

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON
TRANSPORT AND REGIONAL SERVICES**

**INQUIRY INTO INTEGRATION OF REGIONAL ROAD AND RAIL
NETWORKS AND THEIR CONNECTIVITY TO PORTS**

QUEENSLAND GOVERNMENT SUBMISSION

JUNE 2005

Executive Summary

The Queensland Government places a very high importance on facilitating trade both domestically and internationally. The Government is fully aware of the need for efficient and sustainable linkages between the various components of the State's freight network. The Government has agreed, through the Council of Australian Governments, to a simpler and consistent national system of regulation for ports and export-related infrastructure.

Queensland's 16 ports are well served by existing road and rail links to their respective catchment areas. This is primarily due to the State Government's high level of capital investment in constructing, improving and maintaining the regional networks which underpin regional economies within the state. However, increasing demand due to population growth and growth in export commodities is leading to a growing number of incidences where capacity constraints affect freight movements and trade opportunities. For example:

- Increasing road haulage of bulk commodities to destinations serviced by rail
- Increasing congestion and conflict between heavy vehicles and passenger vehicles on route to and from ports and other parts of the network
- Limited windows for freight movement on rail, due to passenger priority, on some urban and inter-urban routes
- Ancillary facilities such as terminals and holding yards coming under pressure from capacity increases, social and environmental constraints.

The growing freight task is having a particularly detrimental effect on urban congestion. Many of Queensland's ports are hosted by regional cities, and access to these ports is becoming a significant issue with the local community and the transport industry. Remedial infrastructure works in an urban environment are costly and impact greatly on the local communities.

Trade facilitation in an environment of high import and export growth, places a significant financial burden on the State to provide sufficient capacity and safeguard options for future capacity increases on the network; and the State has responded.

The AusLink initiative has good intentions, however, the pre-occupation with discreet corridor studies and the fact that AusLink does not extend to most ports, renders unlikely "an integrated approach to transport infrastructure planning and investment".

The defined AusLink 'network' represents a relatively small percentage of the infrastructure used to service Queensland ports, while the bulk of the financial burden for providing connectivity between land based transport networks and the ports falls to state and local government. Hence, if its aim is to promote trade facilitation as part of the AusLink agenda for Queensland, there are a number of infrastructure projects, both in the defined AusLink network and the broader regional network in which the Commonwealth could invest.

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Introduction: Trade – a challenge for Queensland's land transport network

The Queensland Government recognises the important role that the freight transport network, both land transport and its interface with ports, provides in the economic prosperity of Queensland.

Queensland is an export-oriented state. Natural resource industries (agriculture and mining) remain important contributors to the Queensland economy, accounting for \$13.6 billion in 2003/04, or 10.9 per cent of total industry output. Natural resource industry activities are principally regional activities. As a result, all of Queensland's ports, except Brisbane, are net exporters and many are dedicated solely to exports.

Increased freight demand on network

Economic growth in Queensland has exceeded growth in the rest of Australia in almost every year of the past decade. In addition to overall strength in the State's domestic consumption, business investment and public spending, its diversified export-orientated industrial structure and its strong small business sector underpin Queensland's robust economic performance. In addition to its export trade, Queensland has a strong service economy. The recent global surge in demand for export minerals, particularly coal, further adds to Queensland's economic performance.

Underpinning its strong economic performance, Queensland continues to experience high levels of population growth. Between 2000 and 2030 Queensland's population is expected to increase by 40 percent to 5.3 million people - making it Australia's second most populated state after New South Wales. Much of this growth is expected in urban areas, particularly in South East Queensland. In addition to high levels of urban population growth, the state also continues to experience substantial growth in its provincial cities as well as its inland towns and cities. The strength of Queensland's regions is driven by its strong regional economic performance.

A significant flow-on effect from increased population and strong economic growth is increased freight movement. Queensland has experienced massive growth in its rail freight task over the past five years, supporting the strong export performance for bulk commodities, particularly coal. Road freight has also experienced continued high growth, supporting domestic consumption, distribution and export markets. Queensland is also experiencing strong growth in imports with resultant increases in both road and rail freight movements.

