governments, ‘Can you now subsidise these lines you’ve put in, because we’re not getting the prices or the markets that we thought we would’? So it works both ways, and it does not always feed towards good long-term planning.

Mr Pegler—Unfortunately, that goes exactly to the point: lifts and knocks are inevitable. If we plan to the knocks we will always undershoot because we will always draw the line that picks the bottom of each rise and fall.

Ms BIRD—Business is as guilty of that as government, which is partly why we have a skills shortage.

Mr Pegler—Perhaps. So the issue is to be able to look past that and say, ‘At issue here is not so much whether I get it wrong in terms of quantum but whether in fact I have some carrying cost whilst demand catches up with the supply capacity I’ve put there.’ To all, that is an issue of fact there.

CHAIR—If we asked you the question: ‘What does your group hope to get out of this inquiry?’ What would be at the top of your list?

Mr Pegler—I think it would be the recognition of the importance of the kind of planning we are talking about and the transparency of information that goes with it.

CHAIR—Thank you for your evidence, Mr Pegler and Mr Golding, we appreciate it very much. I trust we can come back to you if we require more.

Mr Pegler—Thank you for the opportunity to appear today.

[12.45 pm]

CAMPBELL, Ms Kim Elizabeth, Coordinator, Southern Regional Organisation of Councils

GROSE, Mr Rodney Edward, Manager, Transport Planning, Gold Coast City Council

KELLY, Mr Russell James, Executive Officer, Northern Rivers Regional Organisation of Councils

MARTINI, Mr Anthony Brendan, Director, Civil Operations, Beaudesert Shire Council

CHAIR—Welcome. Are there any comments as to which capacity you appear in?

Mr Grose—I am representing the Southern Regional Organisation of Councils as well.

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

Ms Campbell—I will lead off, Chair.

CHAIR—Would you give us a five- to seven-minute overview of the corporate group's ideas.

Ms Campbell—In fact, I propose to lead into this overview presentation and then invite the other members to speak to their separate submissions.

CHAIR—Thank you, but don't waste too much time on the detail of telling us what you have written as we have already got that. We want to keep to a maximum the amount of time available to interact with you. Before you start, I would like a colleagues to move, firstly, that *Inquiry into the integration of regional rail and road networks and their interface with ports*, as submitted by the Beaudesert Shire Council, be taken into the record as a submission and be authorised for publication and, secondly, that the Mount Lindesay/North Beaudesert study, which is supporting documentation, be received as an exhibit and authorised for publication. Mr Haase having so moved and there being no objection, it is so ordered. Please proceed, Ms Campbell.

Ms Campbell—I will be brief, Chair. I want to outline the reason for our jointly attending the hearing today. That is that the SouthROC region and the Northern Rivers region of New South Wales face common issues to do with transportation planning. SouthROC has a population of 930,000. That is expected to grow to 1.3 million in the next 20 years. South-east Queensland is the fastest-growing region in Australia, and the southern corridor is taking 40 per cent of that growth. Infrastructure to underpin the future sustainability of the region is vital. We recognise that freight transportation is very much part of that and that it supports growth, economic

development and employment opportunities. The region has a couple of major freight corridors which pass through it—such as the Pacific Highway-M1 corridor—and inland freight transportation opportunities. The whole of the region—this includes the Northern Rivers region of New South Wales—is served by the Port of Brisbane, which we recognise as being of regional, state and national significance. The state border is regarded as an impediment to the integrated planning and delivery of transportation infrastructure. That is why SouthROC and the Northern Rivers regional organisation have an ongoing collaboration to progress cross-border issues, particularly those of infrastructure and economic development. I will ask my colleagues Rod Grose and Tony Martini to expand on the technical aspects of the SouthROC submission. Russell Kelly will speak to the NRROC submission.

Mr Grose—Local governments have roles in development and growth, particularly in the areas of transport and employment. My council, the Gold Coast City Council, is responsible for some 3,000 kilometres of local roads. There is a state road network of about 400 kilometres within the city. We take on most of the road tasks in the city. I speak about roads in particular because although we have a railway to the Gold Coast from Brisbane it is a passenger rail system. It has no freight facilities. It has not been built for freight—the structures are not of sufficient strength. Our city of half a million people—and there are those in the surrounding areas going into New South Wales as well—are entirely reliant on the Pacific motorway to bring freight into and out of our city.

We have achieved major employment growth there and we have widened our economic base from tourism predominantly to now manufacturing, food processing and the manufacture of marine equipment—boats and so on. We are entirely reliant on the road system to export those products. The road system is under increasing pressure. It is a single corridor. Whether we talk about the Pacific Motorway, the Gateway Motorway, the Logan Motorway or the Port of Brisbane Motorway, one corridor meets the next one and then carries on to the port. We are very reliant on that road system. A single vehicle accident involving a truck can close that road for hours at a time, inconveniencing not only the freight users but other motorists on the road. So we look over time to see further corridors developed, but as I will explain later, the difficulty and the cost of doing that is quite enormous.

