

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

Resources, Energy and Tourism Portfolio

Additional Estimates 2007-08

21 February 2008

**Question:** AR-11  
**Topic:** Infrastructure bottleneck in resources and energy.  
**Proof Hansard Page:** E99

**Senator Johnston** asked:

**Senator JOHNSTON**—Your department is responsible for the administration of resources, which converts to minerals, oil and gas, by and large, which are predominantly making up our balance of trade account. I would have thought you would be aware of the threats and opportunities to that part of our economy.

**Mr Ryan**—Yes.

**Senator JOHNSTON**—When I ask you about an infrastructure bottleneck in the context of that part of our economy, the part that is your responsibility, I would like you to identify an infrastructure bottleneck that we have a direct jurisdictional control over and can fix tomorrow.

**Dr Boxall**—We are aware of infrastructure issues that pertain to the industries for which our department is responsible and our minister is responsible, but the prime carriage, as you well know, is Minister Albanese's department. We work with them, we consult with them, we provide input to their work, but they have the prime carriage. If you would like us to identify an infrastructure bottleneck in resources and energy—

**Senator JOHNSTON**—I would.

**Dr Boxall**—We will take that on notice and see what we can do about it.

**Answer:**

The ownership, operation and regulation of resources related export infrastructure is primarily a state and private sector responsibility. However, the Federal Government has a direct interest in resources related infrastructure as a trade issue. Given the continuing high demand for Australian resources and the nature of infrastructure development, current bottlenecks are not likely to be solved overnight.

The Hunter Valley coal supply chain includes a range private sector operators such as Pacific National and Port Waratah Coal Services, state government owned enterprises, (the Newcastle Port Corporation and Queensland Rail Ltd), and the Australian Rail Track Corporation (ARTC), a Commonwealth Government owned entity which operates and maintains most of the coal rail track infrastructure in the Hunter Valley. The ARTC operates as a commercial enterprise without day to day involvement by the Commonwealth Government.

Hunter Valley Coal exports have faced infrastructure capacity constraints for several years following the surge in the demand for coal that took off in 2003-04. This resulted in rationing systems (approved by the Australian Competition and Consumer Commission - ACCC) being established to manage coal vessel queues at Newcastle and provide greater certainty to producers and buyers. These capacity constraints are likely to continue until at least 2011 when additional coal port and rail capacity is due to come on line.

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A range of actions is taking place across the Hunter Valley coal supply chain to address bottlenecks, including increasing throughput capacity by the more efficient operation of existing infrastructure as well as investment in new expanded infrastructure. While the Commonwealth Government does not have a direct infrastructure role in the Hunter Valley coal chain, it has sought where possible to work with New South Wales Government and private operators to produce improved export and infrastructure outcomes. The Department of Resources, Energy and Tourism (RET) has:

- helped to define the issues and put them into a national context through analysis in major reports, including a Commonwealth Government officials 2005 report "*Australia's Export Infrastructure Report*" and the Australian Bureau of Agricultural and Resources Economics 2006 report, "*Australian Coal Exports: Outlook to 2025 and the Role of infrastructure*";
- provided advice to the ACCC on coal export rationing proposals and arrangements to deal with the longer term infrastructure capacity constraints facing Hunter Valley coal exporters; and
- brings participants in the coal chain together with their suppliers at both the strategic and working level to ensure that there is a clear understanding of the export supply chain issues from all perspectives, and to provide reassurance to customers on Australia's capacity as a long term, reliable supplier of coal.