

CUMMINGS ECONOMICS

38 Grafton St (PO Box 2148) CAIRNS Q 4870

ABN 99 734 489 175

Tel 07 4031 2888 Fax 07 4031 1108

Email: cummings@cummings.net.au

Website: www.cummings.net.au

Ref: J2456



ppt 1: **SORTING OUT THE FAR NORTH'S TRANSPORT LOGISTICS - THE MISSING LINK**

**ADDRESS TO THE
MAREEBA CHAMBER OF COMMERCE ECONOMIC FORUM**

By W S (Bill) Cummings

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A few minutes' reflection on the past history of the Far North Queensland region quickly establishes the importance of transport infrastructure to the region's economic development – the decision in the late 1800's to build the Cairns to Herberton railway and dredge the channel entrance to the magnificent sheltered port site in Trinity Inlet, the subsequent decision to blast the entrance to Mourilyan Harbour, the construction of the range roads in the 1930's and 1940's, the beef roads programme of the 1960's and 70's, the upgrading of the Palmerston in the 1970's, and the sealing of the final link in the Bruce Highway in the 1970's. These developments laid the foundations for the development of the region's mining industry and its sugar and beef industries, and the more recent growth of the tropical fruit and vegetable industries.

The upgrading of Cairns airport to take large wide bodied jets from overseas in the 1980's removed a bottleneck to the emergence of the region as a world class tourism destination.

What I want to address today is where do we go from here?

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The first thing we need to recognise is that the world economic environment we live in is very different to the environment of a decade ago. As everyone in this room knows, the rise of China, India and the other BRIC economies has transformed demand for global resources. At the same time, concern with climate change is leading to major changes in government policies affecting the use of fossil fuels.

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If the development of the Japanese economy in the 60's and 70's is anything to go by, the development of China and India will impact on us in three phases.

- 1) A massive increase in demand for minerals, fuels and basic industrial commodities.
- 2) An increase in demand for primary products - first for basic commodities proceeding through to proteins.
- 3) Finally, as incomes rise, an explosion in demand for travel.

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We are clearly in the first phase and elements of the second are emerging. Mineral and commodity prices are up strongly. Chinese and Indian investment is pouring into mining and as the events at Tully Sugar Mill illustrate, into agriculture.

However, for a region that has developed a major tourism sector, this has its dark side. The Australian dollar has soared under influences of high commodity prices and the Reserve Bank's use of high interest rates to control the economy.

The high dollar is obviously destroying tourism competitiveness in domestic and overseas markets, while the benefits of an eventual large surge in visitor volumes from China and India are yet to arrive.

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Against this background, the region needs to reorient its thinking about its infrastructure needs.

While its international airport and tourism infrastructure is up to date and among the best in non metropolitan Australia, there has been a tendency to neglect the region's road, rail and seaport freight infrastructure – the infrastructure most needed if it is to compete in the current global economic environment of demand for minerals and agricultural products.

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The first reality of the Far North Queensland's geography is that no part of the region is more than about 300 km from the sea. The region has 6 substantial ports - Mourilyan, Cairns, Cape Flattery, Thursday I, Weipa, and Karumba, with cumulative tonnages in excess of the Townsville region, the Northern Territory, Tasmania and on a par with the State of South Australia.

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Of immediate interest to the Tablelands, is the fact that much of the region's current and future prospective increases in mining activity will take place mainly in the Mt Garnet/ Herberton/ Etheridge area and in the Chillagoe/ Mareeba area.

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Similarly, major expansion of agriculture is likely to take place on the western margins of the Tablelands in the Dimbulah area and in the Ravenshoe/ Mt Garnet area.

Developments in agriculture are also promising to move the sugar mills in the area from more than producing sugar, to also produce biofuels and bioplastics and other bio industrial products – Tully, South Johnstone, Mulgrave and Arriga.

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In mining, prospective outbound freight identified includes Chillagoe area – copper concentrates, tungsten, lime, marble, perlite and gold; Mt Garnet area – copper concentrates, tin, magnetite, diatomite and possibly bauxite.

For mines, substantial quantities of chemicals and at times explosives, need to be brought in; For agriculture - imported fertilisers; And for both - large volumes of fuel.

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Comparative distances from the mining and agricultural growth areas to the region's seaports is illustrated by the maps.