Your terms of reference include the increasing efficiency of the use of existing road systems. I am not sure whether you are thinking particularly of having bigger trucks and longer trucks—B-doubles, triple trucks and so on. Speaking as a representative of local government, communities are particularly concerned about that sort of truck movement. We have some B-double movements into Gold Coast City to serve petrol stations but there are fixed rates for those trucks, they go to a very limited number of locations and they are time limited as to when they can use that system. The community would be concerned to see greater use of the road system by larger trucks. Even on the motorway the community are concerned about those large vehicles, particularly the accident potential of large vehicles perhaps carrying fuel and their potential to close the roads.

Looking at future corridors, our city council and the Department of Main Roads have planned another corridor to the east of the Pacific Motorway, known as the intra regional transport corridor. It is identified in the south-east Queensland regional plan and the infrastructure plan and is to be developed over the next 20 years. It is to the east of the motorway—roughly parallel but to the east. That 40 kilometres or so length of road is estimated currently to cost \$1.6 billion,

which would mean \$40 million a year for the next 20 years to achieve that road. It is not going to be built over 20 years; it will be built over a shorter time. But it is going to be an enormous drain on resources to build that road. My council has a plan over the next 10 years to spend about \$1.3 billion on transport facilities and services within the city, mostly roads with some public transport support. That places a fairly large burden, but it is a growing city and we have to do it if we are going to keep pace with the needs of our community. To have to contribute to the cost of that intra regional corridor as well would be beyond our resources.

We are reliant on a road system. We are concerned about its development. We want to see the city grow. It is going to grow; everyone is assured of that. But we are concerned about the road system keeping pace with that. Even with the money that the secret plan proposes to spend and our council proposes to spend, the best we can probably hope to do is to maintain current standards in the road system.

Mr Martini—I would like to apologise. I had a PowerPoint presentation, but the document I will refer to is this one here. Predominately I will be focusing on the area around Bromelton, called the Bromelton inland port proposal.

CHAIR—Did you have a PowerPoint presentation?

Mr Martini—Yes, I did.

CHAIR—Of text?

Mr Martini—Both text and pictures.

CHAIR—Is it contained in the document?

Mr Martini—Yes, most of it is in that although it is not in the same order.

CHAIR—Perhaps you could lead us from page to page.

Mr Martini—Certainly. I will set the scene very briefly on where Bromelton is. Bromelton is located seven kilometres due west of Beaudesert township, and Beaudesert is located 60 kilometres south of Brisbane and 60 kilometres west of the Gold Coast. Bromelton at the moment is a special investigation area undertaken jointly by the Beaudesert Shire Council and the Coordinator-General's Office, which is an office out of the Department of Premier and Cabinet in Queensland. That study has been going for a time and will end in October this year. That study looks at an area in Bromelton. I will find the map in the document.

CHAIR—Is it the map on the first page—'Bromelton: regional context'.

Mr Martini—Yes, that is it.

CHAIR—Is that railway line shown there the narrow gauge?

Mr Martini—No, it is the standard gauge rail. That is one of the driving forces behind Bromelton—it straddles the standard gauge rail.

CHAIR—Is there a loop around there?

Mr Martini—No, that is planning for future road works and work that is being done jointly by the Coordinator-General and Beaudesert shire.

CHAIR—I have travelled that line. Is it the leg that swings towards Beaudesert or the other one that is currently there?

Mr Martini—It goes on the west side of Beaudesert.

CHAIR—Of those two arms of that loop, which one is it? Are they both there?

Mr Martini—I can refer you to another diagram that shows it more clearly. Go to the second last page. The red line is the standard gauge rail line; the black line is major road freights in terms of routes—Mount Lindesay Highway, Cunningham Highway, Warrego Highway and Pacific Highway. The area under investigation is somewhere between 2,700 hectares and 11,000 hectares. The size of that is under investigation by the Beaudesert shire and the Coordinator-General's Office. Bromelton is important for a number of reasons: the closeness and proximity to the standard gauge rail link, which allows freight to be transported to Sydney and Melbourne; proximity to the Port of Brisbane; proximity to a number of roadways—Warrego, Cunningham, Mount Lindesay, Pacific, Logan Motorway and Gateway Motorway. At the moment, the area that is being investigated could hold up to 30,000 jobs over a period of 30 to 40 years. That is the study that is being looked at.

The area immediately north of Bromelton—this is in the other document, which is a recently completed special investigation into the Mount Lindesay-northern Beaudesert area—is seen to have a population of some 300,000 in its own right over the course of the next 40 to 50 years. As Kim mentioned before, south-east Queensland is growing at an enormous rate. In part of that precinct there are a number of local industrial precincts that would be seen to be potential spin-off industrial areas to an inland port, as Bromelton may well be. Bromelton is seen to be an inland port as well as a major logistics and warehousing industrial centre.

