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HON ALANNAH MacTIERNAN
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Mr Paul Neville MP
Chair
House of Representatives
Standing Committee on Transport and Regional Services
Parliament House
CANBERRA ACT 2600

- 2 JUN 2005
Secretary:
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HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON
TRANSPORT AND
REGIONAL SERVICES

Dear Mr Neville

Inquiry into the integration of regional rail and road freight transport and their interface with ports

Western Australia appreciates the opportunity to provide a submission to the Standing Committee on Transport and Regional Services on its inquiry into the integration of regional rail and road freight transport and their interface with ports.

The submission is intended to provide the Committee with an appreciation of the significant role of Western Australia's regional arterial road and rail network in meeting its current and future freight tasks, the importance of this network and its connectivity to the ports around the State. The submission also outlines the policies and actions Western Australia has implemented to achieve greater efficiency in the State's transport task, and further offer our views on the roles of the Commonwealth Government and the private sector in providing and maintaining Western Australia's regional freight transport network.

In addressing these comments, the State will draw the Committee's attention to the Commonwealth's definition of the National Land Transport Network and its impact on the State, Western Australia's funding allocation under AusLink, and how AusLink might be redesigned during its next phase so that it can more effectively address the broad objectives expressed in the AusLink White Paper.

1. The Western Australian Economy

Western Australia's importance to the National economy is reflected in the fact that the State:

- is a third of the Nation's land mass;
- produces almost 30 percent of the nation's exports by value (worth $35 billion in the year to January 2005) and 50 percent by volume;
- has a trade surplus totalling $22 billion in the year to January 2005, whereas at the National level it is in deficit;

13th Floor, Dumas House, 2 Havelock Street, West Perth, Western Australia 6005
Telephone (08) 9213 6400 Facsimile: (08) 9213 6401
Email: amactiernan@dpc.wa.gov.au
ABN 61 313 082 730

- generates $23 billion in revenue each year for the Commonwealth;
- has 25 percent of the National Highway; and
- contains 10 percent of the nation's population.

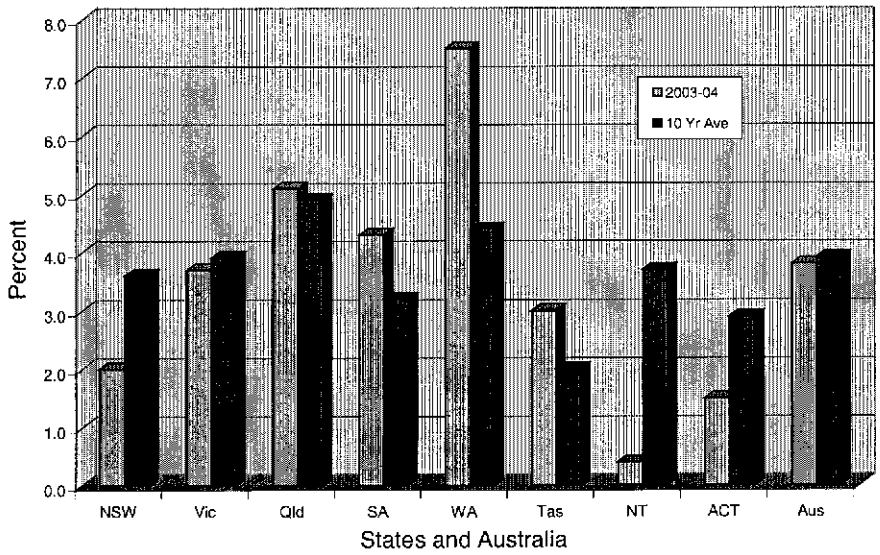
Western Australia's economy has diversified significantly and recorded rapid economic growth over the last 30 years. It has become what can be termed an advanced and export orientated economy.

The export-orientated nature of the Western Australian economy is reflected in the fact that exports accounted for around 46.6 percent of the State's Gross State Product in 2002-03, which was more than twice the national average of 20.7 percent.

In terms of exports, the State's major trading partners, in the year to January 2005, were in order of priority Japan, China, South Korea, UK, USA and Singapore. Over the next 15 years these export markets will continue to be of greatest importance to the State, with new export market opportunities also opening up in the growing Indonesian and Indian markets.

