

Standing Committee on
Transport & Regional Services
Parliament House
CANBERRA ACT 2600

Dear Sirs,

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

On the back of huge world (and more particularly Chinese) demand for mineral resources, attention has focussed strongly on the Mid West.

Significant economic inputs have resulted in a major challenge for the Midwest region and the region's existing transport infrastructure. There is an urgent need for a major upgrade of rail and road infrastructure and a deep water port capable of handling cape size vessels, to cope with this increased resource activity. As you can conclude from the attached submission, if the necessary infrastructure upgrades are not met, it will jeopardise the Midwest's booming resource sector.

It is of paramount importance for a consolidated approach, between Commonwealth, State & local government agencies to provide immediate support and funding for this region's economic growth.

Yours sincerely,

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Member for the Agricultural Region

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29th June 2005

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Submission to the Standing Committee on
Transport & Regional Services



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

Joint submission by:

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Shire of Morawa

BACKGROUND

The Midwest region of Western Australia is one of the most diverse and richest Mineral Provinces in the World, with deposits of iron Ore, Lead, Copper, Zinc, Gold, Vanadium Rare Earths and Mineral Sands.

The Midwest Iron Ore deposits and coal reserves are currently recognized as the second largest resource in Australia after the massive Pilbara resource. The area also has a developed broad acre agricultural and fishing industry and an emerging gas and oil industry.

Koolanooka Mine at Morawa was the first Iron Ore Exporting Mine in Australia which was developed in the 1960s. The existing bulk Port infrastructure was constructed to service this mine. The rail and road infrastructure was constructed in 1920 to develop the region for agriculture and gold mining.

During the 1970's the rail infrastructure was removed from the Murchison Region of the Midwest which halved the amount of rail in the Midwest. This was due to a number of factors which included, the improvements in road transport, the down turn in Gold Mining during that period in the region and the population shift to the coastal communities.

Iron Ore Mining in the Midwest ceased in the 1970s due to the closure of the Koolanooka Mine and the emergence of large scale mining in the Pilbara. It recommenced in 2004 with the opening of the Talling Peak Mine to service the increasing demand from China.

CURRENT ROLE

There has been considerable State and Federal expenditure in recent years upgrading key road infrastructure in the Midwest. This includes the sealing of the Mt Magnet-Agnew Road to provide a sealed road to link the Midwest to the Goldfields and the building of a new access road into the Port of Geraldton.

Many of the arterial roads built in the Midwest were only constructed to be able to support single axle 8 tonne trucks. Currently they are having to support up to 100 tonne triple road trains and are experiencing rapid deterioration.

Following the closure of the Koolanooka Iron Ore Mine rail has only been used to transport wheat and a small amount of Mineral Sands which amount to less than 1 million tonnes pa. Only minimal expenditure has been undertaken on the rail network. Line closures, speed restrictions and reducing train sizes have been used to keep the rail lines operational for the current clients. Currently there is a need to rail over 5 million tonnes on the current lines within 3 years.

The Port has had the channel and basin deepened from 8m to 13.5m which enables Panamax (60,000 tonne) vessels to fully load. This has made many of the deposits in this region viable to export and has caused a major increase in demand for access to the supporting infrastructure as highlighted by the attached charts.

Approximately \$200million has been spent on deepening the Port and improving access to the Port. The problem at the Geraldton Port is that no investment has been allocated to improve storage or to upgrade out going bulk loading facilities.

The developing Oil and Gas industry in the Midwest is road transporting its product to the BP Refinery in Kwinana along the major coastal highway to the region called the Brand Highway.

The Brand Highway links into the Northwest Highway and is the route used by freight, tourists, buses and general traffic to access a large portion of the state. The Brand Highway is a dual lane road which in areas has limited sight distances and only 15 passing lanes in each direction in 400 kilometres. The combination of slow moving trucks, road trains and tankers with general traffic and limited passing opportunities is a major risk and potential disaster.

The Midwest has an immediate need for Infrastructure Investment to overcome the current crisis and to provide the seed capital to be generated for the next stage to build and plan the future requirements which will be needed within 7 years.

