Senate Estimates Committee

Opening Remarks by David Marchant

Senators, in the December announcement of the Government's Nation Building and Economic Stimulus Package it included an investment of up to $1.26 billion in ARTC in the form of equity.

The equity investment was primarily directed at 2 broad packages of ARTC activity.

The first part was to assist ARTC in the delivery of a major capital program to enhance the capacity of the Hunter Valley coal lines to enable the rail infrastructure to manage the increase in export coal from the present level of 95 mtpa over the whole of the Hunter Valley coal chain to over 200 mtpa in 20012/13.

Up to $580 million of equity has been targeted to assist in supporting ARTC's balance sheet to raise debt to enable over $1.2 billion of new infrastructure to be built in the Valley.

The equity was necessary to overcome the present credit constraint on the market which was restricting ARTC's ability to effectively borrow, on reasonable terms, nearly $1 billion to undertake the capital required.

Each project investment when approved in accordance with the regulatory regime in the Hunter Valley will be incorporated in the access prices for full cost recovery plus the weighted average cost of capital as approved by the economic regulator from coal train operations.

If I can put the economic content in which ARTC sought the Hunter Valley equity and debt raising to undertake the expansion of the Hunter Valley coal rail corridor in context.

The coal loading facilities are presently being expanded from the present 96 mtpa with the NCIG Consortium initially constructing a 30 mtpa coal loader with the option to move to Stage 2 with an additional 30 mtpa.

The coal loading capacity at the Port is expected to expand with Carrington Coal Terminal to come on line by the end of Quarter 2, 2009 moving from 97 mtpa to 113 mtpa with NCIG final stage targeted for Quarter 4, 2012 providing Hunter Valley coal loading capacity of 200 mtpa.

The equity from the Australian Government with ARTC debt raising would enable rail capacity to continue to remain ahead of the Port export capacity.

In economic terms such capacity would from 2010 to 2017 provide for:

– over 634 million tonnes of coal;

– earning export revenue of between $11 billion to $20.9 billion dollars;

– State tax ad valorem of between $450 million and $750 million;

– Commonwealth tax revenue of potentially $1.6 billion to $2.67 billion;

– create in the mining sector up to 9,000 new direct jobs by 2017;

The second layer of the Government’s December package related to ARTC is the $563 million of projects outside the Hunter Valley.

These are in two parts – those where construction on the ground starts before May 2009 and those where the ground construction starts after May 2009 but the purchase and/or manufacturing of materials starts before May 2009.