Over the last 10 years, Western Australia's economy has grown on average by 4.4 percent per year, compared to 3.9 percent per annum for Australia. With average growth of 4.9 percent per annum, only Queensland has recorded a higher growth rate than Western Australia over the same period. In 2003-04, however, Western Australia's economy recorded a 7.5 percent growth, compared with Queensland at 5.1 percent, and Australia at 3.8 percent (Graph 1).

Graph 1: Change in Gross State Product



2. The State's Freight Transport Task

The freight transport task in Western Australia is substantial. Goods are transported across vast distances because of the size of the State, its isolation from other Australian States and Territories and the dispersed location of its agricultural, mining, production and population centres. Maintaining the efficiency and effectiveness of the freight transport system, in terms of delivering products to market both on time and at reasonable cost, is paramount.

According to the Australian Bureau of Statistics (Yearbook 2003), Western Australia accounts for the movement of some 308 million tonnes of freight per annum, a large proportion of which is mining commodities in the North West, 105.5 billion tonne kilometres – 33 percent of Australia's total, and nearly 30 percent of the total tonne kilometres travelled in Australia for interstate trips.

In relation to the State's international freight task, 2004 data for all the State's ports indicate that in excess of 240 million tonnes of product was exported. In excess of 15 million tonnes of product was also received as State imports. Reflecting the significant export volumes of iron ore, alumina and grain, rail's share of freight into the ports is estimated at in excess of 80 percent, of which a high proportion is on private rail infrastructure. The State's maritime container trade is handled almost exclusively by Fremantle Ports, which recorded 465,000 TEU in 2003-04.

For completeness in defining the State's freight transport task, the bulk of international air freight moves into or out of Western Australia mainly through Perth international airport, and relates to machinery, transport equipment, and perishable products. In 2001, export cargoes passing through the airport totalled around 40,000 gross tonnes, of which 85 percent was perishable goods and 15 percent was hard cargo. Imports totalled 12,000 gross tonnes, of which around 20 percent was perishable goods and 80 percent was hard cargo.

3. Regional Arterial Road and Rail Network

In Western Australia, road transport is generally the dominant mode for moving freight over short distances, whereas rail is the dominant mover of general container freight coming from Eastern States, and is the normal means of getting bulk products such as ore from mine sites to ports. The State's grain industry uses a combination of road and rail transport. Almost all WA's exports are transferred by sea through State ports.

The State's regional freight transport network, in both distance and coverage, is dominated by the road system. Extensive parts of this road network are open to large articulated freight vehicles hauling freight to every corner of the State. Based on Australian Bureau of Statistics (Australia-wide) data, the predominant goods moved domestically by road are food, general freight and other manufactured goods.

The State's 5000 km railway network in the South West connects Perth to all major regional cities and centres in the Geraldton-Bunbury-Albany-Kalgoorlie arc. The network is linked to the major ports and handles most of the export commodities through Geraldton, Bunbury, Albany, Esperance and Kwinana. This rail network hauls mainly bulk commodities, particularly grain and minerals products, with the exception of the East-West line, which also dominates the movement of general freight in that corridor. The East-West line (ie. Perth to Kalgoorlie to Adelaide) currently accounts for around 75 percent of the land-based freight carried interstate.

The 1500 km Pilbara railway network in the North West is privately owned and transports iron ore from 13 operating mines producing an estimated 255mt/a in 2004 to Port Hedland, Port of Dampier and Port Walcott for further processing and export.

Finally, under a State Government subsidy of just over $3 million per year, North West Shipping Services operates a seventeen day turn around schedule from Perth to Darwin. The shipping service is provided to Broome and Wyndham and other Western Australian ports on inducement. This service aids to alleviate some of the freight pressure on roads going from Perth to Darwin.

The map in Appendix 1 illustrates the location of the strategic freight routes in the State.

The role of Western Australia's arterial road and rail network is most significant in relation to both the State and National transport task. The arterial network is vital to the connectivity and operation of regional Western Australia, without which these areas could not be supplied with the essentials of modern life.

Conversely, the farming and mining industries could not operate or get their products to market without the arterial road and rail network. As Western Australia is the nation's largest producer of minerals and grains, this network is significant in terms of the National transport task.

