



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

Dear Mr Neville

## **INQUIRY INTO THE INTEGRATION OF REGIONAL RAIL AND ROAD FREIGHT TRANSPORT AND THEIR INTERFACE WITH PORTS**

The Mid West Development Commission is pleased to have the opportunity to provide input into the above inquiry.

### **Introduction**

The Mid West Development Commission is a Western Australian statutory authority. Its main role is to facilitate the sustainable development of Western Australia's Mid West. The region covers over 470,000 kms<sup>2</sup> but is home to just 50,000 people, 60% of whom live in the greater Geraldton area (approximately 420 kms north of Perth).

The Mid West economy is based on the export of primary commodities namely minerals, agricultural and fishing products. In 2003, it was estimated that the Mid West contributed over \$45,000 per capita to Australia's exports (Attachment 1).

Clearly the region's intermodal transport network is a key to the efficient delivery of product from production site (mine/farm) to overseas markets. The efficient transfer of product to and through the Port of Geraldton is particularly important. Accordingly, this submission concentrates largely on the provision of strategic infrastructure to support major current and proposed project development.

### **Why the focus on Infrastructure**

Geraldton was the first port in Western Australia to export iron ore in March 1966. After a hiatus of nearly 30 years global demand for mineral resources (particularly Chinese demand for iron ore) has seen world attention strongly focused on the Mid West.

The region has known iron ore (Hematite and Magnetite) resources of approximately 920 million tonnes with exploration programs currently in place to more than double this figure.

The region is well positioned to become the second iron ore province of Australia behind the Pilbara.

### **Scale of Activity**

The amount of international interest in the region is best summarised as follows:

- As at June 2005 there are 5 companies with 11 potential iron ore projects.
- Four of these projects are short term (7 – 10 years)
- The other 7 are all 20+-year projects.
- Only one project (Mt Gibson Iron – Talling Peak) is currently exporting, at a rate of approximately 2.4 mtpa.
- Two other projects will commence exporting in the first half of 2006 at the rate of 1.0 mtpa each.

In 2004, exports through the Geraldton Port Authority totaled 4.0 M tons with a value of approximately \$1.0 BN. Included in this were exports of approximately 1.3 MT of iron ore.

Exports of iron ore products (Hematite, Magnetite Concentrate, and Pig Iron) will be approximately 60.0 mtpa by 2012 (valued at approximately \$5.3 BN) based on current project estimates and timelines.

Additional to this, other resource companies are evaluating exports of mineral sands, lead metal, attapulgitite, manganese gypsum, and kaolin clay totalling approximately 1.0 mtpa.

Increasing oil discoveries near Dongara, 60 kms south of Geraldton, will see the current road freight task double from approximately 500,000 tpa to approximately 1.0 mtpa by early 2006 posing significant safety and hazard issues on the major Brand Highway which links Perth with the north of the State via Geraldton and Carnarvon.

The map provided as Attachment 2 highlights the intermodal transport issues confronting the Mid West region.

### **Current Situation**

The Geraldton harbor was deepened in 2003 at a cost of \$103M, fundamentally to attract more trade to the region and allow fully laden handymax ships (about 60,000 tons) to be loaded.

Stage 1 of the Southern Transport Corridor (more efficient road and rail link to the Geraldton Port) will be completed early in 2006 at a cost of \$88M. Tenders for Stage 2 to complete the road link to the east of Geraldton are due to be released in early 2006 with work expected to commence in 2007/08.

This will see efficient road and rail links extending from the port of Geraldton to the Narngulu Industrial Estate and the major East-West road link approximately thirteen (13) kms east of Geraldton

Mt Gibson Iron is exporting iron ore from Geraldton at a rate of approximately 2.4 mtpa (from Talling Peak) but is being forced to supplement rail freight with road freight due to the inadequate rail system that was constructed in the 1920's / 30's to haul significantly less quantities of grain.

Midwest Corporation is planning to commence exports of 1.0 mtpa of iron ore from early 2006 and have elected to use road instead of rail for a number of reasons. They would have to use the same rail network as Mt Gibson (see above).

