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25 November 2022

Queensland Competition Authority
GPO Box 2257
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Via the Queensland Competition Authority Submissions Portal

Dear Sir/Madam

Minerva Draft Amending Access Undertaking (DAAU) – Central Highlands Regional Council Submission

Reference is made to the Stakeholder Notice released by the Queensland Competition Authority (QCA) inviting submissions in relation to the Minerva DAAU in accordance with the requirements under section 143(3) of the *Queensland Competition Authority Act 1997* (Qld).

Central Highlands Regional Council (**Council**) welcomes the opportunity to provide a submission to the QCA.

As Chief Executive Officer, I am authorised to make a submission on behalf of Council in relation to the Minerva DAAU.

Council respectfully requests that the QCA consider the following matters:

1. Clarity in relation to appropriateness of increased rail tariffs for non-coal access holders

Section 7 of the Minerva DAAU points to significant increases post 1 January 2023 for non-coal access holders. It is unclear whether Aurizon's negotiations with Felix Resources in 2009 and prior upgrade of the rail to higher standards to facilitate the freight of coal from the individual coal customer have precipitated in the need for increased tariffs from 1 January 2023 for non-coal access holders. Clarity would be welcomed in relation to whether the increased tariffs outlined at section 7 of the Minerva DAAU result in a reallocation of cost and risk for which Aurizon should be responsible. Council does not have enough information to draw a firm conclusion on this matter.

2. Need for thorough impact analysis of the Minerva DAAU

The Explanatory Notes for the Minerva DAAU (**explanatory notes**) reference that "in developing the Minerva DAAU, the Aurizon Network has had regard to the risk sharing arrangements and allocations assumed in the development of the original West Blackwater

Reference Tariff” which referenced various access agreements (**access agreements**).

Council is concerned that the potential impacts of the Minerva DAAU will result in a number of both direct impacts on non-coal access agreement holders and indirect impacts on businesses relying on such non-coal access agreement holders, which are not appropriately understood. Such impacts may result in rail freight becoming uneconomically viable for a number of non-coal businesses who are reliant on the access agreements for utilisation of the rail network. To this end, Council considers that Aurizon must undertake an impact analysis in relation to increases in rail tariffs payable by non-coal access holders, and that such impacts are unlikely to be comprehensively understood until such time as consultation with non-coal access holders (and those reliant on them) is concluded (section 7 of the explanatory notes reference that such consultation is ongoing). The broader implications for non-coal access agreement holders do not appear to be canvassed within the Minerva DAAU.

In particular, Council notes the concerns of major businesses such as Graincorp and CQ Inland Port (CQIP) in relation to impacts of the proposed tariff changes and supports the submission of Graincorp – it is noted that Council is aware that CQIP is also preparing a submission in relation to the Minerva DAAU, however Council has not had the opportunity to review same as at the time making this submission.

3. Potential impact of freight being diverted from rail to the State controlled road network

To the extent that the changes proposed within the Minerva DAAU result in freight being diverted to the State controlled road network, Council holds serious concerns in relation to the increased deterioration of the road network which is likely to result in a sub-standard asset and an ongoing increase in public safety risks caused by both congestion and the increased deterioration of the road asset.

4. Potential impact on the Yamala Enterprise Area due to the proposed tariff changes

The Yamala Enterprise Area (**YEA**) is a key special industry zone within the Central Highlands local government area currently home to the Louis Dreyfus Cotton Mill, Graincorp Yamala site and CQ Inland Port. Uses permitted within the special industry zone include:

- Renewable development (including hydrogen);
- Abattoirs / meat processing plant;
- Concrete batching / products;
- Oilseeds processing;
- Tanneries;
- Rendering plant;
- Stockfeed manufacture;
- Fertilizer manufacture; and
- Fuel storage and distribution.

A number of proponents consistent with the abovementioned potential uses are currently exploring investing in the site.

To the extent that the implications for non-coal users and potential future users outlined at section 7 of the Minerva DAAU result in:

- use of the rail system becoming uneconomic for the users located within the Yamala Enterprise Area; and

- as a result, the Queensland Government's Moving Freight Strategy which endorses use of rail instead of road unable to be realised;
- Council submits that those relevant implications should be reconsidered. Further background in relation to both matters is provided in the subsequent paragraphs.

A key action of the Queensland Governments' Moving Freight Strategy for more efficient freight movements is to improve regional rail for agriculture and general freight.