The ports of Cairns and Mourilyan are within a 100 – 150km radius. This offers a major potential competitive advantage in being able to get projects off the ground in these areas if this short distance to ports can be utilised.

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In looking at logistics, it also needs to be recognized that the region is fairly decentralised with key regional population, freight and industrial nodes on the Tablelands and Innisfail, in addition to the major hub of Cairns. It is critical there are efficient transport links between Cairns and the Tablelands and Cairns and the Innisfail/ Cassowary Coast area. Efficient transport links are also needed between those two sub nodes.

The link between Innisfail and Cairns forms part of the Bruce Highway and the North Coast rail line and is constantly being upgraded. It can take freight efficient B-double vehicles (the standard freight efficient vehicle used in settled areas throughout Australia).

Thanks to the 1970's upgrading of the Bruce Highway, the route from Mareeba to Innisfail via the Palmerston can also take B-double vehicles.

The missing link is the Kuranda Range Road over which B-double size vehicles are not allowed to travel.

We have a situation where B-double vehicles carrying from the south to Cairns who wish to go up to the Tablelands to pick up south-bound freight, have to double back to Innisfail and go up the Palmerston. Trucks wanting to bring down containers for export through the Cairns seaport are restricted to one container at a time.

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Unfortunately, proposals to address the problem of the Kuranda Range Road in the early 2000's foundered. Economic benefit cost analysis was not undertaken in the beginning to define what was practical. No attempt was made to define what was a minimum cost solution and what additional costs were being imposed by the Federal Government's Wet Tropics requirements.

The environmentally sensitive proposal developed, blew costs out so far that the economic rationale became hopeless. As one of the tourism operators using the road commented – all we wanted was a 'Kingswood', what they are planning is a 'Ferrari'.

The Wet Tropics Management Authority approved the project. But the Queensland Treasury gave a resounding "No" - a "No" accepted by local members under pressure from a lobby in the Kuranda area who feared it would result in the spread of Cairns' suburban growth into that area. So nothing has been done and nothing appears to be currently proposed to achieve a major upgrade.

The next thing that happened in the face of decision making to avoid upgrading the Kuranda Range Road, was a proposal to shift seaport freight functions to Mourilyan Harbour. This even went to a southern based consultant canvassing making Innisfail the major freight hub in the region in place of that currently located in the Woree/ Portsmith/ Cairns seaport area.

Make no mistake, Innisfail and Mourilyan Harbour have a role to play in the future logistic solutions for the area and I will come back to this later.

However, the following identifies some geographic and economic realities that tell us we shouldn't get too carried away with options that seek to avoid upgrading the Kuranda Range Road.

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The first reality is the underlying physical potential of Mourilyan Harbour. Unless large scale dredging takes place at Mourilyan Harbour and destruction of mangroves, no more than two larger ships at a time are likely to be able to be accommodated.

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At present, Cairns seaport can take about 6 – two in the area of wharves 1 – 6, one at 7 & 8, one at the fuel terminal, one at the navy base and one at the bulk sugar terminal. Some further wharf development might take that to 7.

The Cairns inlet already needs to be dredged to take larger cruise ships, larger visiting naval vessels, and the larger ships now being used to carry fuels, fertilisers and bulk sugar.

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The second reality relates to range crossings. In terms of lifting freight over the ranges, the most efficient crossing is the Kuranda Rail at 1140 ft, next the Kuranda Road at 1500 ft.

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A third point relates to environmental factors. The Palmerston passes through about 15 km of rainforest, twice that of the Kuranda Range Road at about 7 km. However, the Palmerston was upgraded in the 1960's/ 70's before the Wet Tropics World Heritage listing. Much of the problems with the Kuranda Range upgrading relate to the existence of the 7 km belt of rainforest.

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A fourth and most important point relates to economic realities - the size of Cairns as a market and as the major production and distribution centre.

Viability of transport links usually depends on two-way movements. The Cairns Regional Council area, including Douglas, accounts for over 60% of the region's population and the bulk of employment in wholesale and retail functions and manufacturing.

Cairns dominates the market for inward movement of consumer goods, building products, and especially with the airport, for fuels. A proposal that would have all these commodities delivered to Innisfail/ Mourilyan, and then delivered up to Cairns as needed, would place a major cost burden on the region and not be viable.

This factor applies whether it is goods railed or road transported from the south or prospectively from shipping coming in from the south or overseas.