It is apparent that the region's road and rail network will be incapable of delivering proposed iron ore tonnages to the port.

Accordingly, at least 2 major iron ore projects are planning to build slurry pipelines to transport iron ore concentrate to the port rather than use the ageing and inadequate rail network. The alternative is to pay major upfront costs to support an upgrade of the rail network plus additional high operational costs (in comparison to the slurry pipeline). Unfortunately, while this option will 'buy' the region some time in terms of infrastructure development, the construction of a slurry pipeline does not leave a regional legacy from mining and it employs relatively few people.

Another 2 project proponents have stated that they require the construction of a private railway (approx 350 – 400k) and a deep-water port for cape sized vessels (approx 150,000 dwt). The companies are investigating Oakagee 25 kms north of Geraldton.

Given the relative proximity of the proposed projects, there is also considerable potential for state and federal governments to work together to facilitate the development of multi-user infrastructure – in particular a rail network and deep water port.

Of the approximate 1,900 kms of existing road and rail infrastructure that will be used to transport the majority of the proposed tonnages only 80 kilometers of this

is covered by the Auslink program! This section of road will only be used for approximately 5 years to transport a **total** of 6.5 MT of iron ore.

### **The projects being developed in the Mid West are of National Importance**

Midwest Corporation has signed (17/06/05) a "framework agreement" with Sinosteel Corporation to develop it's two main projects, being;

- Weld Range 350 kms NE of Geraldton, a 20 year project with planned production of 15 - 20 mtpa, and;
- Koolanooka Magnetite project 225 kms ESE of Geraldton, a 20 year plus concentrate / pellet project with planned production of 4.5 mtpa.
- Sinosteel's involvement is based around involvement in project development costs and off-take provisions for both projects.

Sinosteel is China's biggest trader of direct reduced iron and chrome ores and is the second biggest trader of iron ore and coke. Sinosteel Corporation is already Rio Tinto's partner in the Channar mine near Paraburdoo in WA's Pilbara.

Mt Gibson Iron has signed (23/06/05) a participation agreement with Shougang Holding (Hong Kong) Limited ("Shougang") to jointly develop the Extension Hill mine at Mt Gibson approximately 290k SE of Geraldton. This project is based around the production of 5.0 mtpa of Magnetite concentrate for a minimum 20 mine life.

The agreement includes participation in mine development costs, life of mine offtake agreements and funding arrangements for a bankable feasibility study to investigate doubling mine production to 10.0 mtpa by December 2009.

Shougang is a wholly owned subsidiary of the Beijing based Shougang Group (also known as Capital Steel) which is China's fourth largest steel maker.

There has been significant interest in most projects for life of mine contracts from numerous parties.

### **Recognition and Understanding of Issues Involved**

In response to current and expected infrastructure issues, the Mid West Development Commission recently (13<sup>th</sup> April 2005) held a Mid West Strategic Infrastructure Forum. The aims of the forum were to:

- Identify the strategic infrastructure needs of planned major projects within the Mid West;
- Better understand the capability of the existing infrastructure network;
- Identify potential bottlenecks and investigate possible solutions.

Of particular interest was the need to ensure coordination and to identify ways in which planned projects in close proximity to each other could work to share infrastructure including transport, power and water.

Key points from the Forum were:

- Attendance was by invitation only and focused on Iron Ore due to high potential tonnages and consequent impacts on strategic infrastructure.
- Attended by key personnel from the resource industry, infrastructure providers / operators and key government agencies.
- The fundamental objective was to get all the key players in the same room at the same time and to put “cards on the table”, exchange information, dispel myths, encourage networking, and provide an understanding of the need to form a Mid West Strategic Infrastructure Group to identify and address strategic infrastructure gaps.
- The Forum was very well attended (88 people) and received by all.
- The need for the Forum and to discuss infrastructure issues was demonstrated by attendance of 100% of key players / organizations invited.
- Acknowledgement of the need to form the Mid West Strategic Infrastructure Group (MWSIG) to address a range of infrastructure issues, solutions and other “showstoppers” that were raised on the day including access to land and skilled labour shortages.
- The two key issues identified were the transport of product from mine to port, and from port to market(s).

