

Infrastructure Challenges – keeping up with minerals sector demand



Tasmanian Minerals Council - 13 May 2011

Norm Mcilfattrick, Secretary - Infrastructure, Energy and Resources

To Quote Billy Connolly – “we want more of this, and less of that, and tomorrow the rules will all be changed, so stay awake!”

- A bit like my job really!
- And, I suspect a lot like yours in today’s challenging world.
- However, it is a pleasure to be talking today to an industry sector that does place significant demands on the State’s infrastructure – for all the right reasons.
- Maintaining and improving key infrastructure is facing increasing pressure from competing National, State and Local Government funding priorities.
- I believe, this challenge can only be met by greater co-operation and co-ordinated effort between all stakeholders and decision makers

So I hope to tap into your needs and priorities today – I’ll be around all day so don’t miss the opportunity!

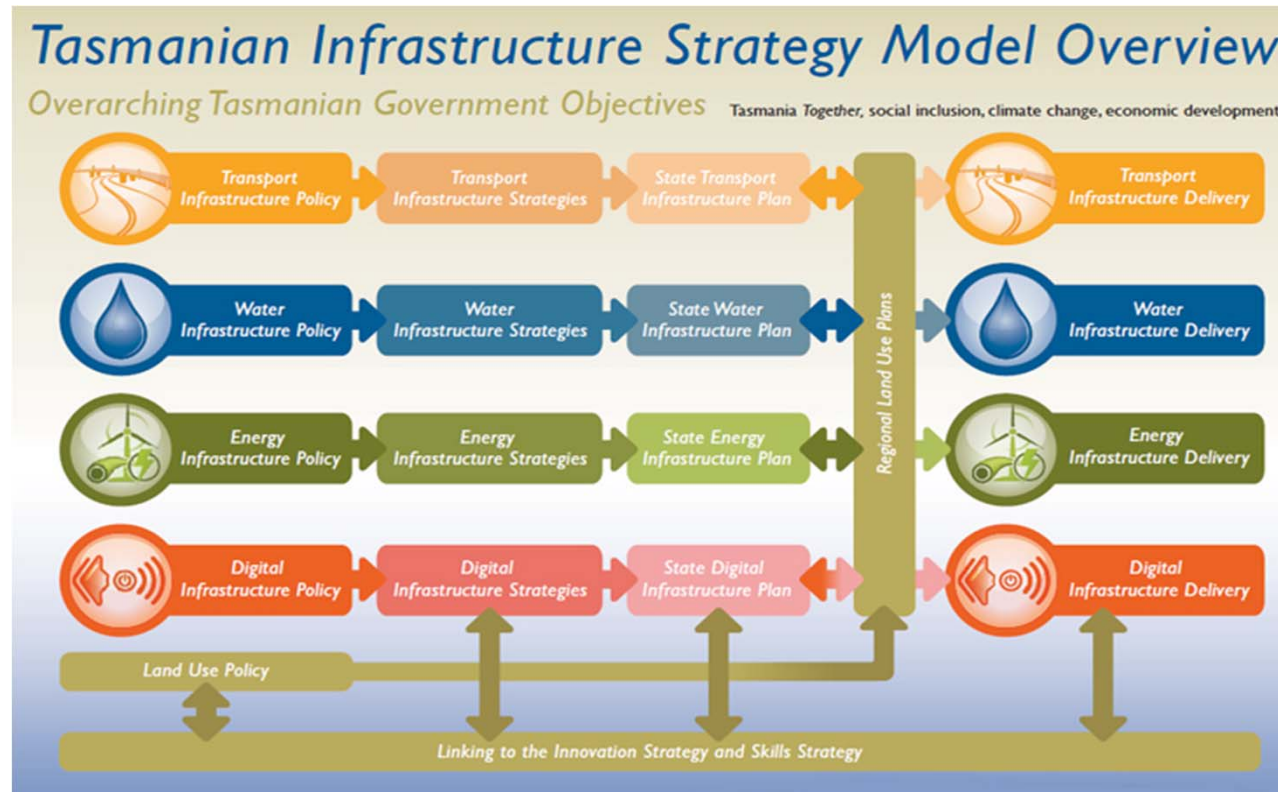
The Tasmanian Infrastructure Strategy provides a platform for change