The freight task for Queensland is expected to more than double within ten years, with growth at a much faster rate than population growth.

Developing a network solution – not just links

To succeed and grow in the global environment, regional economies must be able to connect with the rest of the country and the world, and produce goods efficiently. A large percentage of Queensland's regional economy is based on the sale of agricultural and mining commodities generally moved through ports. Efficient and accessible linkages across the transport and distribution networks are vital to maintaining international competitiveness.

However, while direct accessibility to ports is an important issue, an equally important issue is the capacity of the regional land transport network to support regional transportation needs. Adequate road and rail transport links are essential for regional economies. This is not simply to support the significant volume of freight that moves within regions, between regions, or to and from ports - but also to meet the transport and freight needs of the residents of the towns and communities that are essential to support export generating activities. While export activities contribute to the vitality of regional towns and communities, the towns and communities also contribute to the vitality of the export activity itself.

Having a transport network to enable the movement of bulk commodities between regional areas and the ports is not enough to achieve a strong export oriented economy. Regional connectivity is not simply a matter of ensuring that there is a link between an economic activity and its distribution point. There must be a network of interconnected links, which meet the manifold needs of diverse communities - a transport network that provides strong links within regional communities, between regional communities and with the whole of the state and indeed with the rest of Australia.

Queensland's transport network

Queensland has a mainland coastline of 6,973km. This is around three and half times the size of New South Wales or Victoria's mainland coastlines (2,007 km and 1,868 km respectively). Queensland supports its decentralised regional economy base with a network of 16 ports, of which 14 are trading ports. An overview of Queensland's regional economies and relationship to regional ports is included at Appendix 1. A copy of 2003/04 port trade statistics for Queensland ports is included at Appendix 2.

An equally decentralized and diverse land transport network services Queensland's port network.

Queensland has a vast road network with almost 177,000 km of public roads including the largest state-controlled road network of all Australian states, extending for 34,000km, representing 19% of the total state network. Although state controlled roads represent a relatively small proportion of the total road network, they carry almost 80 per cent of the traffic. All of Queensland's roads carry mixed traffic - both passenger and freight movements.

Queensland's 9,440 km rail network occupies some 40,000 ha of rail corridor land. 1,877 km of the network is electrified to date. All rail corridor land in Queensland is owned by the State and leased to accredited railway managers such as QR, apart from the Weipa bauxite railway, the sugar cane rail system and three balloon loops (at Box Flat, Laleham Mine and Queensland Alumina Limited near Gladstone) totalling some 35 route km. While much of Queensland's rail network is used exclusively for freight movements, key components of the network, including the western line, the north coast line, and the metro network are shared with passenger rail movements.

The retention of the major elements of this network (Road, Rail and Ports) in State ownership has enabled Queensland to coordinate its investment in infrastructure and maximise use of available network capacity as a result.

For this reason, Queensland's 16 ports are well served by existing road and rail links to their respective catchment areas. This is primarily due to the State Government's high level of

capital investment in constructing, improving and maintaining the regional networks which underpin regional economies within the state. However, increasing demand due to population growth and growth in export commodities is leading to a growing number of incidences where capacity constraints affect freight movements and trade opportunities. For example:

- Increasing road haulage of bulk commodities to destinations serviced by rail
- Increasing congestion and conflict between heavy vehicles and passenger vehicles on route to and from ports and other parts of the network
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How Queensland and Australian governments have responded to land transport challenges for trade

Queensland and Australian government investment in Queensland's transport infrastructure

Queensland has invested record amounts in recent years in key transport infrastructure – particularly, rail, road and port infrastructure.

Over the past five years, Queensland has spent, on average, \$1.02 billion a year to plan, manage, build, and maintain the 29,800 km of state-controlled roads for which it has full funding responsibility.