A copy of the Forum’s Outcomes is attached for your information.

### **Regional Development Outcomes**

It is vitally important to consider the regional benefits of major resource projects in the Mid West region. Most of the proposed projects will have mining operations in either the agricultural and / or pastoral areas, both of which have suffered in recent times from population loss due to farm amalgamation, and the collapse of the wool price through the 1990’s and fly in – fly out respectively.

These proposed projects, especially those with a proposed 20+ year life, would bring a much needed boost to these communities as well as contribute significantly to the continued growth of the state and nation. Delays and indecision and on the provision of infrastructure could jeopardise these projects, some of which could be ultimately lost to other countries such as South Africa and Brazil.

Importantly, some of the proposed project proponents (eg Gindalbie) are looking to value add to iron ore and produce pellets. This type of project provides more

employment opportunities and a better return on the nation's natural resources. However, in order to get to that stage, the companies involved need to develop a cash flow, which would be provided via the direct export of iron ore concentrate.

### **What is Required**

It is vitally important that infrastructure is provided in a coordinated and timely way to ensure the Mid West region's international competitiveness and to support major project development, which in turn facilitates export and regional development outcomes.

Whilst the Commission continues to liaise positively with the Western Australian State Government on this issue, the Federal government can and indeed needs to play an important role by contributing to infrastructure development through direct financial means as well as adjusting policy settings to further encourage private infrastructure investment. In this respect the Commonwealth needs to recognise and address the following key issues:

1. The Commonwealth needs to recognise that due to its size, the relatively scattered nature of its natural resources and relative isolation, the transport task in regional Western Australia is complex, widespread and varied;
2. The Auslink National Land Transport Network needs to be more flexible to consider important regional ports such as Geraldton and the transport and services corridors that serve them.

I trust these brief comments highlight the significant infrastructure issues that the Mid West region faces and adds value to your work. For its part, the Mid West Development Commission looks forward to learning of the outcomes of the Inquiry. I can be contacted at the Commission on (08) 99210701 or email [steve@mwdc.wa.gov.au](mailto:steve@mwdc.wa.gov.au) should clarification on any aspect of this submission be required.