The opportunities that Bromelton provides are that it is here and ready and it is now. The standard gauge rail is there and Bromelton is already an industrial area in terms of the planning scheme of the council. It has proximity to the standard gauge rail; proximity to the major freight rates, including the Pacific Highway and the Mount Lindesay Highway, which also links into Summerland Way, which we will go into in more detail later; proximity to the Port of Brisbane—and certainly the Port of Brisbane have verbally basically said that Bromelton is an important link to the Port of Brisbane going forward; the site is unconstrained by existing urban encroachment or development; and it is adjacent to some major state government proposals in terms of Wyaralong Dam, which is to be constructed in 2015 and will have a yield of about 70 mega litres per day, and as Glendower Dam, which is seen to be constructed in 2020. Some off-stream storage is also planned for there. So certainly infrastructure, in terms of water and sewers, is well supported. The council is also looking to lead in terms of water and sewerage infrastructure to assist with the development of Bromelton. Certainly, an enormous amount of interest in Bromelton has occurred over the last 12 months, with a lot of take-up from major players in transport and logistics.

We have three tentative proposals from Southern Cross Transport, Australand and Buildev. These are shown in the chapter entitled Current Proposals, which details some of the proposals before the council at the moment, in consideration of what Bromelton may be, and interest shown by major players for major warehousing, distribution centres and logistics centres. The first proposal is from Australand for a major distribution and warehouse establishment. The second proposal is from Southern Cross Transport, or SCT, whose business is predominantly located between Melbourne and Perth. They have already purchased a parcel of land and are looking to further develop distribution and transport out of Bromelton. The third proposal is from Buildev, which is looking to construct a number of spur lines adjacent to the national gauge rail for a further logistics centre. There are a number of other players which I cannot name at this stage because there is some confidentiality. They are significant players in the transport business.

The other opportunities Bromelton provides are that it straddles the standard gauge rail and has direct access to the Port of Brisbane and close proximity to Acacia Ridge. Obviously, with the recent court case on Acacia Ridge, Pacific National is looking for a new home sooner rather than later. They are one of the companies that has expressed an interest is looking at a holding around Bromelton. Bromelton also has close proximity to the east-west corridor connecting the Warrego, Cunningham, Mount Lindesay and Pacific highways and the area between Ebenezer, Amberley, Bromelton and Yatala.

CHAIR—I do not quite get your point. What are we heading towards? Would you like us to support this as the new intermodal freight hub for that area? Is it seen as a substitute for Acacia Ridge in the short term or in the long term? Give us the flavour of what you want us to do.

Mr Martini—We would certainly be looking for support because of the importance of the Bromelton industrial area as both a freight centre and a logistics and distribution centre.

CHAIR—You say that State Development is involved in it—

Mr Martini—Yes.

CHAIR—and the previous witness may have said that. We have received other evidence today that, other than the dedicated corridors to the area, the piece of land on which the intermodal estate would be developed and the track to the area, the major users of the hub would provide their own facilities. Do you see it the same way or do you think it needs seed funding of some sort?

Mr Martini—I certainly believe some seed funding would be required. The players that have provided, in their submissions, input to the council on their interest in some of the area will need to bring on some infrastructure out of their own pocket. Council is also looking to fund infrastructure to provide some basic amenities, but certainly the major road traffic routes, in terms of the southern infrastructure corridor that is being planned at the moment, would need funding and support from government.

CHAIR—Do have any indication from the state government that it would be prepared to put any money into this?

Mr Martini—The Mount Lindesay Highway will be extended to Jimboomba over the next 10 to 20 years and the state government is kicking in something like \$300 million for that project. Until the project being undertaken by the Coordinator-General and State Development is completed in October this year, it is too early to say what they might bring to the table in addition to what they have already articulated through the south-east Queensland infrastructure plan. They are certainly looking at the southern infrastructure corridor and what that may entail in terms of an east-west link in a north-south corridor that goes from Bromelton to somewhere like Ebenezer to Yatala and to the Port of Brisbane—in addition to the standard gauge rail.

CHAIR—You also have in your submission an argument for a new route—in fact, it is new to me and I have taken a bit of interest in it. I always thought that the alternative route to Toowoomba for the inland rail was over Spicers Gap, but you have it coming around the top of the range and behind Woodenbong. Can you tell us a bit about that? That is something new that the committee has not seen before. Can you give us a bit of the argument for that?

Mr Martini—I refer you to this diagram, which you might well have. It is in the section about the Cunningham rail link. It shows the two alternatives, the first one coming via Millmerran and Toowoomba, and the second one via Inglewood, Warwick and then probably to the south of Bromelton—hence Beaudesert Shire Council's support of that option, which basically reinforces again the importance of the location of Bromelton and the standard-gauge rail. Adjacent to that diagram is a letter that the Beaudesert mayor sent to the Chairman of Directors of Australian Transport and Energy Corridor Ltd. I refer you to page 3 of that letter. In the dot points it articulates what seem to be the advantages of that option:

- It is the less expensive route by an estimated value of \$142M;
- Can be developed as a dedicated freight route;
- Takes advantage of the significance of Bromelton on national freight economies;
- Avoids costly upgrading—

of a new rail corridor immediately north around Ebenezer, because largely the existing corridor exists at Bromelton.