4. Western Australian Ports

The principal ports in Western Australia are State owned and operated commercially under their individual boards. In 2003-04, 260 million tonnes of cargo valued at $33 billion passed through Western Australian ports. Most of this was exports, as Western Australia handles half of the nation's trade by volume and almost 30 per cent by value. Three of the country's top six tonnage ports are in Western Australia, as are more than 20 per cent of the commercial vessel calls.

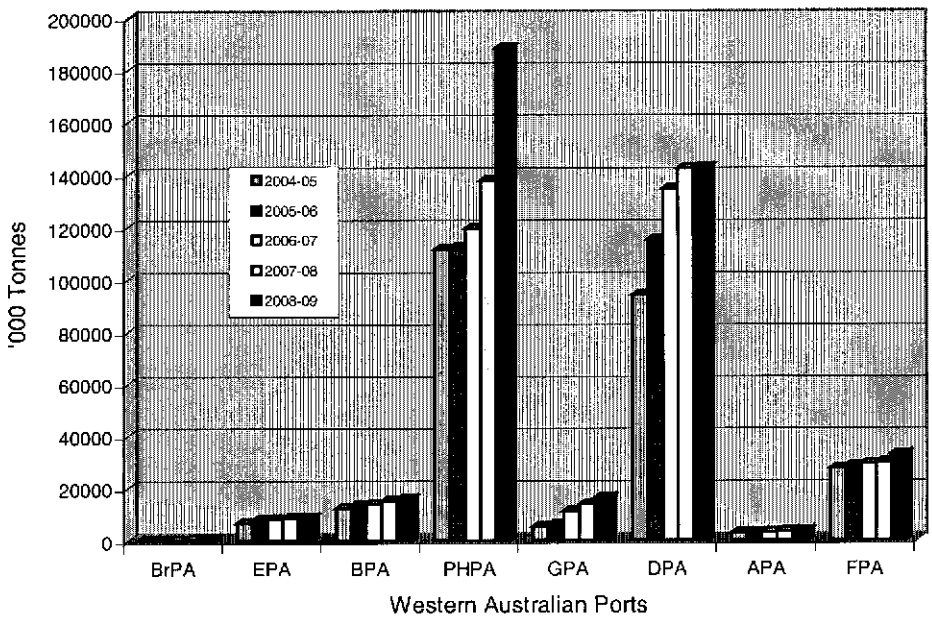
With 12,500 kilometres of coastline, an economy heavily reliant on external trade and long thin shipping routes, Western Australia is critically dependent on having efficient ports.

Traditionally, the eight State owned port have concentrated on handling just a few key primary produce commodities. This saw an historic focus on agriculture at the southern ports and on mining at the northern ports. This picture has changed in recent years, with the southern ports in particular. Here, grain handling has now been supplemented, and in some cases overtaken by the shipment of minerals and other primary commodities. The servicing of the oil and gas industries has become increasing important in the northern ports.

The principal commodities exported and imported by these ports in 2003-04 are summarised in Appendix 2.

Trade throughput for the principal ports is projected to increase by an average of 12 percent per year over the next 4 years, with Port Hedland, the country's largest port by tonnage with exports of 89.8 mt and imports of 0.5 mt in 2003-04, increasing by 15 percent per year (Graph 2).

Graph 2: Estimated Trade Throughput by Volume



There are nine other non-port authority ports operating around the State and range from the enormous (Port Walcott with throughput of 39 million tonnes) to the very small (Derby with 0.3 million tonnes). Government involvement in the operation of these ports falls within the auspices of the Department for Planning and Infrastructure, which retains responsibility for matters of marine safety, blue water environment and general policy.

Typically, the government develops and funds common-use infrastructure in ports, and private companies fund single-use infrastructure. While government can and does adopt user-pay principles for common use infrastructure within ports, it is often not possible to charge for, or get a return on, infrastructure such as road and rail corridors that are required to be built outside ports in order to facilitate the movement of trade through the ports, while at the same time catering for the social amenity of the surrounding community.

So besides having a significant role in the development of ports, the State Government also has an important role in planning outside port boundaries, particularly in relation to road and rail networks and their connectivity to ports.

