



Association Number A03958 | ABN 64 217 302 489

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# AUSTRALASIAN RAILWAY ASSOCIATION SUBMISSION

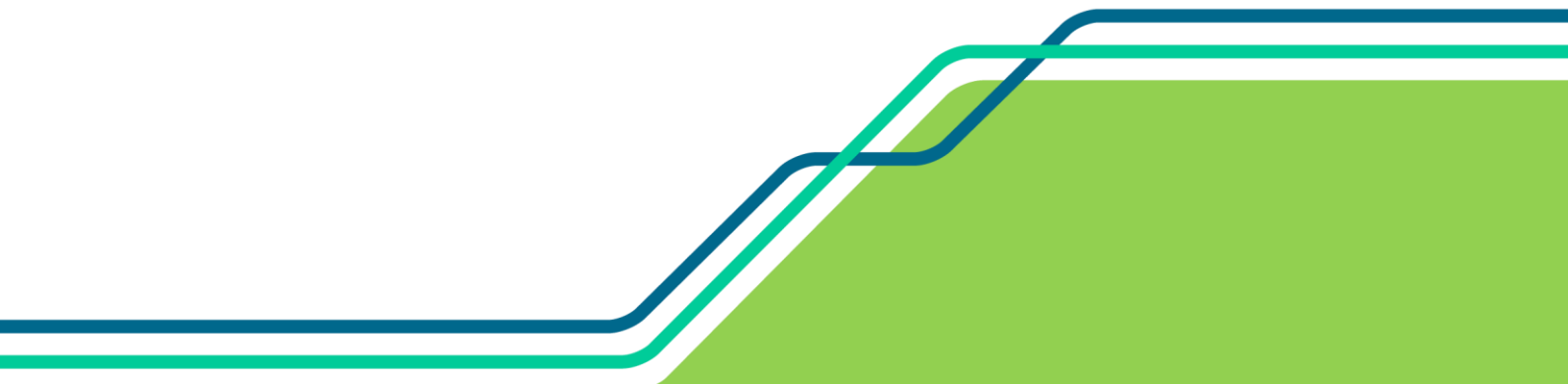
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To

The Joint Select Committee on Northern  
Australia

On

The Development of Northern Australia



## THE ARA

The Australasian Railway Association (ARA) is a not-for-profit member-based association that represents rail throughout Australia, New Zealand and Indonesia. Our members include rail operators, track owners and managers, manufacturers, construction companies and other firms contributing to the rail sector. We contribute to the development of industry and government policies in an effort to ensure Australia's passenger and freight transport systems are well represented and will continue to provide improved services for Australia's growing population.

The ARA thanks the Joint Select Committee on Northern Australia for the opportunity to provide a submission to their inquiry. For further information regarding this submission, please contact Bart Mellish, Manager of Freight Policy for the ARA via (02) 6270 4530 or [bmellish@ara.net.au](mailto:bmellish@ara.net.au)

## SUMMARY

It is acknowledged that this submission will assist the Committee in presenting an interim report to Parliament after May 2014 and a final report to the Parliament before 6 July 2014. It is also acknowledged that the Committee will recommend that the Government develop a White Paper, which would detail steps to implement actions that the committee recommends.

It is a firm belief of the ARA that if policies promoting the development of Northern Australia are to be a success, that planning for effective transport networks needs to be central to all stages of policy development. Without effective transport connections there are no ways of moving agricultural products to market, no mining development and no effective ways of linking populations resulting in isolated communities.

For these reasons, the ARA advocates that any subsequent Northern Australia Policy should have well developed long term transport plans, which focus on cost effective supply chains to get products from source to port, as well as connect growing communities across Queensland, the Northern Territory and Western Australia.

With rail being the most cost effective, safest and least emissions intensive way of moving both people and freight over long distances, it has a big role to play in the future development of Northern Australia.

This submission will address the Committee's areas of inquiry in a similar structure to its outlined areas of inquiry. Those areas of inquiry being:

1. Examine the potential for development of the region's mineral, energy, agricultural, tourism, defence and other industries;
2. Provide recommendations to:
  - a. Enhance trade and other investment links with the Asia-Pacific;
  - b. Establish a conducive regulatory, taxation and other economic environment;
  - c. Address impediments to growth; and
  - d. Set conditions for private investment and innovation;
3. Identify the critical economic and social infrastructure needed to support the long term growth of the region, and ways to support planning and investment in that infrastructure.

## SUBMISSION

### 1. Potential for Development

In terms of examining the potential for development of the region's mineral, energy, agricultural, tourism, defence and other industries, the rail and broader transport industry certainly has a central role to play.

