



BHP Billiton Mitsubishi Alliance

SUBMISSION NO. 47



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 integration of regional rail and road networks and their interface with ports

BMA welcomes this opportunity to make a submission to the above inquiry. The issues before the committee relating to rail and port capacity and connectivity, and the roles of governments in maintaining infrastructure networks, are critical for our company, as explained below.

BHP Billion Mitsubishi Alliance (BMA)

BMA was formed four years ago as an equal partnership between BHP Billiton and Mitsubishi Development. The company owns and operates six large export coal mines in the Bowen Basin region of Central Queensland (Goonyella Riverside, Peak Downs, Saraji, Norwich Park, Gregory Crinum and Blackwater) and the Hay Point Coal Terminal (HPCT) near Mackay. In addition, BMA manages the South Walker Creek Mine on behalf of the BHP Mitsui Coal, and will manage that company's new Poitrel Mine currently under development.

BMA is the Australia's largest coal producer and exporter, and the world's largest supplier of coking coal to the seaborne coal market. We exported almost 50 million tonnes of coal from Queensland in 2003-04, of which two-thirds (34 mt) was shipped through HPCT, 2 mt through the adjacent Dalrymple Coal Terminal (DBCT), and 14 mt through Gladstone Port (RG Tanna and Barney Point Coal Terminals). This represented 37% of all coal exported from the State, and 23% of total Australian coal exports in 2003-04.

BMA's overseas sales will be higher in the current financial year ending June 2005, in the first stage of an expansion program that will increase our total annual production capacity to 59 mt by the second half of 2006. This will be accompanied also by an expansion of the throughput capacity of HPCT to 40 mt per annum.

Further expansion beyond these levels is being considered as part of BHP Billiton's plan to lift its combined coking coal production in Queensland, New South Wales and Indonesia from 58 mt in 2004 to 100 million tonnes per annum by 2010. The majority of this growth is expected to come from Queensland and BMA.

The need for rail and port expansion

BMA's business relies on access to adequate, efficient and competitively priced rail and ports services.

Recent competition policy reform, and in particular the regulation of access to monopoly rail infrastructure services in Queensland, has helped position BMA and other coal producers to expand in response to buoyant international coal market conditions. However, fully realising this potential growth requires major new investment in rail and port capacity serving the export sector of the industry.

This is the case in both the southern part of the Bowen Basin serviced by the Blackwater and Moura railways to Gladstone Port, and the Northern Bowen Basin serviced by the Goonyella to Hay Point and Newlands to Abbot Point rail/port systems. However, the requirement is more acute, and the challenges greater, in the north where BMA's production expansion will be concentrated, and from where two-thirds of the overall growth of the Queensland coal industry is expected to emanate over the next five to ten years.

There is a significant and widening gap between rail/port capacity and demand in the Northern Bowen Basin. As a result, some immediate potential for short-term volume increase is not being fully exploited, but more importantly, the availability of rail and port services in this part of the State has emerged as the most serious constraint on growth of the Queensland coal industry, including BMA's operations, over the medium to longer term.

Overcoming this constraint will require a concerted and cooperative effort by all participants in the export coal chain – producers, rail and port service providers and governments – in order to undertake some key planning assessments and make the necessary commitments required to implement expansion plans. In particular, there is a need to reach consensus on the expansion potential of the Goonyella to Hay Point/Dalrymple Bay system. Uncertainty currently surrounds two key elements, those being:

- (i) in regard to the railway, the point at which tonnage growth would reach the effective expansion limit of the Connors Range section of the Goonyella line;
- (ii) in regard to the Dalrymple Bay Coal Terminal, the effective capacity of successive stages of expansion based on realistic assumptions about coal chain operations.

There is also a need to evaluate the feasibility of alternatives to expansion of the Goonyella to Hay Point/DBCT system beyond the capacity cap on the Goonyella line. In particular, the option of expanding the Abbot Point Terminal, and connecting it to the Goonyella railway via the so-called 'missing link', needs to be assessed as a matter of urgency. To its credit, the Queensland Government has recognised this need and initiated a full feasibility study, which BMA hopes will be completed by the end of this year.

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A further consideration is the scope for further expansion of Gladstone Port beyond its already established growth plans, which will take the port's capacity from 45 mt to 72 mt per annum by mid-2007. This would involve construction of a third loading terminal at Wiggins Island adjacent to the existing RG Tanna facility, and is currently being canvassed by the Central Queensland Ports Authority with the industry and the State Government.

Exports and Infrastructure Taskforce Report

There are two recommendations from the recent report of the Prime Minister's Exports and Infrastructure Taskforce report that we wish to comment on in the context of this Inquiry.

The first is that the Auslink programme be extended to encompass ports of national significance. BMA would support this approach if it provided additional potential avenues for the funding of major port and associated railway expansions. For example, BMA believes the Commonwealth Government should consider playing a direct funding role in the Abbot Point/'missing link' project, given its potential significance to the national export effort, and would welcome the project's inclusion in Auslink if this was the outcome, and provided it involved no delay to the planning and execution of the project.

The second recommendation is that regulation be avoided, or at most limited to price monitoring, in relation to export oriented infrastructure; this based on a premise that, due to the inherent competitiveness of export markets, commercial negotiation between infrastructure providers and users could be relied on to resolve issues more satisfactorily than regulatory intervention. BMA does not agree with this approach and makes two observations – first, that regulatory decisions are often necessary to provide the basis for even-handed negotiations between users and infrastructure providers, and second, that competition in export markets cannot be relied on to curb the rent-seeking behaviour of monopoly infrastructure providers – both of which we consider to be core tenets of competition policy.

BMA believes the national importance of export-oriented infrastructure makes regulation more, rather than less, important in these cases, although we acknowledge the need to review and refine established state-based regulatory regimes in order to improve their timeliness, responsiveness and consistency as suggested by the Taskforce.

Thank you again for the opportunity to contribute to this important inquiry. We would welcome the chance to meet with members of the standing committee to elaborate on the above points, and I invite you to contact Noel Leach on (07) 3266 0672 or 0419 138 673 to arrange that.

Yours faithfully



Ross Willims
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BOWEN BASIN COALFIELD