5. Western Australia's regional freight transport issues

The size of Western Australia and the relatively small population coupled with the extremely uneven geographical distribution of that population result in unusual transport problems. Providing effective transport in Western Australia at an acceptable cost is a major challenge for both government and industry.

With Western Australia likely to maintain economic growth of around 4 percent per year for the next 15 years and world economic conditions forecast to remain favourable, it has been estimated that Western Australia's domestic freight task will double over the same period. The drivers for the increasing freight task will come from the State's mineral, oil/gas and agricultural industries, compounded by associated population growth.

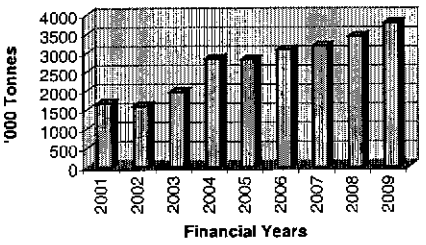
While such economic growth will provide benefits to the State and its residents, the doubling of the State's freight task over the next 20 years will provide significant challenges to the Government. These challenges are further heightened by the recognition that for some regions there will be a diversification of product away from the region's traditional industries. Furthermore, population and/or tourism growth will continue to occur in some regions and therefore managing the interaction of heavy vehicle movements with the demands of commuters for that region provides unique challenges.

A continuing concern is the adverse impacts of land transport, in particular road transport, on local communities. This could, in the future, potentially impact on the State's capacity to realise its full potential if land transport access to regional ports is rendered inefficient and there is local community opposition to prevent the smooth movement of goods to or from ports. These problems have the potential to limit the use of existing port infrastructure capacity, or to inhibit further port expansion, or prevent projects in the hinterland coming on stream.

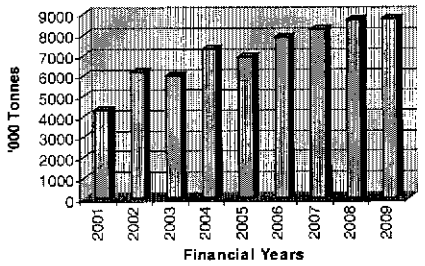
Further significant expansion of trade is forecast for the massive northern ports of Port Hedland and Dampier. These have considerable implications in terms of the provision of

new infrastructure. However, the political and community pressures in reaction to the increase in land freight transport in these towns which are based on mining and oil and gas resources are less pressing than that in the towns surrounding the southern ports. However it should be noted that the impact of the expansion of the Port Hedland port on residential amenity is a major planning challenge.

Graph 3: Actual and Estimated Throughput Albany Port



Graph 4: Actual and Estimated Throughput Esperance Port

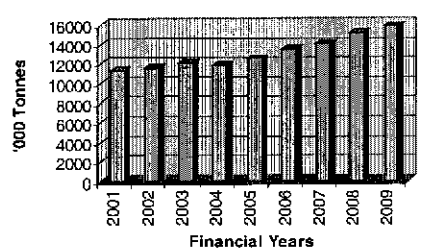


Towns and communities abutting the southern regional ports present significant planning challenges. These include Esperance, Albany, Bunbury and Geraldton which have established communities and in recent years have experienced a marked increase in trade through the local port with an associated increase in land transport freight traffic (Graphs 3, 4, 5 and 6). Further increases in trade and freight traffic are projected and it will be necessary for careful planning and additional infrastructure to be provided to mitigate against adverse transport impacts on these communities.

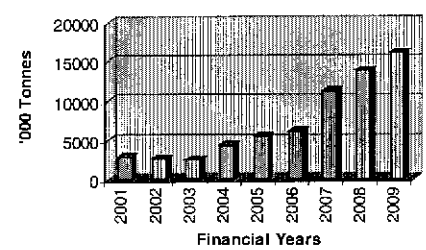
Increasingly, the role of inland intermodal terminals will need to be considered in the context of improving the movement of certain types of freight in and out of ports.

A part of the State's narrow gauge railway network in the south is non-operational or disused. Some sections of the operating track also have limitations as to weight and speed which affect the railway connectivity of the origins of exports to ports. The narrow gauge network was built to handle mainly grain. Since that time, other exports have been developed remote from the railway track. Under those circumstances and without further investment in the railway network (for example, in the Geraldton area for iron ore cartage to the port), such exports may be captive to road transport. Investment will also be required to return non-

Graph 5: Actual and Estimated Throughput Bunbury Port



Graph 6: Actual and Estimated Throughput Geraldton Port



operational and disused railway track to operational status to accommodate new export trades on rail.