Immediate Investment to Overcome the Crisis

1. Port Upgrade - \$30 million spent at the port to provide a dedicated Iron Ore facility, improved storage and upgraded train unloading facilities. The growth in Iron Ore exports is having a significant impact on congestion of Berth 4, and is having a financial impact on companies exporting iron ore, due to shipment delays.
2. Indian Ocean Drive (Cervantes to Lancelin) must be built at a cost of \$65 million to remove the tourist and general traffic

from the Brand Highway and to increase Tourism and related investment in this region.

3. The Rail Line from Geraldton to Mullewa to Perenjori needs to be upgraded immediately and sufficient rolling stock purchased to enable Iron Ore to be transported by rail.
4. Provision of passing lanes on existing roads.
5. Southern Transport Corridor (Phase 2) - the soon to be completed \$88 million Southern Transport Corridor project will immediately require an additional investment to ensure that a dedicated road access route, plus another railway line, can service the existing port in Geraldton. The actual and expected increase in mining development throughout the Midwest has lead to this additional investment requirement.

Phase 2 Investment required within 7 years

1. Establishment of a Deepwater Port – the existing port, although recently enhanced, does have a finite limit on future expansion due to limited land/berth reserves. A new deepwater port would permit large volumes of tonnages to be exported to meet the future growth for the region. For 30 years, Oakajee has been identified as the strategic industrial site to service the Midwest region, which has a site adjoining that is designated for development of a deepwater port. Currently this is undeveloped.
2. Heavy Industrial Area established at Site of Deepwater Port to support downstream processing.
3. Re-establishing a rail line from Oakajee (proposed deep water port site) to the major Iron Ore deposits at Cue and Meekatharra to access the estimated 1 billion tonne Iron Ore deposits in the region and to develop the Murchison mineral province.
4. Upgrade of Regional Rail Network from Narrow to Standard Gauge – the existing rail transport is constrained by a system of a capacity which limits the size and volume of tonnages handled.
5. Mt Gibson to Perenjori Railway Link – to accommodate the second phase of iron ore mining development by an existing exporter, a new railway corridor requires development from the mine site (Mt Gibson) through to Perenjori. The plans include an estimated export quantum in excess of 2 million tonnes per annum.
6. Upgrade of Mullewa to Geraldton Rail Link – existing tonnage volumes being handled from Tallering Peak together with planned increases from other Midwest mining operations will require an upgrade of this particular line to ensure that capacities can be accommodated through to Geraldton.

7. Widening and Sealing of Mullewa/Wubin Road – the planned commencement of mining operations from Morawa and Perenjori will require the upgrade and sealing of this road to ensure efficient and safe vehicle transport operations.
8. Other upgrades needed, due to poor pavement condition and increased freight – Mingenew – Morawa, Perenjori – Morawa and Geraldton to Magnet, Ogilvie East, Completion of Tenindewa – Yuna upgrade (which is 9kms). Tourism routes sealing of Horrocks to Port Gregory road.

Longer term requirements

1. Infrastructure to support crude oil shipping (to be included in planning of the deep water port).

A snapshot of new resource proposals in this region is outlined below. As at June 2005, there are 5 companies with 11 iron ore projects.

Mount Gibson Iron (MGI) commenced exporting iron ore from Geraldton in February 2004, exporting approximately 1.3 million tonnes during the year. The production rate has steadily increased to approximately 2.4 mtpa in 2005 with plans to increase production to 3.0 mtpa in January 2006 with the arrival of new rail wagons. From early 2007, MGI also expects to be exporting 5.0 mtpa from Extension Hill with a second 5.0 mtpa project proposed for 2009/10.

Midwest Corporation (MWC) (formerly Kingstream) is planning to begin exports of 1.0 mtpa of iron ore from Koolanooka in the first quarter of 2006. Their second project is based around Weld Range deposits with the concept calling for exports of 10.0 - 20.0 mtpa of iron ore from 2009. This will require a new rail and deep-water port. Longer term plans are to establish a 4.5 mtpa pellet plant at Koolanooka based on magnetite deposits commencing around 2010. (Midwest Corporation signed a deal with Chinese Company Sinosteel Corporation in June 2005 for the commencement of the above project.)

Gindalbie Metals (GM) has tenements at Blue Hills & Mt Kara to the East of MWC at Koolanooka. GM plans to commence exports of approximately 1.0 - 2.0 mtpa of iron ore during 2007. Additionally they have initiated a two-year feasibility study on a 4.0 mtpa

(investigating 7.0 mtpa) Magnetite Concentrate / Pellets project with possible exports from 2009.