- This Strategy aims to coordinate our effort across the major economic infrastructure sectors of transport, water, energy and digital technology; and
- Sets a pathway to challenge our approach to the way we plan, deliver and maintain infrastructure in Tasmania.
- If you want to learn more about the plan as it evolves:

www.infrastructure.tas.gov.au

There has been an early focus on better integration of Land Use Planning and Infrastructure provision



- Tasmanian Planning Commission established, with new ‘infrastructure’ Commissioners
 - Regional Land Use plans to be completed this year
- Tasmanian Infrastructure Advisory Council to be established – first meeting was this week

Infrastructure Challenges – keeping up with minerals sector demand

We want more of this!

- Road upgrades – on our key freight routes
- Rail Service – Viable & Reliable
- Port and shipping access
- Electricity – reliable connections and competitive choice
- Gas – as an option
- Water – access and quality

And less of that!

- Planning uncertainty
- Derailments and under investment
- Bottlenecks & Shipping uncertainty
- Price increases and connection delays
- Delay in natural gas roll-out
- Fighting between State and Local Government

Any other issues you can think of?

Is infrastructure important in the state economy?

- We are a \$20B roughly, annual economy - \$200m in capex or turnover in exchange for goods and services = 1% of GSP
- Mining and Mineral Processing Contributes between 10 and 15% of our GSP
- *What do you think Infrastructure contribution would be?*

Infrastructure	Capex	Turnover	Customers	Ownership
	\$M	\$M		
Electricity	200- 300	1500	300000	SOC
Gas	25	100	8000	Private
Roads	200	500	300000	State/ Local Govt
Rail	100	<50	low	State
Telco	100 to 200	500+	300000++	Private
Water and Sewerage	100+	500+	300000	Local (Corp)
Irrigation	50+	Low	low	SOC/ private
Ports	50+	100+	freight/ passenger	SOC/ private
	5% GSP	10-15% GSP		

General Characteristics of Infrastructure Utilities

- Large/ expensive/ long term Asset base (renewal range 10 to 100 years)
 - plenty of sunk/ historic costs!
- Generally some monopoly characteristics (natural or market dominant)
- Often speculative in establishment, utility in maturity
 - eg rail in 1900's, gas/ irrigation now?
- Can be huge economic change engines
 - Hydro Industrialisation, Irrigation/ NBN now?
- Can be economic enablers – or competitive constraints
 - Global connections – ports and telecoms
 - Freight – efficiency and competitiveness

*Rarely without some call on Government
financial assistance!
But can be an important cash-cow for the same!*



Department of Infrastructure Energy and
Resources

Who owns and operates infrastructure utilities?

- Government when it is a community good; or
 - a cash drain, non commercial return, or needs rescuing!
 - *think of some? (2009 for me!)*
- Private Sector when it is a cash-cow, growth stock
 - i.e. finally making a commercial return, or on sale below commercial value
- Community? – when it is well past its commercial/practical Use by Date
 - *disused rail, some ports*
- Ownership transition simple?

You have got to be joking – community and politics moves from complacency to absolute “ownership” of the issue if you even mention it!

Who should own them????



Department of Infrastructure Energy and Resources

Investment in upgrading Tasmania's Roads has increased significantly

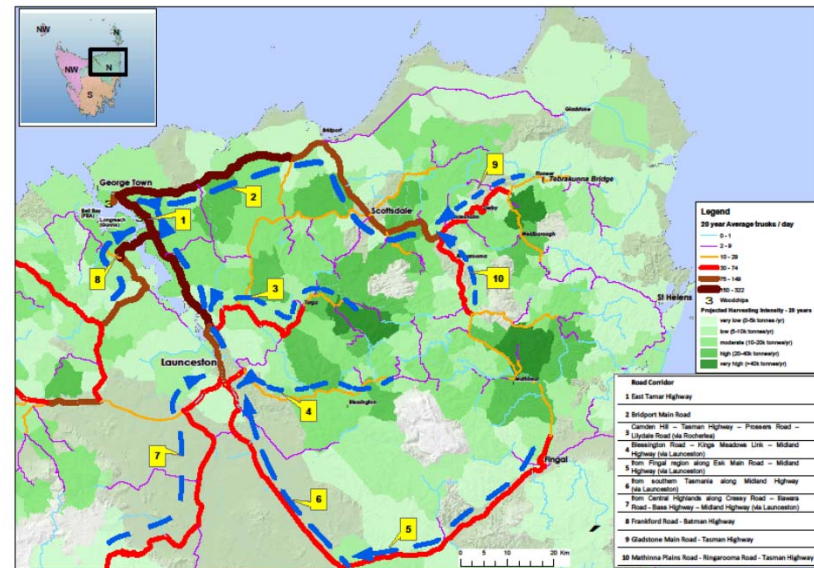
Major projects are being completed on freight trunk routes:

- East Tamar Hwy, including the Dilston Bypass (\$60M)– open 2011.
- Brighton Bypass (\$190M) – open 2013 (18 months late due to heritage issues)

Other Major projects are about to commence:

- North East Freight routes (\$41m) progressive to 2013/14
- West Coast road upgrades (\$21m) progressive to 2014/15
- Community Roads (\$90m) – up to 2014/15

We need to keep a close eye on Federal and State financials in the next few years



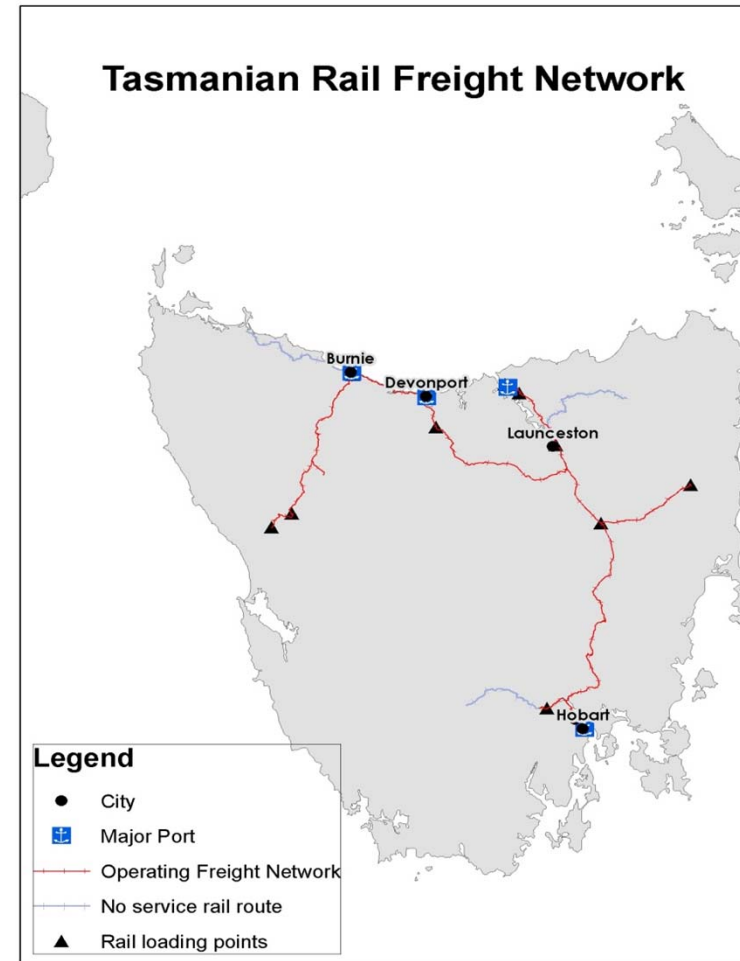
Evidence based investment is the key

-eg NE Freight Roads:

- \$42m Investment driven by Forest plantation harvesting projected over next 20 years
- Freight forecast being updated in 2011