The lack of bulk discharge rail facilities at some ports have also limited the use of rail transport for some bulk exports. In addition to access related issues, product diversification provides particular problems for the ports because certain types of freight (eg. iron ore and talc/mineral sands) cannot be stockpiled in the same area, unless properly protected, because of the potential for product contamination.

Key regional freight transport issues by region for Western Australia are summarised in Appendix 3.

6. Policies and measures to assist in achieving greater efficiency in the State regional freight transport network

The Western Australian State Planning Strategy identifies the need for the provision of efficient freight transport routes and hubs, recognising that transport costs will significantly affect competitiveness of export goods as well as the affordability of goods consumed locally.

As a strategy, transport needs are to be provided with adequate transport corridors which will be protected from incompatible land uses. This particularly applies to the sea and airports, which are the gateways for the State's future wealth and are of National and State strategic importance. The efficient provision and maintenance of transport infrastructure is vital to ensure that systems are effective and support regional transport services. Rail and road linkages, air and sea transportation services, as well as sea and airports must be planned, developed and maintained in an integrated way.

In addressing State transport issues, the Government is mindful that, where possible:

- Western Australia's international competitiveness should not be reduced. This is because Western Australia is an export-focussed economy and transport related initiatives should not impose undue costs on industry as this could give rise to the State's trading partners buying products elsewhere; and
- Western Australia's regional areas should not be unduly penalised through transport related initiatives increasing the cost of freight services, and hence the cost of goods, to the people in those areas.

To date, actions taken by the Western Australian Government include:

- assisting in the removal of impediments to 24 hours-a-day, 7 days-a-week operations by major ports and airports;
- ensuring that the protection of ports and strategic industry sites and their associated road and rail access corridors is a priority in regional and local plans;

- protecting land for key transport hubs where air, sea, road and rail transport is integrated;
- ensuring full use of existing ports and preparing port strategic development plans so that the demands of trade can be handled in the regions;
- identifying land to be reserved next to key transport hubs, including ports and small boat harbours;
- ensuring that rail is considered as a transport option for major resource developments;
- transferring as much freight as possible from road to rail or sea where it is feasible to do so, including a target of moving 30 percent of containers through Fremantle Port Inner Harbour by rail; and
- ensuring that early warning of regional infrastructure needs and coordination of infrastructure provision to serve major projects and associated communities is provided.

In this regard, the State Planning Strategy has identified major strategic infrastructure required to support the long-term development of the State and its regions. In particular, the Strategy has emphasised:

- freight routes to link the South-West, the Great Southern, and the Mid-West regions with the Goldfields and Eastern States;
- the importance of a Pilbara/Goldfields spine where resource development is likely to occur;
- the need for high quality transport links, including railway extensions; and
- the key gateways, hubs, sea and airports.

Historically, the Commonwealth played a very important role in helping to connect Western Australia by road and rail to the rest of Australia. Improvements to the Defined Interstate Rail Network have allowed rail to now account for 75 percent of the land-based interstate trade between Western Australia and the rest of Australia. The National Highway remains the only sealed road for people wishing to enter or exit Western Australia.

The Commonwealth's AusLink program has been set up to ensure a strong and transparent focus for national land transport investment into the future. AusLink is said to promote sustainable national and regional economic growth, development and connectivity by contributing to the development of an integrated National Network which:

- improves national and interregional connectivity for people, communities, regions and industry;
- enhances and improves national, interregional and international trade and logistics;
- enhances health, safety and security;

- is consistent with the obligation to current and future generations to sustain the environment;
- is consistent with viable, long-term economic and social outcomes; and
- is linked effectively to the broader transport network.

However, in Western Australia, there is a poor match between the National Network and the actual freight task. If the Commonwealth is serious about achieving AusLink objectives, then it needs to recognise the locations of the actual freight tasks in regional Western Australia and allocate AusLink funds on the same basis.