- Permits the standard gauge rail link to Ebenezer—

at some later stage.

- Will not be subject to constraints of commuter traffic ...

It would be a dedicated freight route.

CHAIR—How far is it from Ebenezer to the standard-gauge line?

Mr Martini—I really cannot tell you.

CHAIR—Where does it come in on the standard-gauge line?

Mr Martini—It would come in just near Rathdowney and then up north through Bromelton—

CHAIR—I mean the Ebenezer spur. Where does that come in onto the main line?

Mr Martini—I cannot tell you that, I am afraid.

CHAIR—You talk about coming around the top of the range and then going down around near Woodenbong rather than going near Cunninghams Gap and Spicers Gap. Is that the idea?

Mr Martini—That is correct.

CHAIR—And you say that is \$142 million cheaper?

Mr Martini—That is the estimate that we have.

CHAIR—Whose estimate is that? Do you know?

Mr Martini—No. I would have to provide that evidence to you. The letter talks about the consultants' final report—I am not sure who the consultants were—entitled *Cunningham rail link, the freight solution*, of February 2000. I am more than happy to provide that to you.

CHAIR—This would also obviate the need for a link from Inglewood to Millmerran. That is interesting. Will you be appearing tomorrow in Toowoomba with that group?

Mr Martini—No, I will not.

CHAIR—Who is carrying that tomorrow? It is the same group isn't it—the Cunningham rail link people?

Ms Campbell—We are not involved with that group.

CHAIR—I thought you were just arguing their case.

Mr Martini—I am not involved in that group, but certainly the council supports the southern route.

CHAIR—I could have sworn I saw Beaudesert Shire as a member of that. You say that all these things coming into this Bromelton area could make it a service area for the Gold Coast and the southern side of Brisbane, with good links to the Port of Brisbane. Is that the basic argument?

Mr Martini—Certainly Bromelton is of regional, state and national significance in that it straddles the standard-gauge rail and has access into Sydney and Melbourne from the standard-gauge rail. I think a rule of thumb in terms of basic economics with regard to road freight and rail freight is that the nexus is around 650 kilometres: after a distance of 650 kilometres, rail freight becomes more economic. Certainly that underlies the importance of Bromelton as an inland port to transport and receive goods from south of the border and into the Port of Brisbane and then distribute them east and west perhaps via the road network, or north and south. There is a significant frontage in terms of standard-gauge rail at Bromelton and that allows the sidings that are necessary—two-kilometre long sidings adjacent to the standard-gauge rail—at and around Bromelton. At the moment, as I said, it is unencumbered by any urban growth and development and that is why the size of the footprint varies between 27 hectares and 11,000 hectares.

Ms BIRD—I am looking for a little bit of clarification. Earlier we heard from King and Co Property Consultants about a Purga based proposal. Is your proposal in competition as such with that?

Mr Martini—It could seem to be like that. The advice from the coordinator-general's office—and this is certainly what Beaudesert Shire would be saying—is that the existing opportunity for Bromelton exists. It has the standard gauge rail; Purga does not have it. A significant amount of investment would have to be put into extending the standard gauge rail to Ebenezer or Purga, to make that an industrial hub. At the moment Bromelton is there, unencumbered by a number of things. It straddles the existing standard gauge rail. So it is there, it is ready and it is available now.

Ms BIRD—Thank you, that is putting it into context for me. It looks to me as if local authorities and interest groups have put together a fairly well developed proposal around this concept, obviously with some good signals from the state government in the process of doing that. In terms of our federal recommendations, what would you see as being significant for the progressing of this sort of concept?

Mr Martini—I might take a step back before I answer the question. Our local federal member, Kay Elson, has spoken to the council on a number of occasions and has mentioned that Bromelton is well known in some areas of the federal government in Canberra and is quite well supported in terms of its potential as a significant area being an inland port as well as an employment hub for the future. We are comforted by that. The minister for roads has visited the site in recent times and has also commented upon its importance. So we believe that the federal government is reasonably well aware of the importance of Bromelton and its potential. What we would be seeking would be further support within the federal government in terms of its importance. I would reinforce that with the study, which will be produced in October this year, coming out of the coordinator-general's office as a special investigation into the importance of Bromelton as an inland port linked to standard gauge rail and road freight transport, located very well in respect of the trade coast and the Port of Brisbane and located very well in respect of transport and rail freight in and out of Brisbane to Sydney and Melbourne.

Ms BIRD—You have let us off the hook pretty lightly. I suppose our committee is looking to be a little bit more concrete rather than just being positive. Do you see any gaps in current federal planning and funding? We are quite keen to give some constructive feedback to the government about how it can progress that stuff.