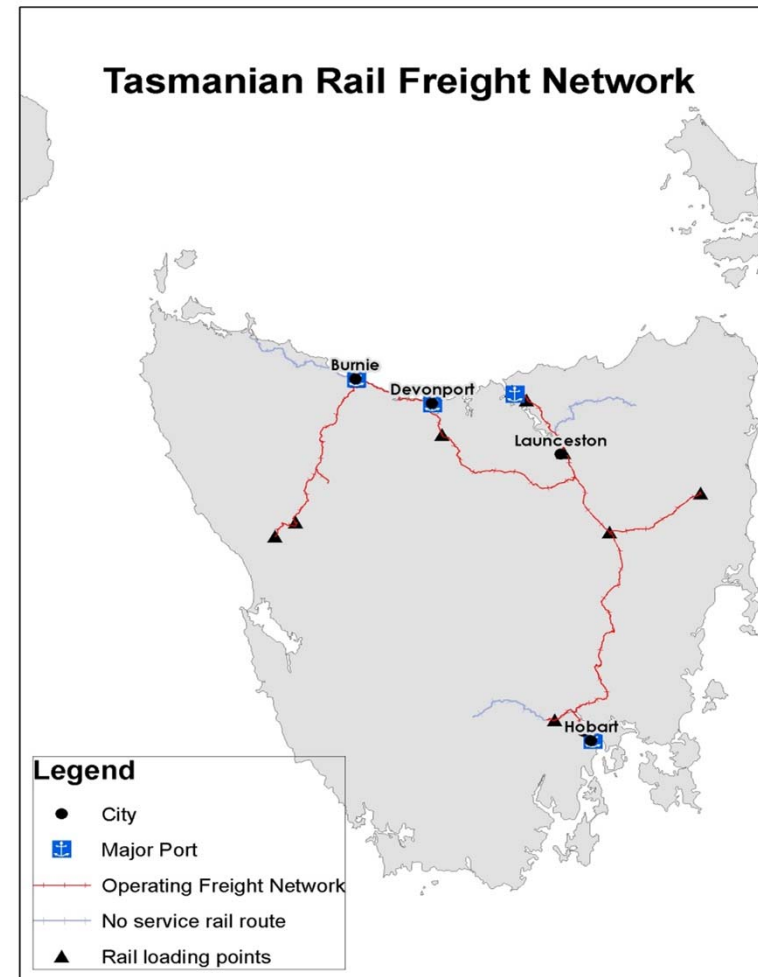
2009 and 2010 were milestone years for rail in Tasmania

- *Shock* in June 2009 – the threat by Asciano to shut down the network;
- *Relief* in December 2009 - a new State Owned Corporation (TasRail) formed
- *Recovery* 2010 - TasRail's first year of operation completed.
- *Future proofing* 2010 to 2014– over \$200m investment committed