Definition of the National Land Transport Network

As a strategy for building a better national transport system for Australia, AusLink is lacking in that important drivers of the economy and transport infrastructure have not been identified. The National Network is so narrowly defined that, in Western Australia, the actual transport task, and in particular the movement of bulk freight, has not been addressed.

The Commonwealth has defined the AusLink National Land Transport Network as a "single integrated network of road and rail transport linkages of strategic importance". The Network is to be "based on important national and interregional transport corridors, including connections through urban areas, links to ports and airports and rail/road intermodal terminals, which together are of critical importance to national and regional economic growth, development and mobility".

In terms of the National Network and Defined Interstate Rail Network for Western Australia it covers:

- the East West Corridor from Adelaide to Kalgoorlie to Perth, which takes into account the Great Eastern Highway and the railway from Adelaide to Kalgoorlie to Perth:
- the South West Corridor from Perth to Bunbury, which incorporates the predominant road highway and the South West main railway;
- the Great Northern Highway (inland route) from Perth to Darwin; and
- urban links, which includes the Fremantle Ports.

Western Australia however maintains that the AusLink National Network has mainly been derived from the existing National Highway and Defined Interstate Rail Network. As a result, it is too narrowly defined and the Network does not align with the major areas of activity in Western Australia given that the large volume, transport intensive export industries tend to be based in regions and their products leave Australia via regional ports. Absurdly, the Dampier port, the focus not only of iron ore exports but of much of the nation's oil and gas industry is not included on the Network.

Western Australia has from the start maintained that both the State's Great Northern Highway and the Brand Highway/North West Coastal Highway should be recognised as key transport links in the National Network.

The Commonwealth did not accept this position and Western Australia was asked to nominate either one or the other for inclusion in the Network and therefore nominated the more direct inland road freight route between Perth and Darwin. This highway serves a number of inland user groups including agricultural, pastoral, mining and tourism. In addition to being a National Highway, this link also serves as the classified Heavy Haulage and Wide/High Route for the north of the State.

The Great Northern Highway, however, bypasses major industrial areas such as the Burrup Peninsula and the Port of Dampier, where a number of projects considered to be of National significance are located.

The North West Coastal Highway, on the other hand, is the main link between regional centres at Geraldton, Carnarvon, Karratha (Dampier Port) and Port Hedland, as well as the access route to various tourist destinations and coastal, mining and pastoral communities. It is also a major freight haul route operating trucks with 53.5 m long combinations north of Carnarvon. The route is critical in servicing the growing industry and coastal communities between Perth and Port Hedland. Three of the top six tonnage ports in Australia (being Port Hedland, Port of Dampier and Port Walcott) are all located on the North West Coastal Highway and provide significant tax revenues to the Nation.

Western Australia considers that both the Great Northern Highway (the inland route from Perth to Darwin) and the Brand Highway/North West Coastal Highway (the coastal route from Perth to Darwin) should be depicted in the National Land Transport Network. By asking the State to select a route from Perth to Darwin, hence leading the State to choose the inland route, what is evident and concerning to Western Australia is that the Commonwealth does not have a view as to the strategic importance of either route and is more-pre-occupied with ensuring that the State does not have multiple road routes linking Perth to Darwin in the National Network. We note that the prohibition on multiple routes does not seem to apply to the Eastern States.

In terms of defining the National Network for the second phase of AusLink, Western Australia would also like steps to be taken so that the importance of the regions, bulk freight and regional ports is recognised. Specifically, we suggest that important regional ports be included on the AusLink National Land Transport Network and that the access corridors to these ports not be precluded from future Commonwealth funding opportunities.

On this issue it should be noted that the Fremantle Ports, the only Western Australian port recognised in AusLink, accounts for less than 10% of the freight task by volume that is undertaken by all the State's ports.

Western Australia's funding allocation

Western Australia is appalled by its inadequate share of AusLink funds and is concerned that AusLink has not been implemented in a way that encourages responsible asset management and protection of existing transport infrastructure.

Australia-wide, the National Land Transport Network is now more extensive in coverage (than the previously designated National Highway and Defined Interstate Rail Network). The main extension in Western Australia was to include the Perth to Bunbury corridor, which was appreciated by the State Government. However, the expansion of the Network has predominantly occurred in the Eastern States and the big-ticket item new projects to be funded by AusLink are also from the Eastern States.