The 2004-05 to 2008-09 Queensland Roads Implementation Program (RIP) outlines state-funded allocations totalling \$6.3 billion over five years for state and local roads programs, including a significant increase in funding for works on state controlled roads from 2004-05 comprising:

- Extra \$186.25 million under the Smart State Building Fund over three years.
- Extra \$301 million in state election commitments over five years.
- Extra \$570.9 million under the new Arterial Roads Infrastructure Package over four years.
- \$279 million in assistance to local governments for local roads as part of the Transport Infrastructure Development Scheme, including \$7 million per annum from 2004-05 for priority Local Roads of Regional Significance as part of the Queensland Roads Alliance.

There are further substantial increases in the 2005/06 Queensland State Budget.

The Commonwealth contribution over the same timeframe represented about 19.5% of the state's total roads budget. While Queensland state funding for roads has doubled in real terms over the past 10 years, federal roads funding has been relatively flat for the past 28 years.

Over the same time, Queensland Government has continued to invest heavily in rail and other transport infrastructure; with capital expenditure on the state rail network amounting to \$1.12 billion in the last five years. Further, in the 2004-05 State Budget, the Queensland Government allocated \$1.06 billion as highlighted below:

- \$622 million to enhance rail services, rollingstock and infrastructure;
- \$84.4 million for public transport infrastructure in South East Queensland; and

- \$351.1 million for port projects.

Commonwealth contributions only account for about 10% of the state's total transport budget. The advent of AusLink has done little to change this balance.

There are priority projects on the declared AusLink National Land Transport Network for which, to date, the Commonwealth government has not provided funding. These include:

- \$1.6 billion for the Gateway Upgrade Project (including duplication of the Gateway Bridge and upgrading of 20km of the Gateway Motorway)
- \$21.7 million for upgrading the Flinders Highway (between Townsville and Cloncurry)
- \$300 million for upgrading sections of the Pacific Motorway (between Tugun and the Gateway Motorway)
- \$231.6 million for the first five years of the new thirty year life cycle plan for the Mount Isa Line Network
- \$26.5 million for replacement of bridges and upgrading of signalling on the Rockhampton to Townsville North Coast Line
- \$200 million (approx) planned projects (to be announced) in the Brisbane to Rockhampton rail corridor

Analysis of the funding of infrastructure over the past 10 years demonstrates the Commonwealth's inadequate commitment to infrastructure spending in this country. Data for 2003-04 shows:

- the Australian Government funded infrastructure at the rate of 0.9% of Gross Domestic Product, whereas the States as a whole provided funding equivalent to 2.0% of Gross Domestic Product;
- Queensland funded infrastructure at 2.5% of Gross State Product. Further, with the 20% increase in Queensland's capital program this year, the State's investment in infrastructure is expected to increase to 3.8% of Gross State Product in 2004-05 with further increases in 2005/06; and
- the States have maintained their infrastructure funding compared with 1993-94. At that time, the States funded infrastructure equal to 2.1% of Gross Domestic Product, similar to that recorded in 2003-04. Queensland's investment in infrastructure in 1993-94 equated to 2.3% of Gross State Product, slightly lower than that recorded in 2003-04.

It is clear the States have generally maintained their infrastructure funding effort. The Australian Government funded infrastructure in 1993-94 at the rate of 2.1% of Gross State Product, however this had fallen to only 0.9% in 2003-04, indicating a substantial decrease in the commitment to the provision of essential infrastructure in Queensland over the decade.

In terms of Gross Domestic Product, Commonwealth funding of infrastructure has been reduced from 0.8% of GDP in 1993-94 to 0.3% in 2003-04, a 60% drop. In dollar terms, a reduction of more than a third, from \$3.7 billion to only \$2.4 billion.

It is important for the future of the Australian economy that the Australian Government accepts its critical role in contributing financially to the establishment and maintenance of essential infrastructure throughout the nation.