Mr Martini—I would say that it is slightly premature to comment, other than to say that the study that is being undertaken by the coordinator-general will probably put a lot more fat and meat on the bones in terms of realistically what the shortfalls might be, what the planning horizons might be and those sorts of things. We would certainly like the opportunity to provide that information at that time. We had requested that people from the coordinator-general's office attends today but unfortunately they were not allowed to do that. They might have been able to talk a lot more than we can about that study. We are certainly looking for a lot of support. Obviously, it will come down to support in terms of financial arrangements. What that quantum will be is only a guesstimate until the study is completed in October.

Mr HAASE—Mr Martini, I am wondering whether your copping all these questions on this topic has the total agreement of your colleagues here. I take it that the whole concept of this area being developed as a major intermodal hub is wholly supported by the group.

Ms BIRD—Could I clarify something. I understand that Mr Kelly is here to address a slightly separate submission, which we should not let be bypassed.

Mr HAASE—My point is this: are those submissions contradictory in any way?

Mr Kelly—No. The Northern Rivers councils are aware of the Bromelton concept and it has their support.

Mr HAASE—The two submissions are complementary?

Mr Kelly—Yes.

Mr HAASE—I will go back to your topic first, Mr Martini. What is driving it at this stage? Is this a vision? Are you presenting an opportunity for the future to solve a perceived problem? Is it being driven by commercial interests in order to get this facility up and running as a commercial venture for the present? Is it a case of first-footing and, therefore, of cost reduction for some of those commercial enterprises? I would like to get a feel for where this is being driven from. Is it driven at the local government level or the commercial level, or is it, as is the perception, being driven by the Queensland government? You have now mentioned your local federal member and the fact that our federal roads minister has visited the area and given it some degree of support. I would like to know where the prime motivation is.

Mr Martini—It is probably driven by a number of facets. I cannot say that it is unilaterally either the council or the state government. Certainly the council is fully supportive. For 30 years Bromelton has been designated under a planning scheme as an industrial area. Again coming back to the importance of the standard gauge rail, it is probably reasonably unique in its situation in south-east Queensland in that there is a ready-made area adjacent to the standard gauge rail which provides opportunity to basically transport in a freight corridor both north and south.

Certainly the council has been supportive of it. The council has been pleased by the amount of commercial interest in the Bromelton area over the last 12 months. It would be fair to say that, prior to that, there had been some degree of interest in Bromelton and that that interest has certainly been heightened in the last 12 months. That might have been reinforced by the planning undertaken by the Beattie government with regard to the south-east Queensland regional plan and the south-east Queensland infrastructure plan. I think it is also fair to say that some of the companies that have been talking to the council of their interest in Bromelton have articulated the difficulties of the constraints in other ports, particularly the Port of Melbourne and in areas around Sydney, because of development. Whereas this is a greenfields site that provides good opportunity in terms of location for road and rail freight, as well as having unconstrained areas they can develop.

The question comes back to how it will develop. In some regards it is a chicken and egg scenario. There are a number of proposals, which are almost concrete, in this document which see some of those three developments some time in 2008. At that time some significant

infrastructure with regard to water, sewerage and roads will have to be in place for the development to start and to grow. I think a lot of people are waiting for that study in October, which I have mentioned. Certainly the state government is very interested in Bromelton being both an inland port and a major generator of jobs.

Mr HAASE—It is visionary. Can you speculate, for our benefit, on what the Port of Brisbane has to say about this proposition?

Mr Martini—They have said verbally, but have not put it in writing, that they are supportive of Bromelton. They see it as being complementary to the Port of Brisbane.

CHAIR—And the interstate corridor from Inglewood, Warwick and that way?

Mr Martini—They have not made any comment on that. I think they have made comments predominantly about Bromelton as a site.

CHAIR—Obviously it becomes much more important if the two railway lines met almost at Bromelton.

Mr Martini—Correct.

Mr HAASE—You are losing me, Chair.

CHAIR—I am sorry. If you look at the red line, that is the current interstate railway line from Sydney to Brisbane.

Mr HAASE—Yes indeed, and that was going to be my next question. Is this great deal of work that you are putting into this proposition being driven by the firming up of the inland rail corridor and the fact that, if it goes to Toowoomba, it might bypass you and leave you in the lurch?

Mr Martini—Certainly it might downplay the significance of Bromelton, but the major route of the standard gauge rail would still be basically through Bromelton. So it would be linked.

Mr HAASE—But the proposition would ensure, I presume, that it would be a less significant standard gauge. Isn't the whole debate about taking that line through Toowoomba, with a proposal to take the major part of the freight capacity?

Mr Martini—Predominantly to Melbourne, yes, but it still leaves the Sydney route.

CHAIR—Whereas if you run them together, Bromelton becomes more significant than Purga and—

Mr Martini—Correct. If you take the Warwick route, you then have Melbourne and Sydney freight.

Mr HAASE—For our benefit—I am perhaps the only one not well informed about this—what support is there for ignoring the Warwick alternative and pushing for the Toowoomba

solution? How do you see the situation balanced with all the players at this stage in terms of support for the Warwick or the Toowoomba route?

Mr Martini—I am not in a position to comment.

Mr HAASE—I would have thought you would be fairly deep in the forest and have some understanding of that. Surely you can share it with us.