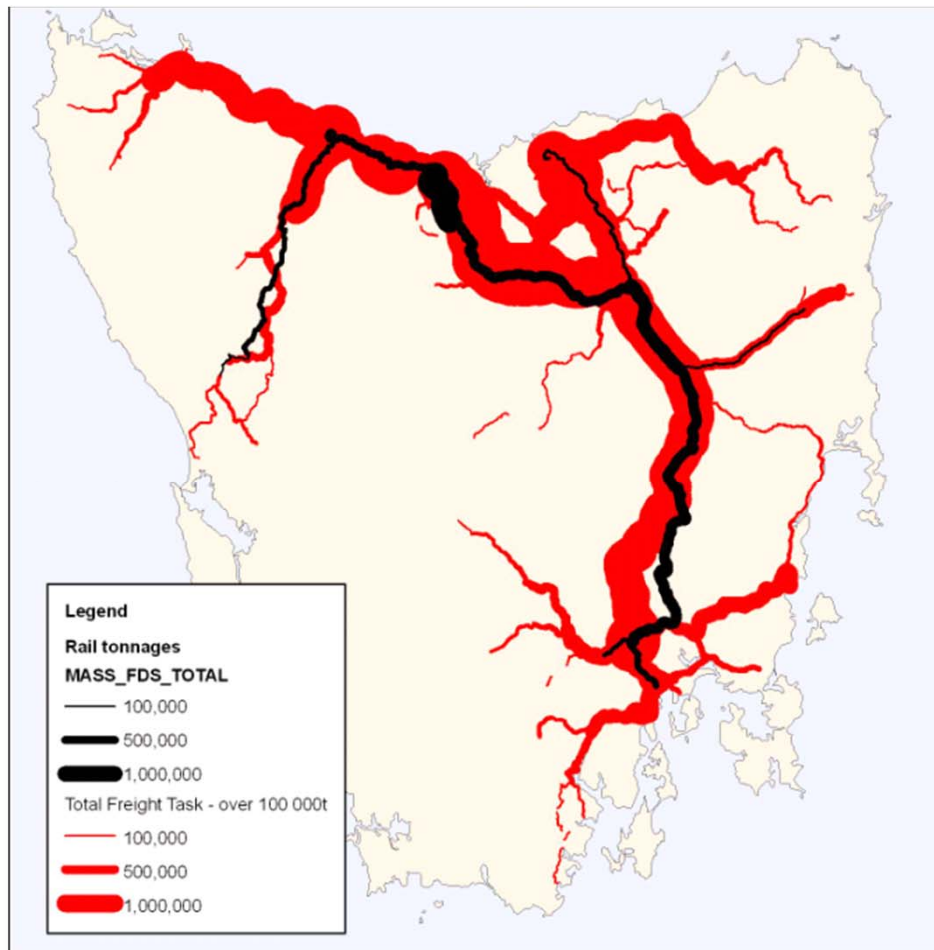


Rail in Tasmania has a new chance for revival

- The railway, including the important West Coast line, and all operations are now in one company;
- State and Federal Governments have committed hundreds of \$millions for rail and rolling stock investment;
 - Rolling stock investment, both significant refurbishment and new purchases are on the agenda for the first time in decades;
 - Catch-up maintenance over the past year has already improved reliability.
- TasRail has a very active and experienced Board and have retained nearly 100% of the Pacific National workforce;
- Customers are starting to see the difference – TasRail are engaging with them!



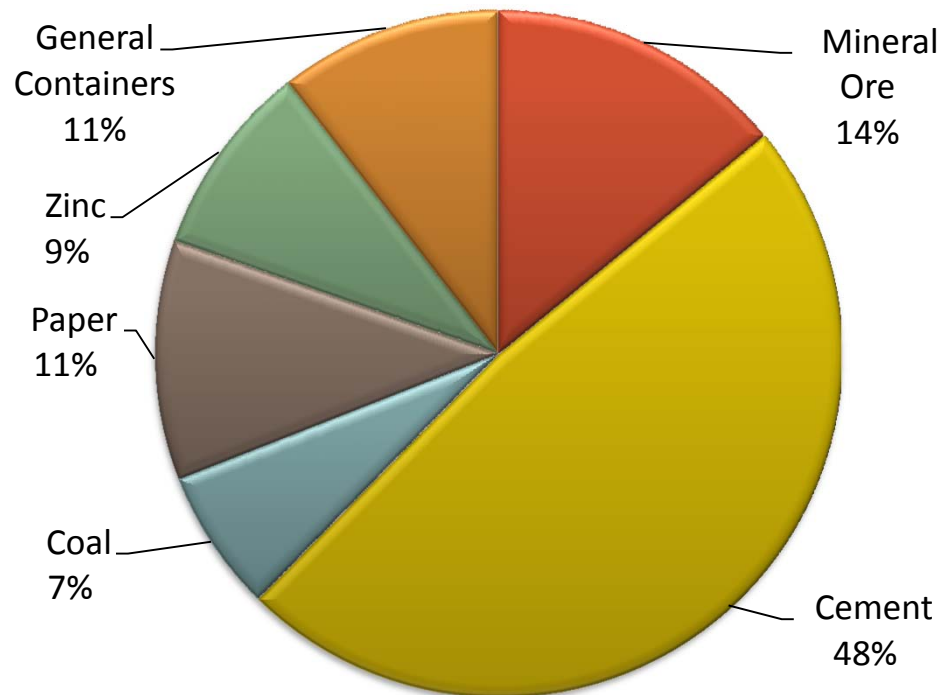
Rail still has a challenging time ahead



- While rail carries some significant loads – it carries less than 20% of the high volume freight task in Tasmania
- B Double road transport dominates
- This is both a threat to rail and an opportunity
- Reliability has been the key missing factor for Rail in Tasmania;
- The proposed investment program will go a long way to addressing this; and
- Should provide a more balanced set of choices for freight customers.

But Minerals is an area where rail has a larger share of the market

Chart Showing Percentage Annual Tonnage by Commodity Aug 2010



- Obviously Cement dominates the volume
- West Coast minerals are significant and have plenty of upside
 - Volumes are growing again after the GFC, and significant new prospects are emerging
- General Container volumes are under represented
 - a significant and growing opportunity (particularly post Brighton Hub)
- It is now time for industry customers to think again about Rail as a viable option.

