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Independent Planning Commission - Vickery Extension Project Michael Clancy Australian Rail Track Corporation

Monday, 18 December 2018. Gunnedah Shire Council Chambers

Thank you for the opportunity to present ARTC's submission at this independent planning commission hearing and to the Gunnedah community here today.

I represent the Australian Rail Track Corporation (ARTC) as the Manager of Business Development and Property, where my primary role is to investigate, encourage and support new non-coal freight opportunities onto the Hunter Valley rail network that we operate.

We are presenting in support of the proposed extension of the approved Vickery coal mine.

As part of this submission ARTC would like to take the opportunity to outline how developments such as the proposed Vickery Extension are beneficial to wider users of the rail network, as well as local communities and workers that depend on businesses and operations like ours.

There are three primary areas I will address:

1. The context and nature of the multi-user rail network that ARTC operates in the Hunter Valley
2. How investment in mining supports other users of the rail network and creates mutual benefit for other customers and industries
3. The broader benefits associated with the rail network – supported by coal volumes

About ARTC and the Hunter Valley rail network

The Australian Rail Track Corporation is a government business enterprise (GBE) that operate, manage and maintain approximately 8500 kilometres of track right across Australia.

The Hunter Valley network is a large component of our business, involving a busy, predominantly coal rail network, approx. 1400km in length from the Port of Newcastle, to Muswellbrook where it spans west along the Ulan line and toward Parkes as well as north of Muswellbrook beyond Narrabri toward Moree and the Queensland border.

While coal services are our primary customers in terms of volume of train services and tonnages; we operate a mixed-use, open-access rail network which also supports grain, general freight, and bulk freight services as well as passenger service customers.

Today the Hunter Valley rail network is one of the busiest and most diverse networks in the country. On an average day there are over 250 trains that traverse the network with just under half of these being coal trains, the balance being passenger services and other freight.

As a GBE, ARTC has a commercial charter and operates as a Limited Company under the Corporations Act.

In terms of how investment in the rail network is conducted and funding of ongoing operational maintenance and improvements: We charge our customers a fee to operate on our network, under a pricing regime known as the Hunter Valley Access Undertaking (HVAU).

This is independently overseen by the Australian Competition and Consumer Commission (ACCC) to ensure a fair pricing regime for users of the network.

As you may be aware the revenue ARTC earns is used to reinvest into the network, fund capital projects and operational maintenance requirements.

To this end, the Hunter Valley network is commercially sustainable and supports ARTC's performance as a profitable company. Over the last two years ARTC has made dividend payments to the order of \$148m.

Our coal customers have also been significant in terms of the capital investment made into the rail network, which over the last ten years has equated to around \$1.7bn in capital upgrades delivered right across the Hunter Valley coal corridor (not including separate direct investment made by above rail operators).

Additionally, the coal industry – and our other customers – help fund around \$220 million in operational expenditure each year (things like ongoing maintenance, track renewals and upgrades) and which supports the direct employment of 466 full time employees within ARTC's Hunter Valley Business Unit. Nearly 100% of whom are based in the Hunter and the communities where we operate. This includes the direct employment of 25 people in Gunnedah region alone.

A significant component of the operational expenditure on the rail network relates to major maintenance works, mostly delivered during track 'closedown' periods for three days. During these periods ARTC will invest approximately \$20m - \$30m in essential works, which sees the deployment of an additional workforce of more than 1000 contractors right through the Hunter Valley. The local economic impact of these periods are substantial. For example, in February in the Gunnedah region ARTC will be delivering over \$4m of work, with much of being on material such as locally sourced contractors, quarry materials and accommodation.

Mutual benefit of a multi-user network

I mention the scale of the investment into the Hunter rail network as it helps provide some context as to the benefit the coal industry provides to complementary industries like the rail and broader supply chain.

And how it is critical that ongoing investment in new opportunities such as the Vickery Extension support the industries around them.

Rail is naturally suited to supporting the resources industry and will continue to do so for many years to come.

It is also an area where Australian operators have been world leaders, particularly in the heavy haul bulk rail sector, operating some of the longest and heaviest freight trains around the globe.

This increase in scale has flow on benefits to other industries that benefit the other users of the network and this interaction between coal rail services and other customers on our network is often misunderstood but they are highly complementary from an ARTC perspective.

Many of you in this room and within the wider community understand the importance of competitive supply chains when it comes to the produce you grow and transport both domestically and internationally.

There is much talk to build on Australia's comparative advantages in food production - and any success in this, along with development of corresponding infrastructure, will be to rail's benefit as the haulage mode-of-choice for grains, raw food products and materials.

Obviously, the future requires our rail network to be able to cater for larger, more efficient trains and have these trains capable of traversing this state and nation on a network designed, constructed and maintained for a future in which the global competition will be fierce for Australian product entering existing and new markets.

The North American model for rail transport is often cited as an exemplar for the Australian supply chain and the Hunter network is the closest example of this type of operation being in place: where investment to support heavy haulage, predominantly resources operations, has created a transport supply chain for other industries to leverage.

For example, the investment program over the last decade in the Hunter Valley has seen the average coal train size increase to over 1300m with payloads in excess of 8000 tonne. Building on the strong foundation provided by the coal industry's investment in the network, more recently ARTC has been able to work with the grain industry to increase the average grain train size; up to 2015 the average size of train

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providing export grain to the Port of Newcastle had payloads under 2000 tonne. Today the available payload is over 3500 tonne - a 75% increase.

This in turn has reduced freight rates, increased throughput through the NSW grain terminals and ultimately improved farm gate prices.

Vickery Extension Project

Noting the advantages this predominantly coal-based rail network offers other industries, there are also direct benefits to ARTC's business with new resources developments.

We are supportive of developments such as the Vickery Extension because it ensures

- Continuity of tonnages to support the commercial operation of national and state significant infrastructure being the Hunter Valley rail network
- The underwriting of ongoing modernisation, renewal and investment in the rail network
- Continuity of ARTC employment in Gunnedah both directly and indirectly
- The opportunity for other non-coal freight sectors to leverage off the investment.