Mr Martini—For the council and also the importance of Bromelton precinct, the southern option would be the preferred option now. If the northern option goes ahead through, say, Millmerran and Toowoomba, it underplays a little the prominence of Bromelton, but it still does not underplay its significance in terms of what it could be.

CHAIR—I think it does underplay it if it goes on the northern route.

Mr HAASE—I think you lose substantially. I guess the question I am asking, because I am not a local, is this: how does your clout measure up with the Toowoomba clout?

Mr Martini—The Coordinator-General's Office is doing a joint project with the council and is looking quite seriously at the southern option in terms of what it will mean to Bromelton.

Mr HAASE—It is going to be an interesting day for us tomorrow, isn't it?

Mr Martini—Yes.

CHAIR—As a matter of interest, your council is supporting the Cunningham group. Our papers show Beaudesert Shire Council as a participant.

Mr Martini—I take on board what you have said.

CHAIR—Mr Grose, I ask you a question in your Gold Coast capacity. The Gold Coast is obviously the second city of Queensland. Are you comfortable with the Bromelton option? That would be your major freight hub to interstate rail as well.

Mr Grose—Yes, it would be. We are concerned about road connections from the Gold Coast to Bromelton. The most direct connection across to the west from the city is across the mountains. It is a two-lane road at the moment, a state controlled road. It would need to be upgraded to meet that task, but we would welcome the addition of a new way for freight to get into the city, other than relying just on the Pacific Motorway.

CHAIR—Do I take it then that this has the support of not just the Beaudesert Shire but most of the shire's cities within the ROC?

Mr Grose—I think that is correct—provided these things are adequately serviced with the infrastructure they are going to need.

CHAIR—Is that your take on it, Ms Campbell?

Ms Campbell—That is correct. SouthROC endorsed this submission, which covers the issue of Bromelton. The south-east Queensland regional and infrastructure plan provides for an east-west freight corridor to get that linkage between the Pacific Highway-M1 motorway and the major industrial areas at Yatala and Bromelton.

CHAIR—What about your councils, Mr Kelly?

Mr Kelly—The general idea and thrust of the proposal is supported by Northern Rivers, but Northern Rivers has a further two items of interest for the committee on the perspective from northern New South Wales which you may wish to hear about. They relate specifically to the Pacific Highway and freight.

CHAIR—Do you wish to do that as part of your submission today?

Mr Kelly—If I could. That would perhaps give you the flavour of the view from Northern Rivers of New South Wales and help you with your deliberations on freight movement. The flavour of the view from Northern Rivers is to reinforce the view from south-east Queensland that it is an area of enormous population growth. The latest figures show that by 2031 the population will increase to 289,000 people, which is up 60,000. It is the fastest-growing part of New South Wales. We find that an absence of regional planning across the interstate border, especially with transport and freight, is affecting the quality of life and economy of Northern Rivers. That is why we partner with SouthROC, which may not perhaps be possible at all times with state governments, to achieve the best planning for this region of Australia.

The latest figures from the New South Wales government, for example, show that 25 per cent of Australia's population will live between Coffs Harbour and Hervey Bay by the year 2020. We are bang smack in the middle of the fastest-growing area of Australia and we find that the freight task and the transport task in our region does not appear to have a guiding principle to it that our communities are aware of.

I am going to use the map from the proposal about Bromelton because I think that will illustrate very quickly the perspective of the Northern Rivers. It shows the major rail and transport links. It is on the second last page. There is a problem when it comes to road transport. Northern Rivers Regional Organisation of Councils' submission to the committee is about two things. One is about the Pacific Highway and two is about what to do with rail freight. I want to concentrate firstly on the Pacific Highway.

Light vehicle and heavy vehicle traffic is going up significantly as the population moves to the area and as we get sea changers moving in. For example, the trucks on the highway are now at 2,000 a day which is roughly one a minute and the latest figures from the Bureau of Transport and Regional Economics, in the report from this year, say that the freight, the number of trucks, will double in the next 20 years and so will the number of light cars. So the particular area of highway is experiencing a massive increase in its traffic. That affects the quality of life of people in the coastal area and it also is leading to anxiety amongst coastal communities about how to integrate their daily lives with that freight task. However, it is important for me to emphasis that NOROC do not want the Pacific Highway downgraded as a transport route. We simply want the Pacific Highway upgraded in its safety standards to cope with the freight. The position of

NOROC is not to downgrade the Pacific Highway and push trucks onto the New England, it is in fact to get adequate infrastructure spending on the Pacific Highway to make it safe.

CHAIR—By and large Commonwealth funding for the Pacific Highway has been quite generous over recent years.

Mr Kelly—That is correct. The Commonwealth government has been—

CHAIR—Some would argue to the detriment of other roads that are officially part of the national highway.