The Commonwealth Government's AusLink initiative – released in June 2004, and supplemented as part of the Coalition's election platform – provides a total of \$12.5 billion nationally for road and rail on the new National Transport Network over the next five years. Queensland's share of administered funds under AusLink over this timeframe (including national black spots and carry overs) total \$1.85 billion for roads.

The recently announced preference to extend AusLink to ports does not encourage optimism that either land/port infrastructure will be enhanced or that maritime infrastructure such as wharves and channels will be funded to increase the efficiency of port infrastructure or to facilitate new or expanded trade. Spreading an inadequate funding commitment more thinly, and asking the states to make up the shortfall, does not solve the problem.

The AusLink promise

When announced, the AusLink initiative promised a move by the federal government toward 'an integrated approach to transport infrastructure planning and investment'. The initiative was to deliver a greater focus on the land transport network as a whole, with an emphasis on achieving improved land transport outcomes. The AusLink Green Paper argued that "effective long term planning for the national land transport network should look beyond piecemeal investments, individual modes and separate jurisdictional responsibilities" (AusLink Green Paper 2002 p 26). In launching the AusLink initiative, Deputy Prime Minister and Minister for Transport and Regional Services, John Anderson, claimed that AusLink would "improve transport links across regional Australia" and would lead to "better land transport links between regional centres and our major cities, which will benefit both passenger and freight traffic" (Anderson, Media release 7 Nov 2002).

These are objectives that Queensland strongly supports. However three years later, there is little evidence of progress by the Australian Government toward these objectives in Queensland. In fact, in the negotiations on the Bilateral Agreement with the Australian Government, the State is continually frustrated by the Australian Government's inability to commit or plan beyond the next four years.

The AusLink National Transport Network in Queensland is little more than a selection of freight corridors, not a network. Current developments for AusLink are focusing on the needs for specific corridors, independent of broader network needs, or the corridor's role within the whole network. There is no examination of the land transport 'network' needs for Queensland.

Part of the Australian Government rationale for the AusLink initiative was recognition that the land transport network required substantial increased investment to meet current and future needs. Proposed investment by the Australian Government remains piecemeal, and is incompatible with achieving its stated objectives.

The AusLink network represents a relatively small percentage of the infrastructure used to service Queensland ports. The bulk of the financial burden for providing connectivity between land based transport networks and the ports falls to state and local government. With the desire in AusLink to move away from 'separate jurisdictional responsibilities' the Australian Government's repeated response to virtually all emerging land transport challenges as being the "state's responsibility" can only be described as unhelpful, and is in fact contrary to its own stated objectives. In fact, the Australian Government has made it abundantly clear that it will not accept funding responsibility for its own identified network.

What can the Australian Government do?

While state and local governments in Queensland carry the burden for the majority of the land transport network and all the port infrastructure connected to that network, there are many

infrastructure projects in which the Commonwealth could gainfully invest if it wishes to promote trade facilitation as part of the AusLink agenda for Queensland.

Improve the quality of Queensland's land transport network

Although an effective network exists, there is significant issue in maintaining and improving the quality of Queensland's land transport network in the face of increasing demands. The state's vast size and dispersed settlement pattern outside urban areas means that many sections of the land transport network carry low volumes of traffic.

Queensland's road transport network has nearly 100,000km of unsealed roads with around 500 aging timber bridges in the state controlled network and long sections of sealed network with inadequate width serving export generating areas. Much of the road transport network comprises narrow roads and road sections with low flood immunity. More than one-third of Queensland travel is on sub-standard road surfaces. This is despite the Queensland Government consistently investing much more per capita than other states such as NSW and Victoria.

As with the road network, Queensland's rail network suffers from a range of problems which ultimately inhibit trade to some extent. Issues such as flooding, poor alignment, insufficient track axle loads for heavy freight, short passing loops and various speed restrictions limit the ability of the rail network to provide an efficient conduit for exports through those ports serviced by rail. (These limitations do not apply to the coal network which is relatively modern, purpose built and highly efficient. This is demonstrated by its ability to haul significant increases in tonnage year after year and meet the sudden and unanticipated massive growth in coal exports.)