A similar factor relates to developing general cargo trade with mines in the near north. The supply of general cargo will largely come out of factories and warehouses located near Cairns seaport.

To be competitive, they need to ship direct from Cairns seaport.

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Where upgrading Mourilyan Harbour and expanding its role is important, is for two types of cargo. First, bulk primary production exports like woodchips from the maturing pine plantations near Cardwell, and in the future, for other sugar industry based products like bio-plastics from the Cassowary Coast and southern Tablelands area, and for mineral product from the Hinterland, especially those in bulk. Secondly, because of the limited existing housing development in the area, there is a potential to develop Mourilyan Harbour as a dangerous goods port in the north of the State for supplies to mines in the north and to service demand from mines in Papua New Guinea. For instance, at present, all ports except for Port Alma in central Queensland, have restrictions on the volume of explosives that can be handled.

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However, the major point is that the Portsmouth / Woree area is and will need to remain the major freight hub in the region and its efficiency and ability to expand and handle a range of freight and cargo requirements will be of vital importance to the whole region.

- = The receipt and distribution of inbound general cargo by rail and road and, prospectively in the future, by ship.
- = The inbound receipt and distribution of fuels and fertilisers.

- = The outbound movement of agricultural cargoes of sugar, and possibly in the future, ethanol and bioplastics.
- = The outbound shipping of containerised mineral cargoes where it is the closest port, and especially in situations where the movement is linked to inbound and other outbound general cargo movements, such as in shipping movements to mines and communities in the near north and prospectively to and from Asia.

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Which brings us back to the missing link of the Kuranda Range Road.

The economic realities of the region lead to a pattern of heavy vehicle road movements in which the Kuranda Range Road dominates heavy vehicle movements now and will continue to do so into the future. It is unacceptable that it cannot at least take B-double size vehicles.

Apart from general freight out of Cairns, fuel and fertilisers, the road carries hundreds of thousands of tonnes from the Tablelands to Cairns of aggregate, sand, landscaping material, concrete blocks, other building materials including into the future, timber from the new sawmill near Mareeba.

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In terms of light vehicle movements, it is pertinent that the Tablelands along with the Gulf and the southern Peninsula area, now has a greater population than that west of Townsville from Charters Towers out to Mt Isa, than that west of Mackay and that west of Rockhampton.

All the writing down by the State Government of projections of likely future population and traffic growth in the region, won't change the reality that light as well as heavy vehicle traffic is going to continue growing strongly on the Kuranda Range Road.

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Can I suggest that the time has come and in fact is overdue, for upgrading the Kuranda Range Road to at least take B-double size freight vehicles.

Can I suggest that this time, the first thing to do is to define the benefits to start with and what those benefits would reasonably support in terms of cost of upgrading.

The second thing is to define what the cost would be of upgrading using conventional road building means and the degree to which this would realistically affect the environment.

Finally, there is a need to work out the extra costs of improving environmental outcomes to meet requirements of the Wet Tropics agency. The Commonwealth Government should then be asked to provide special additional funding to meet those requirements on behalf of the Australian people. Let's look at a practical "Kingswood" and not a "Ferrari" solution.

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The other link between the Tablelands and the coast is the railway. For years, we believed that the heritage listed tunnels could not take containers. This is not true. Physically, they will take standard containers. The only ones the tunnels won't take are the 'high' containers at times used for lighter weight agricultural products. I believe that all that is needed to enable standard containers to be carried is to restore the sensors that monitored if loads were too high for the tunnels.

Let's face it, in the past, QR were high cost operators and not particularly interested in small low volume branch lines. But there are around today, second tier operators who could be interested and who operate on lower cost parameters.

The rail as far west as Arriga, can take two containers on standard wagons. Beyond that out to Almaden, I believe they can still take one container on a standard wagon without significant track upgrading. For some of the potential minerals, we are not looking at very large volumes that require a high grade line. Again, we are looking at a "Kingswood" solution, not a "Ferrari". I am suggesting the possibilities are worth exploring

The main game however, is to get the Kuranda Range Road upgrading started.

Of course, today I have only addressed some of the land transport infrastructure upgrading that the region needs. There is plenty more including the Hann Highway link to the south, the Gingerella Road linking Chillagoe to Mt Garnet and the possibility of developing a western Triples route from Mareeba to the south and of course the Peninsula Developmental Road.

.ppt 25: End.