Of the $12.45 billion announced by the Commonwealth for land transport infrastructure over the five years from 2004-05 to 2008-09, $6.70 billion has been allocated to the States for land transport investment of which Western Australia receives only 6.75 percent, when maintenance provisions for 2004-05 are taken into account.

The Commonwealth has also allocated $1.8 billion in rail system investments of which just $14 million, or less than 1 percent, was allocated to Western Australia for the construction of a rail loop to Fremantle Ports.

Western Australia believes that each State must be able to obtain a fair share of Commonwealth funding. It is unacceptable to the less populous States, like Western Australia, and people living in remote areas that most of the Commonwealth's AusLink funding is allocated to a few expensive, large-scale road and rail projects in the Eastern States. Project assessment must take into account social and equity objectives so that the needs of small, isolated communities in the regions are equally considered.

Furthermore, the Commonwealth needs to be careful not to penalise States that have maintained and managed their transport infrastructure well while rewarding other States that have not kept their transport infrastructure up-to-date or up-to-scratch.

7. Role of Government and the private sector in providing and maintaining the State's regional freight transport network

Governments play a major role in providing and maintaining regional freight transport infrastructure.

The State Government manages and funds major roads, which provide the most strategic links to regional communities, and undertakes the planning for such roads. Local Authorities are responsible for building and maintaining local regional roads. They do this with technical, planning and funding assistance from the State Government and also from funding from the Commonwealth that goes directly to Local Authorities.

The State also maintains the National Highway which is, and has in the past, been predominantly funded by the Commonwealth. Furthermore, the State Government runs regional ports and owns and funds port infrastructure within these ports.

The private sector, in the case of the large mineral and petroleum producers in the North West, builds, owns and operates the rail operations and terminals at ports to handle their particular trade. The grain industry owns silos and bins inland and at ports. The South West rail freight network, although still owned by government, has been leased to the private sector for 49 years.

Outside of the examples provided above, the private sector does not have much of a role in Western Australia in providing and maintaining the regional transport network.

Issues in investing in existing private sector infrastructure and in encouraging new private sector investments can be grouped into two areas:

- the role of government in investing in infrastructure already owned and operated by private companies; and
- the role of government in encouraging the private sector to build new infrastructure.

Existing transport infrastructure

The Government will continue to maintain the State's existing road network.

In terms of Western Australia, it is true that the State's largest industry players, particularly those within the iron ore and oil/gas industries, have often provided their own transport and port related infrastructure and that this practice is likely to continue in future. In addition it is also noted that the State's rail systems, with the exception of the Perth metropolitan area, are in private ownership (ie. the Pilbara railways) and/or have been leased by Government to a private company, that being WestNet Rail.

Given that private companies invest in infrastructure only when a commercial return can be attained, rather than viewing such investments in the overall context of the net benefits available to the State, the State Government will need to determine if and when to invest in strategic transport infrastructure controlled by private entities, where it needs to invest and the level of investment. The government is likely to only subsidise that part of the proposed investment that the asset owner does not view as being commercial in nature.

When deciding to invest in infrastructure that is controlled by the private sector, the Government evaluates this investment in the context of the net benefits available to the State when compared to alternative options. For example, the Government may decide to provide funding for the upgrade of a private sector railway to meet a defined new freight task, because the alternative(s) available (eg. building or upgrading a new road) may be more costly, have a negative environmental impact and lead to a reduction in road safety for all other road users.

New transport infrastructure

With many of Western Australia's regional economies anticipated to diversify over the next 20 years, the State Government faces increasing challenges in managing the needs for infrastructure spending against its other spending commitments.

The need for new and improved regional transport infrastructure will also be further bolstered by the recognition that a number of the State's coastal towns (ie. Bunbury, Esperance, Albany and Geraldton) are expected to record significant population and/or tourism growth.

In meeting the State's transport infrastructure needs, the State has recognised that the private sector may in future need to play a greater role in the provision of new infrastructure, including intermodal facilities, and/or to upgrade existing State owned infrastructure. In this regard, the State Government has adopted a policy on Private-Public Partnerships in December 2002.