Invest in port access links to Queensland ports

Ports are a major contributor to regional economic growth. Their success, however, contributes to a longer term problem associated with expansion and growth of port capacity. There is a need to support that growth with fit for purpose linkages to points of freight generation and consumption. As populations grow, land surrounding port facilities is consumed for urban, industrial and commercial purposes. Corridors for access to the port come under pressure with a growing mix of traffic. Urban amenity issues soon arise – heavy transport and residential housing do not mix well.

In addition to the challenge that urban congestion can create for regional connectivity to ports in urban areas, high volumes of heavy vehicle movements creates a range of issues:

- The need to widen intersections or otherwise improve alignments
- Issues associated with noise and its suppression
- Road wear
- Capacity issues (particularly in relation to meeting shipping deadlines associated with large shipments of perishable goods such as live cattle)

Urban congestion is a significant problem for Queensland's major ports in Brisbane, Gladstone and Townsville, all of which are ringed by densely populated urban areas or commercial/retail precincts.

AusLink – road and rail funding

AusLink identifies a National Network of key road and rail infrastructure but, at least in the case of Queensland, fails to adequately fund priority projects.

While Queensland supports a nationally focused, integrated land transport network strategy for Australia, the strategies outlined in the AusLink White Paper shift more of the financial responsibility for funding the National Network onto States and Territories. The AusLink strategy provides inadequate new funding for Queensland, with the Australian Government also now expecting State contributions for previously federally funded roads. This will significantly disadvantage Queensland road users and constrain export capacity, particularly in South East Queensland, the major economic growth area.

The Australian Government needs to address key road constraints as a matter of priority and recommit itself to its previous longstanding policy of fully funding national highways.

AusLink – rail funding

The Queensland rail network represents one fifth of the total Australian rail network but will only receive 0.5% of the available funding for rail under AusLink, with no Australian Government contribution to port infrastructure. The AusLink white paper identifies several rail corridors in Queensland as ‘nationally significant’ (including: rail from Brisbane to Townsville, and from Townsville to Mt Isa) but has not provided any funding for these corridors.

Queensland's total AusLink rail funding is limited to \$7 million for the Queensland section of a new signalling system from Casino to Acacia Ridge. By comparison, the Queensland Government, through Queensland Rail, has invested over \$1.4 billion for major rail infrastructure in the past six years, including around \$400 million for the metropolitan network and over \$1 billion for the coal networks and mainline regional networks.

Queensland receives no AusLink funding for rail infrastructure to support coal exports. Whilst this infrastructure is funded and developed on a strictly commercial basis, if the Australian Government is serious about improving coal transport infrastructure it should review Queensland's 0.5% share of AusLink rail funding. In particular, the Australian Government should work collaboratively with Queensland to deliver critical rail infrastructure which will deliver benefits to industry and the community for decades.

There are significant rail projects with strategic potential, including the Southern Missing Link between Wandoan and Theodore, the Northern Missing Link between the Goonyella and Newlands rail systems and the North-South inland rail corridor. The Australian Government has the opportunity to participate in the inland rail project and send a strong message to business and the international trading community about Australia's commitment to addressing infrastructure needs.

AusLink – road funding

While the Queensland Government is of the view that all elements of the transport network play a role in providing regional connectivity to ports, Queensland has a considerable number of road priorities that would directly assist with port related freight movements. The following list of road projects relate to the AusLink National Transport Network and the federal government could readily contribute towards them.

Queensland's National Highway System (NHS)

It has been acknowledged at the Commonwealth level (when addressing the Australian Government's record and future plans for fully funding the National Highway System) that the standard of Queensland's National Highway System (NHS) is the worst in Australia. That is, Queensland has the greatest needs, both in terms of existing network deficiencies and the increasing traffic demands of rapid population growth and industry expansion. National highways in Queensland are: rougher; more congested; less safe; and carry a higher share of total traffic (due to their export focus) than national highways in other states.