In October 2013, a Queensland Government Parliamentary Inquiry was initiated into rail freight use by the agricultural and livestock industries. The inquiry included an evaluation of ways to expand the use of rail freight to support the agriculture sector. The Committee report was completed in June 2014 and outlined a number of significant constraints to incentivising the agricultural and livestock industries to utilise more rail freight. The report noted that 'do nothing is not an option', noting that the existing road freight system would not cope with the forecast demand with roads quickly reaching capacity. The Committee outlined 45 recommendations to improve the use of rail freight. Of these, three recommendations supported the development of a well-planned inland port facility to promote the use of rail freight. In particular, the Committee recommended that:

- Optimal locations and linkages for a series of warehousing and intermodal terminal or inland port solutions be investigated; and
- Interested stakeholders are to be engaged to identify and remove barriers to progressing these projects.

In support of the inquiry, the Department of Transport and Main Roads (**DTMR**) undertook a phase 1 planning study into resources rail lines in Central Queensland. The project aimed to:

- Identify rail infrastructure constraints that may impact on the movement of fuel by rail from the ports of Gladstone and Mackay to an inland port located at/near Emerald or Alpha;
- Identify suitable parcel(s) of land at/near Emerald or Alpha where an inland port could be developed;
- Source rail freight data to study existing freight flows by commodity, volume, origin and destination; and
- Using a standard logistics platform based on containerised freight movements in TEU, establish the contestability of grain, cotton, citrus and beef exports; and
- Propose a new logistics model to support the efficient movement of mining inputs and agricultural outputs aimed at facilitating a modal shift from road to rail.

The Planning Study resulted in the DTMR Resources Rail Lines – Link Planning Study Project Final Report (Phase 1) released in 2014. A copy of that report is enclosed at Appendix A. The report recommended investment in Emerald to “capture a greater volume of freight to support inland port development costs; better serve growth in the current market, and act as an interim development platform that supports the containerisation of the fuel logistic supply chain”.

Subsequently, DTMR worked in collaboration with Council to identify potential sites in the Emerald area. Using the Central Highlands Strategic Framework: Future Directions for Land Use Planning 2031, CHRC nominated two sites, one of which being “Emerald East” (an industrial site at Yamala, situated 22 kilometres east of Emerald, with links to both rail and road) as preferable.

Overall, the report identified that improving the supply chain performance of the regions' freight network has the potential to contribute to regional and local economies by facilitating the expanded development of agriculture, resources, tourism and construction. Growing demand for the transport of significant mining input material to the Bowen and Galilee Basins coupled with underlying

demand by the agricultural and construction industries provides a significant opportunity to optimise the use of existing below rail infrastructure and above rail services and provides a rationale to further investigate the economic and financial feasibility of a greenfield inland port facility in Central Queensland.

In 2015, DTMR undertook a phase 2 project which investigated the economic viability of an intermodal facility at Yamala by examining the potential supply chain effects of a standardised logistics platform. The project aimed to assess the efficiency impacts generated for freight in Central Queensland through a strategically planned and innovative inland intermodal facility at Yamala, east of Emerald. It also explored the potential indirect benefits an intermodal facility can generate for local residents, industry and the wider state economy. In 2015, the DTMR Resources Rail Lines Report (Phase 2) 2015 was finalised. A copy of that report is enclosed at Appendix B. The Report concluded the development of the intermodal facility at Yamala demonstrated a preliminary benefit to users, government and the community and that the project would ultimately lower transport costs and encourage greater rail mode share for contestable freight volumes providing benefits to users. "Engagement with the community and industry stakeholders confirmed the need for the project highlighting the facility as a feasible and an important infrastructure requirement to unlock transport constraints in the region. A preliminary assessment of indirect benefits identifies the role the facility can play in promoting agglomeration of firms, increasing competitive markets, labour market impacts and jobs creation."

In recognition of the economic benefits and need for the project articulated within the DTMR reports, including the need to divert freight from rail, Council was subsequently successful in an application for funding under Building our Regions (Round 3) in the sum of \$4.415 million towards a \$10.665million project, that consisted of:

- The construction of a 1.5 kilometre dead end rail siding; and
- Undertaking related road upgrades to Bonnie Doon Road, including the intersection with the Capricorn Highway.

Additional public funding in the sum of over \$15million has also been contributed to realisation of broader projects within the YEA.

It is imperative that the considered and extensive planning which has been undertaken with respect to the YEA and the significant public investment that has been committed to the YEA is not quashed because of the potential implications outlined under section 7 of the Minerva DAAU.

On behalf of council, I would like to take this opportunity to thank you for consideration of this submission.

Yours faithfully



Sharon Houlihan
Chief Executive Officer

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