Yours sincerely



**STEVE DOUGLAS**  
**A/CHIEF EXECUTIVE OFFICER**

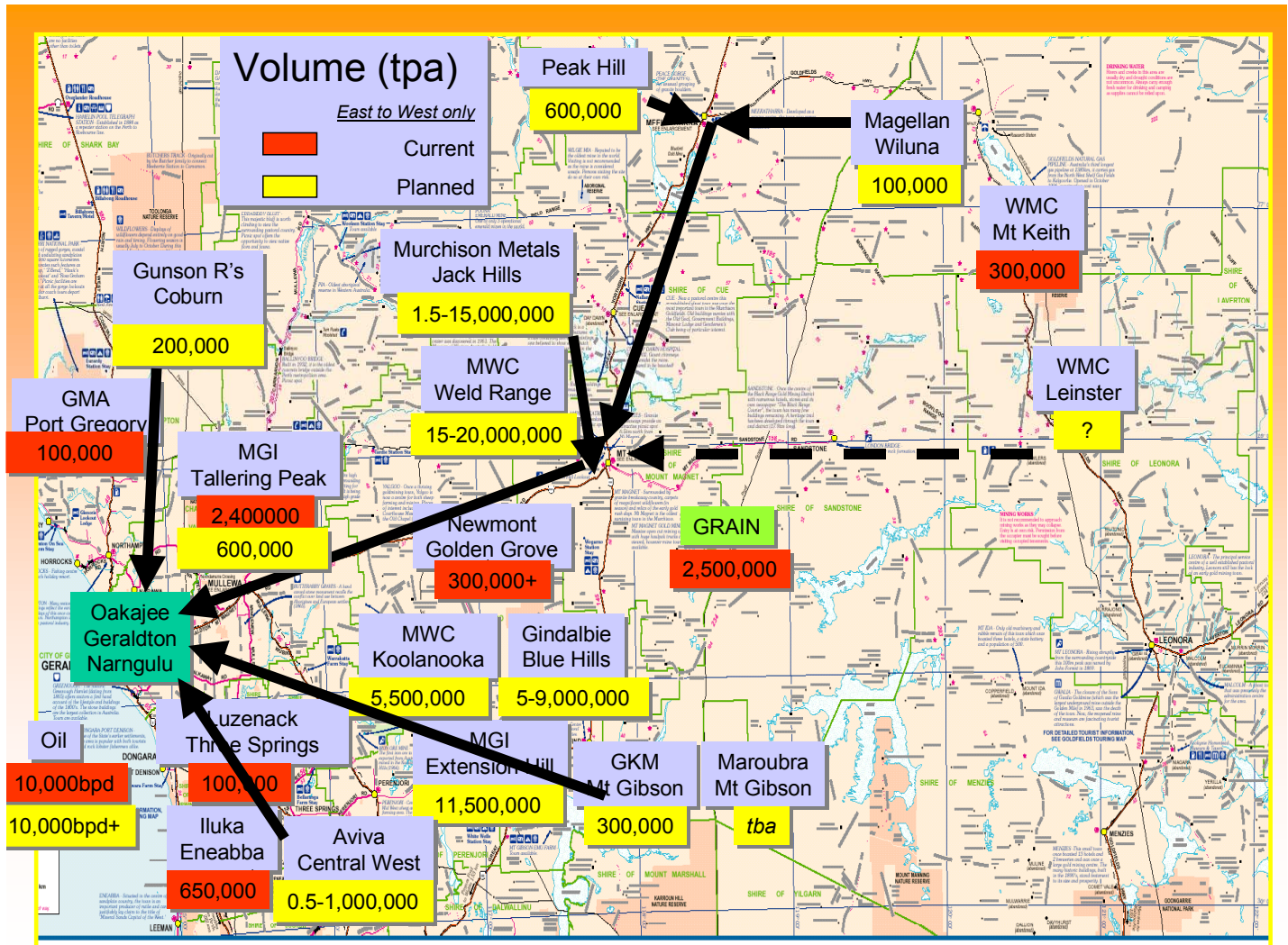
28 June 2005

## ATTACHMENT 1   EXPORTS PER CAPITA

	<b>Population 2001/02</b>	<b>Value of Exports 2001/02</b>	<b>Value of Exports per capita</b>	<b>Proportion of Australia's Exports</b>
<b>Australia</b>	<b>19,662,782</b>	<b>\$121.2 billion</b>	<b>\$ 6,165</b>	<b>100.0%</b>
<b>WA</b>	<b>1 ,927,322</b>	<b>\$ 30.2 billion</b>	<b>\$15,672</b>	<b>24.9%</b>
<b>Mid West</b>	<b>50,400</b>	<b>\$ 2.3 billion*</b>	<b>\$45,725</b>	<b>2.2%</b>