Given the objective that the State would not seek to reduce its international competitiveness or penalise regional communities, Western Australia does not have the requisite (regional) economies of scale that would attract private sector investment in transport infrastructure that, under normal circumstances, would be provided by Government.

The State's size, its geographical location and the fact that its population resides in few centres are the predominant factors which impact on the economies of scale that can be derived from regional transport investments.

As a result, for new transport related works, including intermodal facilities, the State Government will likely be required to fund these and/or where applicable to provide a grant to the private sector.

The exception to this is likely to arise whereby infrastructure is needed to support a large-scale development of a new or existing industry. In most instances in the past, proponents of these types of large-scale projects have been able to fund their own rail and port facilities with such provisions specified under an appropriate State Agreement Act that have been enacted for that project.

Notwithstanding the above comments, Western Australia believes that there are a number of taxation issues that act to discourage private sector investment in infrastructure in Australia. Addressing these would, in particular, help the more populous States as they are likely to have sufficient economies of scale to attract private capital. For the Commonwealth Government to encourage private sector involvement in (previously provided public) infrastructure, including transport, re-introducing accelerated depreciation would significantly improve their commercial viability to the private sector. In addition, the Commonwealth also needs to address issues concerning Section 51AD and Division 16D of the Federal Income Tax Assessment Act, which also appear to adversely impact on commercial viability.

These provisions appear to limit interest deductions and depreciation expenses for private companies building and operating and owning infrastructure that generally would have been provided by State governments.

8. Concluding remarks

The Bureau of Transport and Regional Economics has estimated that a 1 percent improvement in the efficiency of delivery of Australia's transport services will increase annual Gross Domestic Product by approximately $500 million in 2002 prices. Extrapolating this for Western Australia, this suggests that a 1 percent improvement in the State's transport services efficiency and delivery can boost, as an order of magnitude, its Gross State Product by up to $55 million per year in 2002 prices.

Many of the issues raised above are known to relate to other States as well as to Western Australia and this highlights several important points for the Inquiry:

- the rapidly growing container trade and bulk freight create the need for efficient and effective land transport movements between the regions, and capital city ports;
- land transport issues around the ports will place increasing emphasis on the use of rail services where available to assume a larger role in servicing those ports. Failure to address this will create community pressure on the ports and land transport services and hamper export competitiveness;
- rail will be hampered in its ability to play a larger role unless it is part of an integrated system which incorporates efficient intermodal transfer facilities and services in regions;
- in many regions intermodal terminals will not be commercially viable in the early stages of service development and a role for Governments is strongly indicated.

In regard to AusLink, consideration must be given to the redesign of AusLink during its next phase to ensure that the program can achieve its stated objectives. In terms of defining the National Land Transport Network, Western Australia would like steps to be taken so that the importance of the regions, bulk freight and regional ports is recognised, and that the access

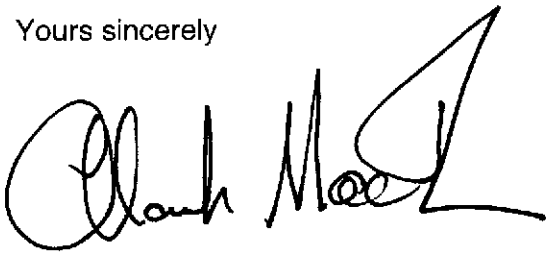
corridors to these regional ports not be precluded from Commonwealth funding opportunities. Social and equity objectives must be taken into consideration in allocating AusLink funding so that the needs of regional communities are equally considered.

It should be recognised that Western Australia does not have the requisite economies of scale that would attract private sector investment in transport infrastructure that, under normal circumstances, would be provided by Government.

An opportunity exists for the Commonwealth to promote regional economic growth and the development of exports by assisting in the funding of common-use infrastructure such as rail and roads where these costs cannot be recovered on a user pay basis and where there are economic, social and environmental benefits.

Thank you for extending the invitation to the Western Australian Government to make a submission. We would be prepared to send a representative from my department to support this submission in person if required. I look forward to reading the report on the Standing Committee's findings.

Yours sincerely



ALANNAH MacTIERNAN MLA
MINISTER FOR PLANNING AND INFRASTRUCTURE

Attachment: Port Handbook 2004, Western Australia