The role that rail plays in existing economic development in Northern Australia means the industry has a good insight into existing supply chain bottlenecks, potential capacity building projects and broader economic development.

A good example of the importance of rail freight is illustrated by the total amount of freight moved through Australian Ports. Northern Australia is home to the two largest Ports in Australia by volume- Port Hedland and Dampier Port, in addition to Gladstone (whose catchment crosses over the 'Tropic of Capricorn' criteria) and Hay Point which are the fourth and fifth largest ports respectively<sup>1</sup>

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<sup>1</sup> Ports Australia Website- Trade Statistics.  
<http://www.portsaustralia.com.au/tradestats/?id=1&period=12>

The dominance of Northern Australian ports is further demonstrated by Hay Point in fact last year (2012/13) moving over 96 Million Tonnes and Gladstone over 85 Million Tonnes, compared to only 37 Million Tonnes moving through the Port of Brisbane<sup>2</sup>.

The strong symbiotic relationship between rail and ports is particularly on show in the Pilbara, where some of the longest and heaviest heavy haul trains in the world are moving ever increasing amounts of minerals for export. The rapid industrialisation and economic development of countries such as China and India is driving a lot of this surging demand for Australian mining exports.

Whilst the demand for new rail infrastructure from the resources sector will depend on global developments, the current expansion of new rail track in particular will have many lasting benefits for the productivity of the entire economy. New rail corridors with direct access to ports can often dramatically increase the viability of additional resource areas, in areas that were previously not feasible as standalone projects.

## 2. Further recommendations

A strategic approach to planning of efficient freight infrastructure requires that the respective strengths and weaknesses of rail and road freight should be well understood, with a view to better utilising each form of transport. This will improve the way in which the two are linked, and combine to contribute to a more efficient transport network overall.

Rail freight potentially offers significant efficiency gains when it is used to deliver large volumes of freight over longer distances. It is less suited to providing freight services over shorter distances and for transporting smaller quantities.

The freight industry relies on using many combinations of road and rail transport for meeting particular freight tasks.

We support planning being undertaken by jurisdictions in Northern Australia, such as the Queensland Government, to expand the use of rail so that it provides an increased proportion of the overall freight task by effectively utilising the respective strengths of rail and road transport.

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<sup>2</sup> 'Moving Freight Strategy'- Queensland Department of Transport and Main Roads, 2013.

With regards to establishing a conducive regulatory, taxation and other economic environment, addressing impediments to growth and setting conditions for private investment and innovation, there is a key transport industry reform being currently examined which has the potential to achieve much in these areas for Northern Australia.

In December 2013, the Council of Australian Governments (COAG) commissioned urgent work on infrastructure reform including bringing forward the examination of proposals for HVCI reform. The ARA welcomes this assessment and has the view that the current heavy vehicle charging system has numerous deficiencies which are impeding productivity within the freight and logistics sector.

Recommendations to reform heavy vehicle pricing and road infrastructure investment, consistent with the conclusions of the Productivity Commission, are currently being developed by the Heavy Vehicle Charging and Investment Reform Project Directorate. These recommendations are expected to be considered by Governments in the coming months.

The successful implementation of these reforms to national highways and state managed arterial roads would allow for increased investment in both new road and rail infrastructure for Northern Australia, thereby strengthening supply chains and providing a strong foundation on which further economic development can be built.

Addressing the opportunities and challenges for northern Australia's freight network requires a focus on industries that have the potential for growth, but which face obstacles to the development of an efficient supply chain that will support domestic and international competitiveness.

The geography and dispersed location of many producers and suppliers in the agriculture sector, and in industries that rely on general freight, represent a particular challenge for northern Australia. In developing an efficient freight network, there is also a need to consider the changing circumstances for government and the private sector in the area of infrastructure funding and the need for a strong focus on the opportunity for earning commercial returns from infrastructure investment.

A key priority for the freight industry should be the development of a longer term freight network infrastructure plan for northern Australia, taking account of:

- Infrastructure requirements over the short term; i.e. up to 5 years from now.
- The medium term; i.e. 5 to 15 years
- Over the longer term, i.e. from 15 years to 30 years and beyond.

A long term plan, which is consistent with national long term freight infrastructure planning, is important because it provides guidance and confidence to industry in relation to current and potential future private sector investment.

A long term plan also ensures that immediate and short term infrastructure activities are consistent with medium and longer term requirements and can also reduce economic costs by ensuring future transport corridors and terminal sites are preserved, and other preparations are made that avoid expensive property acquisitions and delays when the infrastructure is due to be developed.

### 3. Identifying infrastructure needed

Northern Australia has historically been a rich source of minerals for export, many of which are well suited to the natural strengths of rail, being the haulage of large volumes over long distances.