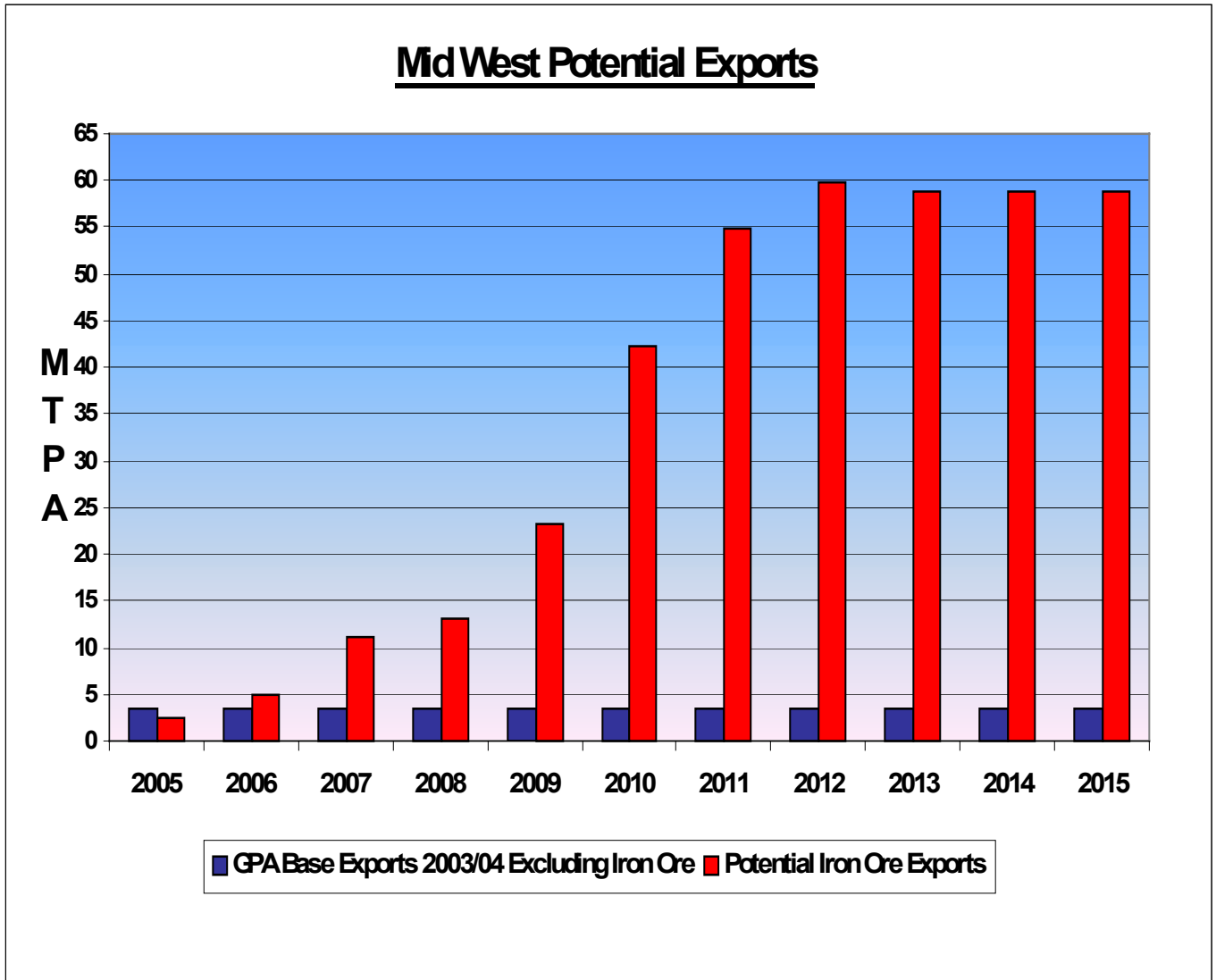
*\* Note: Assumes 90% of value of minerals and agriculture and 70% of value of fishing is exported, MWDC, 2003*