Murchison Metals Limited (MM) is planning on shipping 1.0 mtpa of iron ore from Jack Hills (100k West of Meekatharra) commencing late 2005 / early 2006 rising to 1.5 mtpa in 2008. Stage two of this development requires the establishment of a deep-water port and private railway facilities to ship 10.0 – 15.0 mtpa from about 2010/2011.

From a base of 1.3 mtpa in 2004 the exports of iron ore and iron products (concentrate and pellets) from Geraldton could potentially reach 11.0 mtpa in 2007, 23.0 mtpa in 2009 and 60 mtpa by 2012 based on combined project estimates and timelines as at June 2005. (Refer attached spreadsheet.)

Geraldton Port authority base exports in 2003/04 *excluding iron ore* were 3.5 mtpa.

OTHER MAJOR PROPOSED RESOURCE PROJECTS INCLUDE:

Magellan Metals Wiluna, Lead Metal - (100,000 tpa)

Gunson Resources Shark Bay, Mineral Sands - (210,000 tpa)

GKM Minerals East of Perenjori, Kaolin Clay - (300,000 tpa)

Maroubra Resources East of Perenjori, Gypsum - (500,000 tpa)

Hudson Resources Lake Nerramyre, Attapulgitite - (50,000 tpa)

Reed Resources Barrambie, Vanadium

Precious Metals Australia Windimurra, Vanadium

Snapshot of trade (Tons):

TOTAL TRADE 04/05	5,400,000
TOTAL TRADE 05/06	6,300,000
TOTAL TRADE 06/07	13,800,000
TOTAL TRADE 08/09	16,100,000
TOTAL TRADE 09/10	17,400,000

Oil and Gas

Oil and gas activity in the Northern Perth Basin south of Dongara has been successful with approximately 3.6 million barrels per annum (500,000 tonnes) of oil being transported by road to Kwinana annually. This figure is expected to double early in 2006 with the Roc Oil Cliff Head development coming on stream. There is an expectation that further significant oil & gas resources will come into production, putting road safety concerns further into the spotlight.

Agriculture

Grains from the northern agricultural region have been a substantial export from GPA for many years with approximately 2.2mtpa being exported in 2003/04.

CBH has forecast a significant increase in WA grain production from 15mtpa in 2003 to 25mtpa in 2020. Forward projections for the Mid West Region in the 2001 Mid West Region Transport Strategy were for 3.2mtpa by 2005/06 and for 4.4mtpa by 2019/20. Unless zone boundaries (catchment areas) are changed, it is unlikely that there will be a significant increase in grain exports when the combined effects of increased yields, decreasing rainfall and salinity issues are considered.

Grain receivals at CBH Geraldton are split approximately 50:50 between road and rail. The rail component is further split approximately 60:40 between the Mingenew/Coorow line and the Mullewa - Perenjori line. Potentially this split could be even higher in favour of the Mingenew line dependent on seasons. A typical season for the region is between 2.0 – 2.5 million tonnes.