Enhancements of existing rail networks may take a number of forms including:

- Capacity upgrades eg additional crossing loops and/or crossing loop extensions and/or track upgrades for allowable axle load increases to allow the operation of additional and/or longer train services; and
- Track structure upgrades (rail, sleepers, ballast and formation) to allow the reliable operation of additional and/or longer train services with additional tonnes operating over the network.

As the development of Northern Australia continues, there may be opportunity for Government to play a stronger role in facilitating economic development of Northern Australia through strategic investments in enabling infrastructure, in total or in partnership with the private sector. This is due to the longer term perspective that can be taken by Government and the ability of Government to make investments for other than purely commercial reasons eg for regional economic development or nation building.

This strategic approach can be seen applied to the Adelaide to Darwin railway, delivered under a PPP model, where the Federal, South Australian and Northern Territory Governments

contributed to the construction cost of the railway, to reflect the broader social and economic benefits delivered this type of infrastructure<sup>3</sup>

The success of the Adelaide to Darwin railway in inducing demand must be noted as bulk minerals traffic has grown from 45,000 tonnes in 2006 to 3.3 million tonnes a year in 2011<sup>4</sup>.

If a fully commercial focus was applied at the time that current rail systems were proposed, then at least parts of those lines may never have been built.

There are numerous Australian examples of instances where mining developments have been established on an entirely commercial basis due to being able to take advantage of recently constructed rail infrastructure. Such examples include:

IMX Resources - located 55 kilometres south east of Coober Pedy in South Australia, the Cairn Hill mining operation was commissioned in May 2010 and commenced production in December 2010. At full capacity, Cairn Hill has the capacity to produce 1.7 million tonnes per annum (mtpa) of a magnetite-copper ore.

IMX engaged with the Australian Rail Track Corporation (ARTC) and Rail Operators during the early stages of its development in order to better understand rail logistics and to secure train pathing to Port Adelaide. A key element in bringing this business to operation was the ability to utilise the existing main line railway infrastructure.

Southern Iron – is an iron deposit in central SA approximately 75 kilometres from the Tarcoola to Darwin railway. Genesee and Wyoming Australia (GWA) worked with the owners for some 5 years to bring to plan and execute all of the required aspects of this business to facilitate iron ore trains operating 9 times per week from Wirrida to Whyalla over both GWA and ARTC Track. As a consequence of the railway infrastructure the owners of this mine are able to transport 3.8mtpa.

The well-developed forward capacity plans of both railway track owners and operators minimises the upfront cost of establishing new mines. The inherent characteristics of rail allow it to quickly and efficiently add capacity to take into account emerging new demands. The well-

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<sup>3</sup> Australasian Railway Corporation- <http://www.aarail.com.au/railway/the-project/australasia-railway-corporation/> & <http://www.aarail.com.au/railway/the-project/>

<sup>4</sup> <http://www.aarail.com.au/railway/>

established process of recovering the cost of rail infrastructure through access charging allows for the reduction in upfront capital costs required.

## Conclusion

Rail is a proven mode and has a track record in enabling the development of new minerals and agricultural opportunities in Australia with no or minimal Government funding support. Rail has been a proven freight solution in Queensland coal and mineral basins, the Hunter Valley, Pilbara and in the mid-west region of Western Australia, as well as for a range of agricultural products around Australia.

The development of efficient freight transport infrastructure will generate improved value for the industries that rely on freight transport, assisting those industries to develop and grow.

This will result in improved competitiveness for northern Australia's industries, both in domestic markets and in vital export markets. A more efficient and productive freight and logistics sector will therefore boost economic activity and improve overall community welfare.

Driving these efficiencies will require further investment from the private sector and from government in upgrading and further developing a more integrated freight network.

In this period of transition for infrastructure investment, effective policy settings will be essential to attract the increased investment necessary for enabling the freight and logistics sector to underpin the development of key industries.

Northern Australia's agriculture sector has the potential to produce much larger quantities of high quality, clean food and fibre, and to be part of a 21st century food bowl that will be needed to meet demand from a growing middle class in Asia and India.

The agricultural sector will, however, require greater investment in supply chains, including storage systems, to ensure there is capacity and efficiency to underpin both future expansion and international competitiveness.

Similarly there continue to be opportunities to grow northern Australia's resources exports. At the same time, there is strong growth forecast for general freight.

In order to efficiently meet this increased demand, an important objective will be to expand the use of rail and to increase the overall proportion of the freight task carried on rail as a key



component of an integrated freight network that utilises the respective strengths of rail, road ports and airports.

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