## ATTACHMENT 2 CURRENT AND PROPOSED EXPORTS IN THE MW



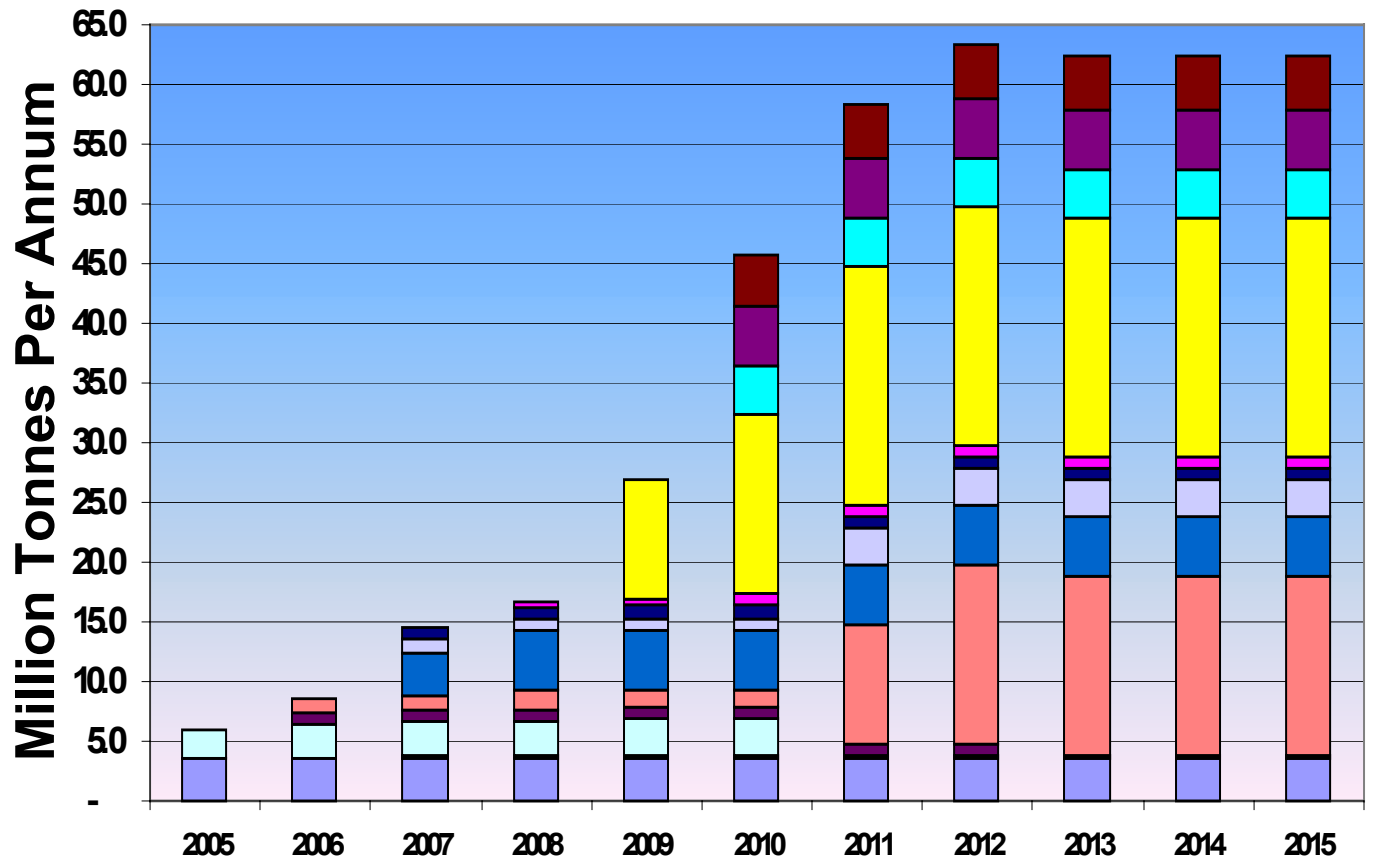


- **ATTACHMENT 3**



**ATTACHMENT 4**

**Mid West Potential Exports**



- Existing GPA Exports
- Mt Gibson Talling Peak
- Mt Gibson Extension Hill MC
- Aviva Corp Eneabba Pig Iron
- Mt Gibson Project No 2 MC
- Gunson Resources Min Sands
- Midwest Corporation Koolanooka
- Mt Gibson Extension Hill
- Midwest Corporation Weld Range
- Midwest Corporation Koolanooka MC
- Majellan Metals Lead
- Murchison Metals Jack Hills
- Gndalbie Metals Blue Hills
- Gndalbie Metals Blue Hills MC

**ATTACHMENT 5**