Work on Port infrastructure has to account for short and long-term freight demand

- Brighton Transport Hub (\$79M) – open 2011

- significant intermodal/ logistics improvement North-South freight
- will take hours off the Burnie/ Hobart and Bell Bay/ Hobart round trips.

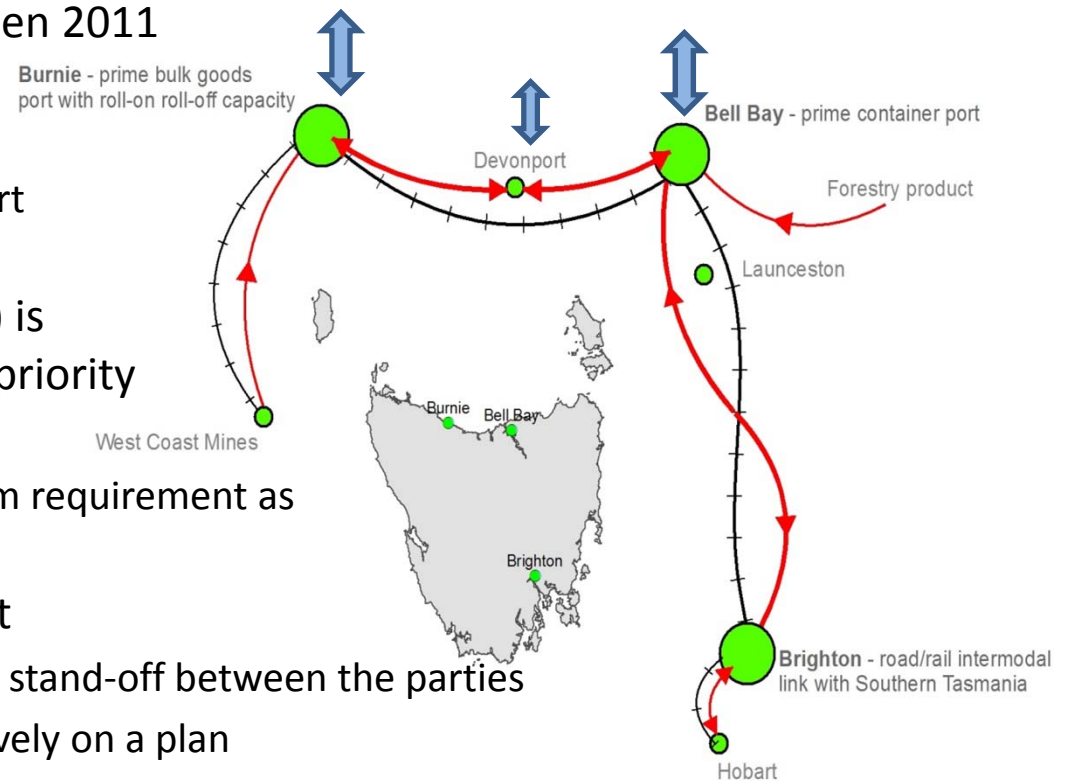
- Bell Bay Port upgrade (up to \$150M) is included in Infrastructure Australia priority list

- recognised as a medium to long term requirement as container freight grows

- Burnie Port upgrade the most urgent

- Previous development frustrated by stand-off between the parties
- Tasports, TasRail and Toll co-operatively on a plan
- Expect to have agreement by mid 2011 – around \$10m to fix

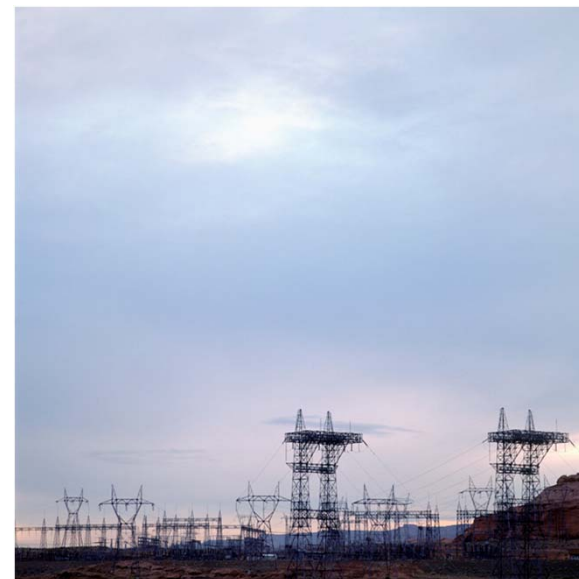
- Recent impacts - loss of semi-regular AAA shipping service from Bell Bay



