

25 November 2022

Queensland Competition Authority
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Minerva DAAU – Submission from Central Queensland Inland Port Pty Ltd (CQIP)

CQIP has been instrumental in the development of a rail centric industrial estate at Yamala which has been supported and recommended by the Queensland State Government on the basis that rail is the preferred mode for movement of agricultural goods.

The CQ Inland Port is a regionally significant freight and logistics and industrial project near Emerald in Central Queensland. The project comprises:

- State of the art \$18.5 million Graincorp bulk grain handling facility
- Intermodal and container terminal
- 57 Lot special industrial park providing for major industrial activities
- New road interchange and upgraded local roads
- New 1.6km rail siding

There is currently over 8,000 tonnes of grain stored at CQIP intermodal in addition to that being handled by GrainCorp in their bulk facility. Additional businesses are also investing in manufacturing and processing plants within the industrial park, which is in part zoned by Central Highlands Council as Special Industry.

Central Highlands' Gross Regional Product (GRP) is estimated at \$6.875 billion by Remplan. Central Highlands represents 29.6% of Central Queensland's Gross Regional Product (GRP) of \$23.258 billion. Home to 28,311 people, Central Highlands supports 17,019 jobs and has an annual economic output of \$12.828 billion.

The potential market for rail is in excess of 15,000 TEU per annum. A single train per week will provide approximately 5,000 TEU per annum, so there is the potential to build the business from an initial single train per week to four trains per week for the Intermodal Terminal. A high production cotton year could add 3,000 TEU to the total, and major project cargo could add an additional 3,000 to 5,000 TEU in any year. The newly completed intermodal terminal is seeking train services now, with product waiting to be shipped.

CQIP supports the reduction in value of Aurizon's non utilised coal rail assets to zero. Indeed, it could be argued that such assets may more appropriately sit with the government -owned Queensland Rail organisation, which currently leases and manages the rail line west



of Nogoia on behalf of its government shareholder (and ultimately the residents/ratepayers of Queensland).

Queensland Rail owns and operates the line west of Nogoia, approximately 20 kms to the west of Yamala, and 61 km west of Burngrove. We assume the Nogoia to Wurba (Minerva) line would be mothballed.

We certainly acknowledge the proposed suspension of some asset values, but consider this is a first, but not sufficient step to consolidate existing and encourage future non coal services on this line.

Ongoing Maintenance and other costs – access to the network:

Deferred maintenance and renewal costs by Aurizon Network since and including 2021, appears to be in the order of \$2.7m identified prior to the cessation of coal carrying services, west of Burngrove. We note that it is not clear from the Aurizon submission whether asset values or maintenance and operations costs will be the primary driver of tariffs. We are advised that the impact of tariff increases could be approximately 500% for non coal trains utilising the Section from Burngrove to Yamala which is unsustainable for the agricultural businesses which use this section of the line.

The importance of rail and this proposal:

The majority of traffic on this section of the CQ Line consists of regular passenger and freight services to Longreach, both of which are subsidised through contracts with the State, and seasonal cattle train services – also the subject of subsidies which are designed, it is assumed, to keep rail competitive with road and appropriate long distance and/or bulk /containerised items on rail. In terms of non-coal, the current imbalance between road and rail asset pricing policies is a primary reason for the subsidy framework that exists to recognise various market failures.

Continuing to consider piecemeal amendments to the network has ongoing short and long term consequences that accumulate and result in further decline in the utilisation of rail. This is one more such proposal. It will have significant negative impacts on individual regions such as Central Highlands, and regional Queensland more broadly and appears to defy all facts about the environmental and safety benefits of rail relative to road, noting that:

- Rail freight produces **16 times less carbon pollution** than road freight per tonne kilometre travelled, valued at 1c per tonne kilometre.
- **Road accident costs are 20 times higher than rail** for every tonne kilometre of freight moved.
- Rail freight **generates 92% less PM10 than road freight** for each tonne kilometre of freight moved, valued at 1c per tonne kilometre. (ARA, 2020, page 4)



Private sector decisions such as that made by Aurizon Network (on what, despite the lease from DTMR to Aurizon Network of this track, is a significant state asset), also fail to acknowledge the investments and policy decisions by Government, and those private and corporate entities that also invested significant funds based on Government policies, such as the following:

In 2013, the Department of Transport and Main Roads developed their Moving Freight Strategy, which was a 10 year look ahead at freight priorities. Some specific priorities and actions linked directly with Yamala and were acted upon by the private and government sectors! In 2014, the Qld Transport and Logistics Council, in conjunction with the DTMR, identified Yamala as a preferred site for an inland port. This is further supported by the Resources Rail Lines, Phase 1 and 2 Reports, which were subsequently prepared by DTMR and also specifically mention the Intermodal facility at Yamala.

More recently, and after the investment of about \$40 million in the Yamala facility to bring it up to its current bulk and intermodal capabilities, documentation from Government still references the importance of rail in the freight mix and in Central Western Queensland.

Left unchecked and without competitive rail freight services, the state's future freight task will continue to be transported by road. Maximising rail freight use along strategic corridors through strategic planning can deliver improved economic, social and environmental benefits. (Qld Freight Strategy 2022) The Central West Line beyond Yamala is identified as a Key Freight Route in the Strategy and associated Freight Action Plan 2020-2022.

The QCA principles outline a variety of non-economic criteria to be considered when making regulatory judgements.

"The non-economic goals include social policy, equity considerations, the availability of goods and services to consumers, and the social impact of pricing practices. Regulatory pricing principles previously developed by the Authority acknowledge these non-economic goals, but have not provided concrete guidance on how the Authority should approach these issues when making pricing decisions. Social policy, equity and related issues are typically discussed under the broad heading of 'fairness'. The fairness concept is difficult to describe, but it encompasses traditional social policy and equity concerns."

Since these principles were published in 2013, there appears still, to be a lack of concrete guidance with respect to the increasing, if not highest priority issues described above as "social policy and equity concerns" such as carbon pollution, emissions reduction and climate change.

Ineffective stakeholder consultation on what is a major issue:

We recognise that the Queensland Competition Authority raised this issue within a month of receiving a draft amending access undertaking (the Minerva DAAU) from Aurizon



Network seeking to revise the Backwater system reference tariffs, given the Minerva mine has stopped raiing. We appreciate that the date for responses to this amendment were extended from November 17, to November 25, 2022 as we were not aware of the impacts of this issue until this week. Despite the material size of the documentation and importance of the issue, we cannot find direct, clear references to the potential impacts on non coal users on this line within Aurizon’s DAAU – a reference is made on page 8 of the Explanatory Notes. To non coal users, and their customers, there have been few detailed consultations – and none with CQIP, as a directly impacted party that owns the Central Queensland Inland Port but is not a train service operator!

We are advised that customers could be impacted significantly on the whole rail trip – not just the 40km between Burngrove and Yamala. An increase in freight tonnes for containers – which were within weeks of commencing from Yamala, and bulk grain by rail, for paths to Gladstone of any quantum is of major concern, let alone one that could be five times the existing access charges. Surely, if Aurizon no longer want to be responsible for this rail line (which such an increase in charges hints at), and is not keen to embrace non coal freight, it would be much preferable for the State to transfer the lease of that line to the Queensland Rail enterprise. We can assure Queensland Rail there are existing and new users seeking access but being stymied currently. Even further, it would be preferable to adopt transparency in coal and non coal pricing – more akin to the ARTC model.

If no action is taken at this time, it is likely that the outcome will be the demise of this train line west of Blackwater, and when coal reduces in the medium term, of no line west of Rockhampton.

Yours sincerely



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