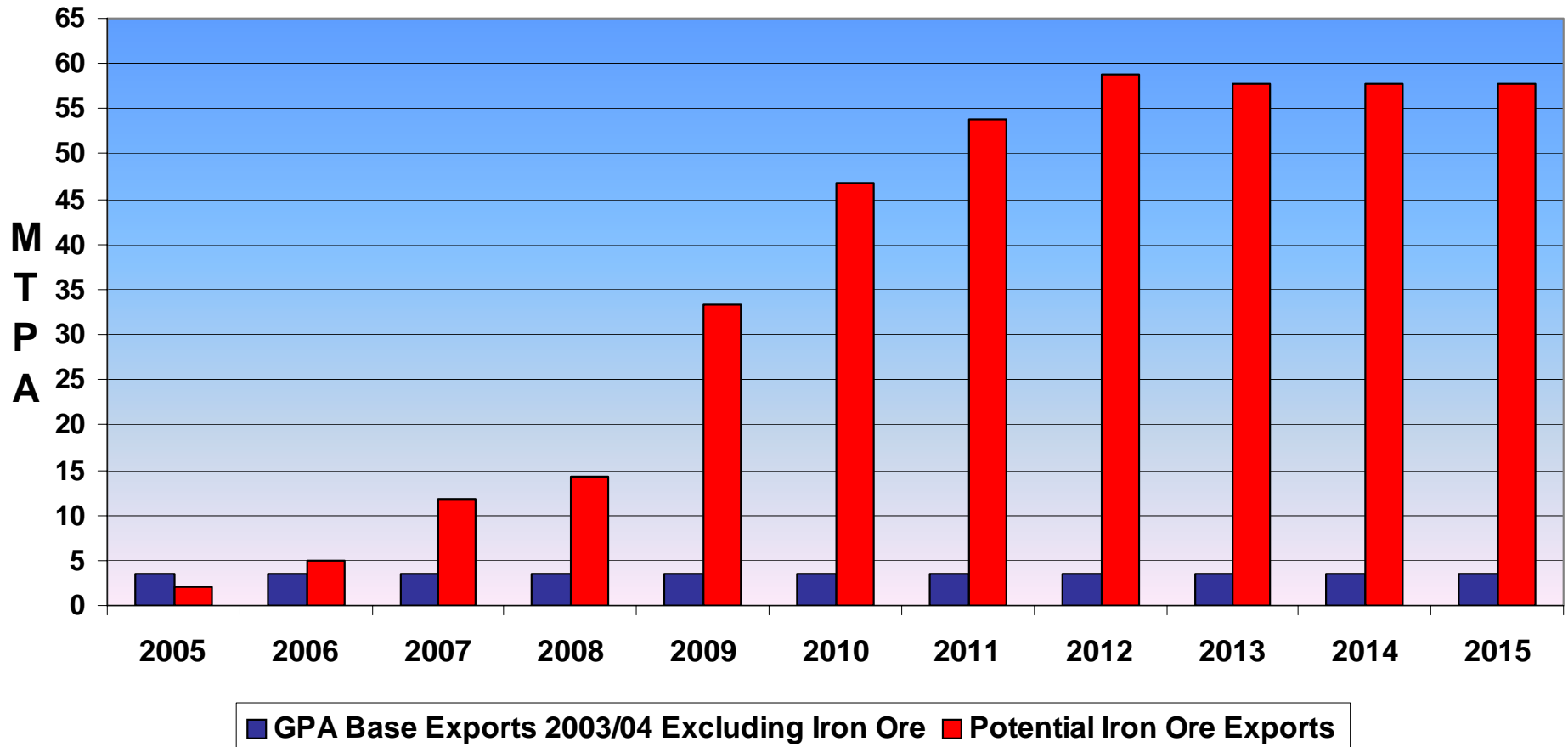
Attached, is a graph displaying Midwest's potential exports from 2005 – 2015.

As you can conclude from the above information, if the necessary infrastructure upgrades are not met, it will jeopardise the Midwest's booming resource sector.

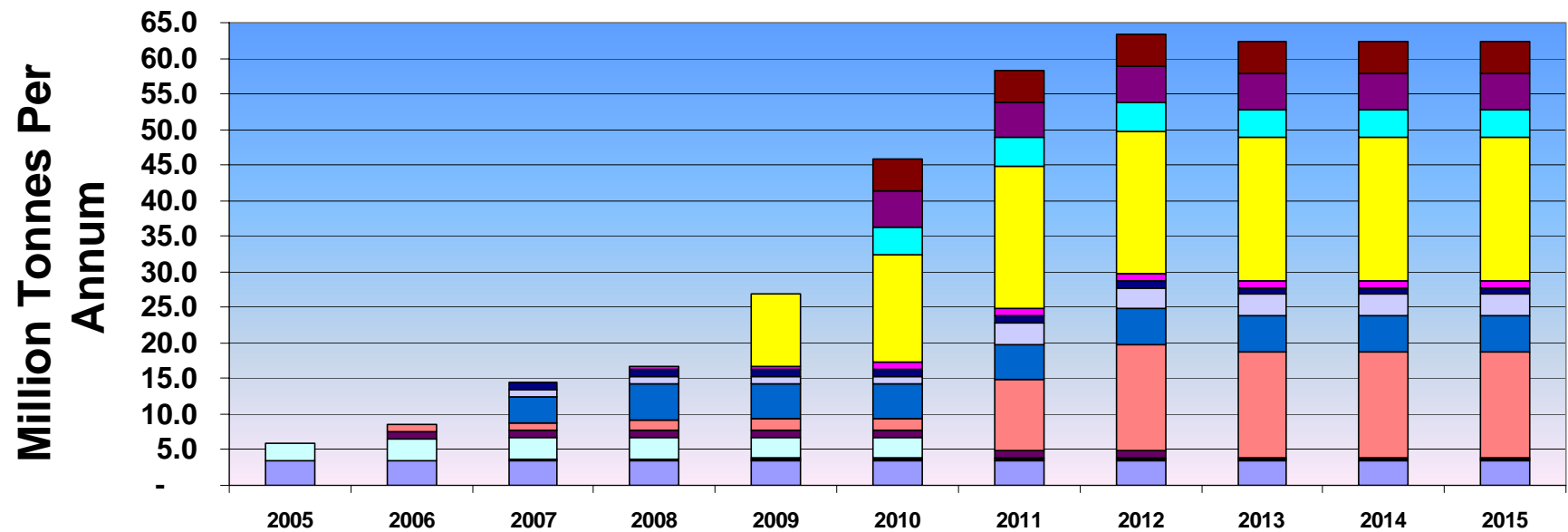
References:

