

EVERALD @ LARGE

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Everald at Large is published monthly as a personal commentary by Everald Compton on the **Politics of Infrastructure**.

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In his community life, Everald is Chairman of National Seniors Australia which represents 300,000 financial members in 180 branches across Australia. He is also Chairman of the Everald Compton Charitable Trust and an Honorary Senior Fellow of the University of the Sunshine Coast. He became a Member of the Order of Australia in 1993.

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The comments that he makes in *Everald at Large* are not necessarily the opinions of the Directors of the above mentioned companies or their joint venture partners.

1. THE BUDGET

On Budget Night in Canberra on 13 May, 2008, Federal Treasurer, Wayne Swan, announced the creation of a Building Australia Fund with initial capital of 20 billion dollars which is to be invested in new infrastructure. This announcement received a warm welcome around the nation and I certainly applauded it.

In the Great Hall of Parliament that night, where I dined with several hundred other guests, the discussion was positive, but almost everyone expressed the belief that it was not anywhere enough to do the job and we commented on that to every Cabinet Minister who passed our table.

With good humour, the general comment was “Is there a zero missing from that figure?” The Ministers would agree, assuring us that every subsequent Budget would invest more as, obviously, it is not possible to come up with 200 billion dollars in one Budget. I am certain that their intent is genuine.

Nevertheless, even that 200 billion figure is a conservative estimate of what Australia must spend on infrastructure as soon as possible in order to make up for years of neglect of our nation’s basic requirements.

This comment is not intended as a swipe at John Howard, as Paul Keating, Bob Hawke and Malcolm Fraser didn’t spend too much on infrastructure either. Their failure to act was partly due to the fact that polls showed that voters were not much interested in the subject. They just wanted a good life without wondering when they would pay the price for it.

Now, most of us realise that we can’t maintain a good life unless we have the means to sustain productivity. It may well be that we have to stop buying Ferraris while we catch up on infrastructure that will get productivity moving forward again.

While we are on that subject, I want to respectfully say that the Reserve Bank may have got it wrong in deciding that rising interest rates will curb inflation. They should promote the benefits

of increased productivity as an inflation killer instead of just punishing ordinary Australians for the failures of former governments.

I must admit that I didn't excel at Economics at High School, but I did learn that the more you produce, the cheaper the product becomes and the greater the economic benefit.

But, coming back to The Building Australia Fund and its governing body, The Future Fund, it appears that it intends either to take equity in infrastructure projects or invest in fixed term infrastructure bonds. This will give them the capacity to sell out once a project is viable and then invest in new projects.

I wish them well. This initiative is long overdue.

We will now await the recommendations of Infrastructure Australia regarding priority projects. Let's hope that they don't take a year to work them out as most of them are very obvious.

And let's hope also that they don't decide to undertake a wide range of feasibility studies as this nation now wants action.

ATEC has now done 25 studies about the Inland Railway. Despite that, another one is now being undertaken.

2. SURAT BASIN COAL MINES

When ATEC prepared its Business Case for the Surat Basin Railway as the basis of the Mandate that we were granted subsequently by the Queensland Government, we reckoned that we could establish a profitable railway if we carried 25 million tonnes of coal per annum to the Port of Gladstone.

Now that the coal industry has accepted the certainty that we are going to build this Railway, they are drilling more holes and doing the feasibility studies necessary so that sixteen mines will open in time for the first coal trains to run in 2013.

The current projections for production from those sixteen mines are now in excess of fifty million tonnes a year. This is not surprising as the current estimates of the reserves of thermal coal in the Surat Basin are four billion tonnes. That's enough to see most of us out, plus a few more generations.

The tragedy is that successive governments turned a blind eye to the Surat Basin for many years and made no plans to give mines any access to a Port; yet another example of our addiction to the present while giving no thought for tomorrow.

Now, there are significant miners out there with big visions. Xstrata and Anglo are two of them and they are ATEC's joint venture partners in the Surat Basin Railway. Newhope and Peabody are also there in a big way. Add to that Northern Energy, Cockatoo Coal, Australian Mining Holdings, Waratah Coal, Metallica, Vale and Macarthur and you have a very formidable team of mining entrepreneurs.