Mr Kelly—I am aware of that argument. Yesterday I was in Sydney with the NRMA, Alan Evans and Wendy Machin, and the President of NOROC, who cannot be here today and sends his apologies. We met with both the federal minister Jim Lloyd and the state minister Eric Roozendaal and we introduced them to the Pacific Highway Taskforce which is a coalition of 18 local councils all of whom are on the highway from Hexham to the Queensland border. The mayors are standing as a single group to say that the highway is, as was put by one MP to me yesterday, the spine, a common issue, that runs right from Hexham through to the Queensland border affecting over a million people.

CHAIR—I do not think that this committee would in any way downplay the Pacific Highway. I just make that observation that that view is abroad. What occurs to me is that you would have to say that Murwillumbah, from a New South Wales perspective, has been played down as a rail terminus. Is there any submission from you, for example, that the suburban service to the Gold Coast should be extended to Murwillumbah?

Mr Kelly—Thank you, I think that is an excellent place to bring up my second point. I can see that the committee recognises the importance of the Pacific Highway. The second point of the submission from NOROC was to pose the question about what to do with rail freight in the Northern Rivers and again I return to the map on the second last page. You will see the red line of the national gauge heads towards the coast, winds its way around Byron Bay and then terminates at Murwillumbah. That particular piece of rail infrastructure has been decommissioned but the corridor has been preserved. There is no rail freight now coming out of the Northern Rivers. The potential for rail freight still exists however and the Northern Rivers councils are proposing that Grafton and Casino be rail hubs for freight.

CHAIR—Where the two red lines join, is that the junction? Where is that?

Mr Kelly—That is Casino.

CHAIR—So you are proposing that we would have a hub on either side of the border, one at Bromelton and one at Casino—is that the idea?

Mr Kelly—Certainly the local councils in the Northern Rivers see that there is an asset there in Casino and an infrastructure asset in that existing rail line that ought not be allowed to disappear into the weeds. To answer your question, Chair, from earlier, you see that the distance between Murwillumbah and Robina in terms of the growing population, I know it is a bit beyond the task of this committee—

Ms BIRD—Could you slow down because we are not all Queenslanders. I am from New South Wales, so I am trying to find the places on the map as you talk.

Mr HAASE—Murwillumbah is the terminating point of that coastal red line.

Mr Kelly—That is right. It is a very old railway, which is why it snakes so much. A modern railway would not have as many curves in it. That is why it has become, over time, not as efficient as newer railways but you can see that that now creates a problem for the Northern Rivers and our population because we have an infrastructure asset in the rail which is disappearing into the weeds. Meanwhile the truck task on the Pacific Highway is going through the roof. Our population is going through the roof. As a community we have not yet been able to solve the problem of how to make use of that asset. Our community is strongly in favour of putting more of the freight onto rail and therefore taking it off the roads. By the same token we do not want to deemphasise the importance of the Pacific Highway. As our colleague Rodney from the Gold Coast City Council said, the Pacific Highway is the main way that freight gets into the Gold Coast.

CHAIR—But you have to accept, with the upgrading of the east coast railway line which is now taking about 17 per cent of the freight task and is expected to go to 30 per cent and the fact that, if these people persist successfully with the inland rail coming in at the same point, it would be the death knell for the relevance of the line, say, from Lismore to Murwillumbah.

Mr Kelly—Yes.

CHAIR—So would you not be better in that circumstance to have a fast rail from Brisbane to Murwillumbah?

Mr Kelly—That is correct.

CHAIR—Perhaps stopping also at Coolangatta airport so you have a whole series of connections.

Mr Kelly—That is the position of NOROC. We recognise that the writing is on the wall for freight services along that red line. However, it seems such a shame not to find a way for a freight task to continue to operate on that line to some extent. It would seem to be a waste of infrastructure that has been built up to see it disappear.

CHAIR—Do you have freight figures on it? If the experience on that line is anything like the ones we have seen in Victoria, South Australia and the other parts of New South Wales you would not even have grain being carried on it to sustain it.

Mr Kelly—There are figures available. I do not have them here today but the point of your question is correct. The freight task is not large.

CHAIR—Casino and Bromelton would become two hubs, one slightly to the north of the Gold Coast and one to the south?

Mr Kelly—That is right.

CHAIR—And all of the freight would feed into that?

Mr Kelly—That is correct. That leads back to your question of the blue line, which is a passenger train line from Brisbane south. We actually have a disjunction here. We have the community in south-east Queensland growing exponentially. We have northern New South Wales—it is now a two-hour road trip from Brisbane to Byron Bay. We have the potential for the linking up of a passenger rail system and using that old rail line but there is not the funding for that to occur. To go back to one of the earlier questions from a committee member: what would the Northern Rivers council ask in a nutshell from this inquiry. The answer would be: no. 1 to recognise that the Pacific Highway is a major transport route, the safety of which has now—

CHAIR—So you are looking for a trade-off and will sacrifice some of your existing assets for a better Pacific Highway and rail link to Coolangatta and Brisbane. Is that the idea?

Mr Kelly—That is right.

CHAIR—Is that developed in the submission? I cannot remember the detail of it. Could we have a supplementary submission on that, because I think it is a very strong argument?