Midwest Development Commission & Dept of Planning & Infrastructure, Midwest Strategic Infrastructure Forum Reports
CEO Report, Shire of Morawa

Mid West Potential Exports

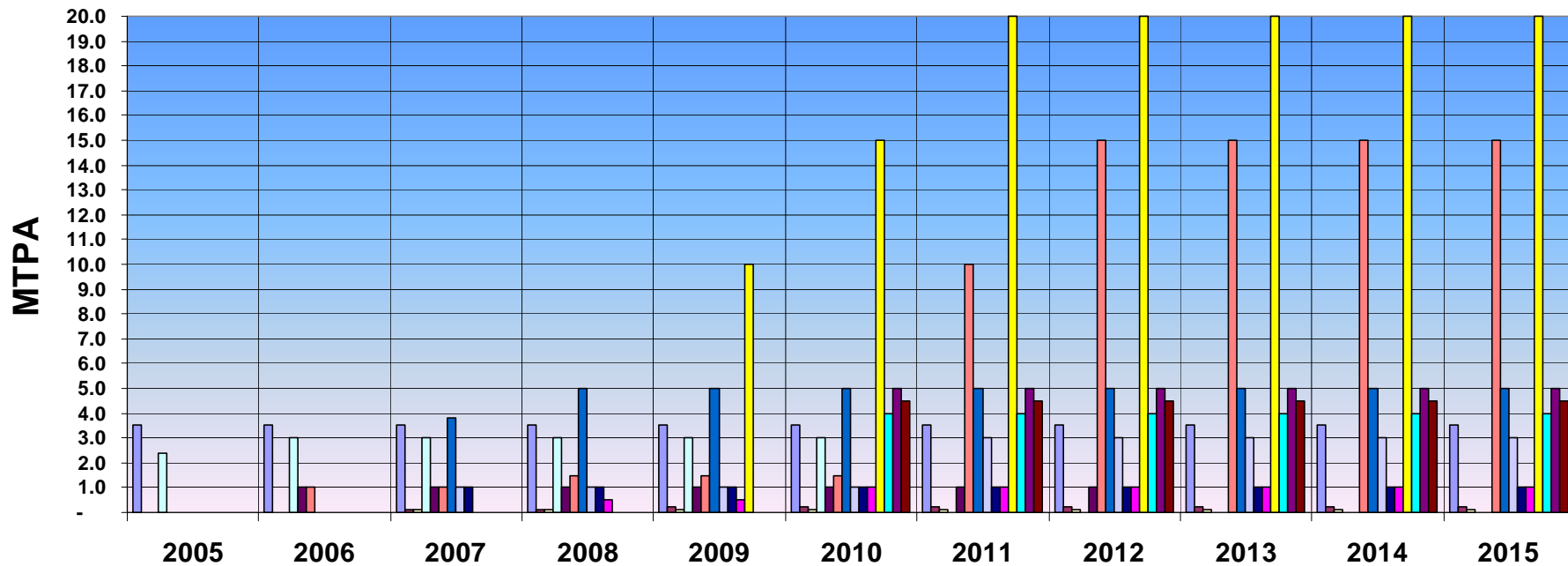


Mid West Potential Exports



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

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| Mt Gibson Project No 2 MC | Midwest Corp Koolanooka MC | | |

Mid West Potential Exports - GPA and Deep Water Port Separated