Western Tasmania Industry Infrastructure Study – has commenced

The Energy Sector is under review

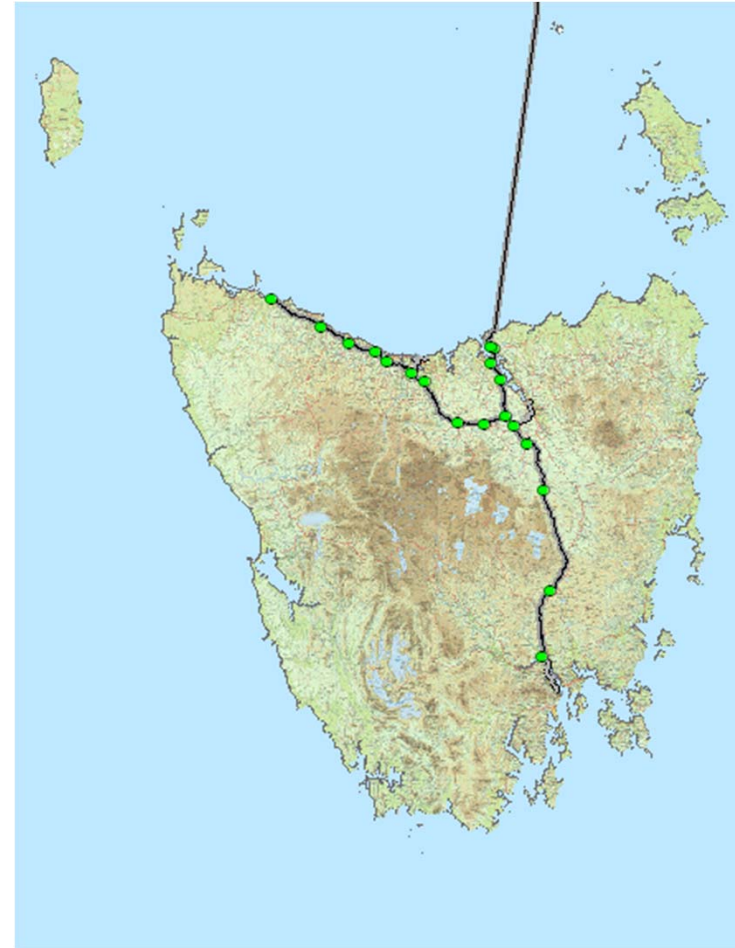
- Upward pressure on electricity prices appears inevitable
 - Rises in transmission the most obvious for the Mineral sector
 - Hopefully some offsetting benefits have resulted from the competitive market
- Our renewable energy resource and future development should be a hedge against Carbon impacts – *should!*
- The independent Electricity Review panel will finalise their report to Government later in the year
 - They will be looking for changes that take account of the Tasmanian market arrangements in the national context.
 - Obviously, everything hasn't panned out exactly as forecast since restructure of the industry and entry into the national market



Natural Gas – the network will expand if commercially viable

- The backbone is in place, but further expansion is reliant on industrial customer demand
- Emerging interest in CNG and LNG (Transport)
- Potential to look at rail backhaul for CNG to west Coast?

Thanks for listening – see you at the break.



Western Tasmania Industry Infrastructure (WTII) Study

- Aims to provide the Tasmanian Government with a set of future infrastructure priorities to facilitate economic development in the region.
- Will provide a regional infrastructure plan that can be used as the basis for the Tasmanian Government to engage with the Federal Government (e.g. Infrastructure Australia) to seek funding for infrastructure.
- The major components and outputs:
 - Infrastructure Audit – including: current transport infrastructure (including road, rail and ports); telecommunications infrastructure (including broadband); energy infrastructure; water infrastructure; and other infrastructure, as identified in the process, relevant to industry development in the region.
 - Industry analysis – current and future industry structure and operations; and
 - Regional Infrastructure Plan – based on the above information, the RIP will investigate the ability of current infrastructure to cater for the needs of a range of industry sectors, determine key gaps in current infrastructure provision and identify future infrastructure priorities.