Mr Kelly—Yes.

CHAIR—Another thing we have found is a lot of communities dying on state boundaries, because neither state will take responsibility, which I think we will attack very strongly in our report—I am not trying to anticipate my colleagues. For example, there is the area around Penola, on the South Australian-Victorian border, so it is not unique to here. I liked Mr Martini's approach when he said 25 per cent of the Australian population will be between Coffs Harbour and Hervey Bay in the next 10 to 13 years. It seems to me that in our report we should be looking to that and saying what the opportunities are, rather than trying to defend old infrastructure, and trading off some old infrastructure for some new stuff. There might be a stage 2 to that, where you go from Murwillumbah to Byron Bay, using the old standard gauge corridor.

Mr Kelly—In fact the local councils are urging the state government to keep it going right down to Lismore, which is the regional hub of the Northern Rivers, and have a viable passenger service so that people can use the train to get to Brisbane and everywhere in between and not have to take their cars.

Ms BIRD—So your argument is basically acknowledging that there is going to be growth in the freight task on the highway so, therefore, we should provide a viable passenger rail system so that there is less interaction between the two, which is almost the reverse of most arguments. Normally we hear the opposite, but you are telling us that your model might work better the other way.

Mr Kelly—We want to make use of the asset that is there and to recognise that its use is shifting from freight to passengers. There is an artificial boundary that goes somewhere between that blue line and that red line, which are the two ending terminuses, and that is the state boundary. Neither state government has been able to come to grips with planning that map area as a cogent region of population. What is required is to see that the future for coastal rail is with passengers and that the Pacific Highway should be upgraded to cope with freight. Not the

alternative, which would see it as not being freight and keep it as it is. The councils and the communities of the Northern Rivers want infrastructure spending to make it safe rather than not increasing the traffic.

CHAIR—Would you people come back to us. Would you develop that submission and include any figures on the likely costs of taking the train line to Coolangatta and on to Murwillumbah? If there is a stage 2 from Murwillumbah down to Byron Bay and a stage 3 to Lismore, if you want to do it that way, we would like to see that. To me you would be more positive in taking advantage of opportunities rather than trying to defend old infrastructure because, let me tell you: from what we have seen in Australia it is almost indefensible. I am not pre-empting what my colleagues might say. There will be some grain lines we will be forced to defend, but a line that has lost all usefulness for both freight and passengers is really a dead duck.

Mr Kelly—I alert you to the fact that, in the appendices to our submission, there is a NOROC submission to the New South Wales Legislative Council on the closure of the Casino to Murwillumbah branch line and what the future of the line ought to be from the perspective of NOROC. I will assess that appendix and see whether it answers the questions that you are interested and put in a supplementary submission.

CHAIR—All the governments, New South Wales, Queensland and federal, in the next 10 to 13 years are going to have massive passenger and road issues. If we do not do it now it will never be done, so I urge you to come back to us with some development of that idea.

Mr Grose—May I make some closing comments about the railway line. My council certainly supports the extension of the railway line south from Robina to Coolangatta. We have been urging the Queensland government to do that. The Queensland government is obviously concerned about the very high cost involved. It is a high standard railway line with a very high standard alignment. There are fast trains on it that do 140 kilometres an hour. It is not the sort of thing that can be developed cheaply and it is a huge cost on the state.

The Commonwealth government was instrumental in getting the railway line reinstated back to the Gold Coast. There had been a line there in the past but it was ripped up in the 1960s. In the 1990s the federal government put in money in partnership with the state government, working with the Gold Coast City Council as a partner in support, to get the railway established. We are certainly keen to see federal government involvement in that and to extend the line to Coolangatta. If it went beyond and into New South Wales, and there was suitable funding from the New South Wales government or the Commonwealth government to assist, that would be even better.

The final point I want to make, though, is that the Pacific Motorway is the lifeblood of our city in terms of moving people and freight. It is in dire need of further upgrading, particularly south from Nerang to the Tugun bypass, which is about to commence construction. Hundreds of millions of dollars are needed to fund that. The state government has identified some money in their budget for it but they are waiting on federal government assistance as well. While governments wait, the people of our city are the ones who suffer. So I would make a plea for more funding for the Pacific Motorway in Queensland. Certainly it is something that we need. Some 80 per cent of trucks between New South Wales and Queensland are using that road now,

and, as people have said, that will double over the next 20 years. It is our lifeblood and we need it improved.

CHAIR—Thank you for your very interesting submission. I compliment you on your various groups working together so creatively. We look forward to receiving your submission, Mr Kelly. If the other players want to add supplementary submissions in the light of what we have discussed today, or what might be discussed tomorrow affecting Beaudesert and Toowoomba, please feel free to do that. We move to Toowoomba tomorrow, where will get a bit more of an inland perspective but with this overlay of linking into Brisbane. We will send you a copy of the draft of today's *Hansard* for editorial comment and correction.

Resolved (on motion by **Ms Bird**):

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

Committee adjourned at 1.43 pm