The backlog of deficiencies on the NHS (due to inadequate investment by the Australian Government in meeting its obligations) and emerging demands of industry-expansion particularly in our mining, sugar, cattle, tourism and other export-earning industries, are compounding the problem.

Due to the impact of the \$620 million reduction in national highway funding over the four years from 1996/97, capital investment in this critical piece of infrastructure has lagged well behind what is needed to address the growing freight traffic demands on Queensland's NHS.

Queensland's 2004-05 to 2008-09 NHS Forward Strategy Report submission, which was submitted in December 2003 to the Australian Government for funding consideration, identified that some \$600 million per annum is required over the next five years. This is the amount required to meet agreed Commonwealth and state standards for the NHS, for which the Commonwealth has full funding responsibility. (These standards were agreed to be 'modest'). Under AusLink, the main Australian Government response would appear to be little more than an attempt to abandon full funding responsibility for the NHS

South East Queensland

On 27 April, the Queensland Government released the SEQ Infrastructure Plan and Program. The Plan sets out transport investment requirements of over \$24 billion over the life of the Plan (20 years), with over 50% of the expenditure to occur over the next 10 years. A further \$11 billion of projects has been identified for investigation.

Road transport in Queensland, particularly in South East Queensland, is critical to the State's exports. Population growth and high growth in economic activity have placed substantial stress on SEQ connector roads and their ability to carry export freight to port. These connector roads include:

- the Toowoomba Range crossing;
- the Ipswich Motorway;
- Brisbane Urban corridors;
- the Gateway Motorway; and
- the Pacific Motorway including the Tugun Bypass.

The Queensland Government estimates these roads, which form part of the National Highway System (NHS), will require an investment of more than \$3 billion over the next five to seven years. AusLink funding commits only \$573 million over the next five years toward these projects.

Port of Brisbane Motorway. Stage two of the Port of Brisbane Motorway is planned to extend from the present junction with Lytton Road to north of Tanker Drive on Port Drive, bypassing sections of Lytton Road and Pritchard Street which have a low speed curve for heavy vehicles and a number of busy intersections.

The Port of Brisbane Corporation has made representations to the government for stage two to be undertaken in line with increasing industrial and commercial development in the Australia TradeCoast area as well as expansion of the Port of Brisbane itself.

Remainder of Queensland

Major unfunded priorities on Brisbane-Darwin corridor (Warrego, Landsborough, minor part of Flinders, Barkly Highways) include:

- Brisbane Valley Highway interchange (\$30m)
- Grade-separated interchange at Minden (\$11m)
- Toowoomba Bypass (\$585m)
- Toowoomba-Oakey four-laning (\$38m)
- Plus: Significant other minor works along this corridor:
 - widening and rehabilitation (\$169m)
 - at-grade intersection improvements (\$15m).
- Unfunded works along the Townsville-Cloncurry corridor (Flinders Highway)
- Townsville Port Access Road: RoNI submissions provided to federal government in December 2003
 - Stage 1 Stuart Bypass (total cost \$16m) 50/50 contribution sought
 - Stage 2 – planning, design and corridor acquisition Bruce Highway to Townsville Port (total cost \$19m) 50/50 contribution sought
 - Further funding submission forwarded to the Australian Government on 27 August 2004 for \$57.6m representing 50% of the estimated total cost of construction of the Townsville Port access road stages 1 & 2.
- Safety and width improvements between Charters Towers and Cloncurry (\$54m).

Conclusion

It is hoped that this submission will assist the inquiry to understand the issues facing Queensland in relation to the significant and growing trade task at hand.

The Queensland government is deservedly proud of its achievements in providing efficient and sustainable road, rail and port networks to facilitate the access of Queensland businesses to overseas and domestic markets. The Australian Government can do a lot more to assist in this regard. The financial commitments to Queensland under AusLink are insufficient given the challenges outlined in this submission.