But, the word is spreading that the Surat Basin Railway is unstoppable and other substantial companies have started digging holes. We will soon find that the original estimate of reserves is a long way short of the mark.

If you are not yet buying shares in coal companies in the Surat Basin, then my best advice to you is that you should get a bit of good professional advice on the matter as quickly as you can.

You should also take a good look at Real Estate opportunities along the track as well as possibilities of investments in water and power.

Housing is worth a look too. Towns near Coal Mines are going to grow rapidly. The most likely are Dalby, Chinchilla, Miles and Biloela.

The key one will be Gladstone which will double in size.

3. A NEW RAILWAY FROM MOREE TO DUBBO

There is a basic standard gauge railway which is quite serviceable and operates from Moree to Narrabri, Werris Creek and Dubbo but it needs upgrading to modern requirements. Like so many railways in Australia, governments have failed to invest in their redevelopment.

If you look at a map, you will see that there is no real reason for the railway to follow its original path. If you draw a straight line across the plains from Moree to Narramine (just outside of Dubbo) you will find that a new railway along that path will be very economical to build as it will be in flat, open country and will reduce the travel time for freight trains by at least two hours in comparison to the existing route.

So, it won't surprise you that ATEC is strongly advocating that this new track must be built sooner rather than later and we hope that the recently announced Inland Railway Scoping Study will concentrate on it as a priority as ATEC has already done all the feasibility studies that are necessary for the Border Railway from Moree to Toowoomba, when we prepared the Business Case that we submitted to the Queensland and NSW Governments on 31 March this year..

However, all is not lost by perpetuating and upgrading the existing track as, when it reaches Werris Creek, it connects with the railway through the Hunter Valley to the Port of Newcastle. But the path of that connecting railway is slowed down very considerably by the Murrurundi Range. If a tunnel is built through that range at Ardglen, it will take hours off the journey to Newcastle and increase its load carrying capacity enormously.

Someone should do something about building this tunnel right now as there is a limit to what an old campaigner like me can promote and retain credibility.

The recent initiatives of the first Swan Budget will encourage entrepreneurs to have a go at greenfields rail infrastructure as the future of long distance freight haulage clearly lies with railways, not roads. It's time to invest in them.

4. THE TOOWOOMBA BYPASS HIGHWAY

Hundreds of trucks go through the busy streets of Toowoomba every day. There is no other way to get to Brisbane from the productive rural areas of Western Queensland and they simply clog up the streets of a lovely city.

A few years ago, someone sensibly said that a bypass highway should be built around the north of the city and cut down the range to rejoin the Brisbane Highway near Withcott.

Predictably, lots of people said that it was too hard and too costly to build.

Now, many others are saying that this is not a reasonable excuse, because it can be built as a toll road at a fee of ten dollars a car and forty dollars a truck.

Some will refuse to pay that price, but eventually they will as the lost time and extra fuel costs of driving slowly through Toowoomba will more than cover those toll charges.

All we need is for a few politicians and bureaucrats to bite the bullet and make a decision to go ahead with this essential piece of infrastructure and give private developers a shadow toll for the first ten years while it becomes viable in its own right.

ATEC is building an intermodal freight centre just west of Toowoomba at Charlton where the bypass highway will commence and where the Border and Surat Basin Railways will meet.

The opening of this freight centre will generate many more trucks to go through Toowoomba and it will operate quite profitably doing just that.

But, it will be a lot better for the citizens of Toowoomba and much more efficient for freight distributors if the bypass highway is built as a matter of urgency.

5. FREIGHTLINK

The announcement that FreightLink is for sale has put the future of privately owned railways in the spotlight. The pundits are saying that this sale means that the building of the Adelaide to Darwin Railway has been a failure and, therefore, the construction of the Melbourne to Darwin Railway should be abandoned before it meets the same fate.

The fact is that there is no comparison between the two. ATEC's Inland Railway goes through the most productive rural and mining areas of Victoria, NSW and Queensland on its way to the Northern Territory, whereas the Adelaide/Darwin Railway has far less freight potential; insufficient to sustain the operations of the PPP that undertook it. It should have been a totally government funded project, built in the national interest and managed by the Australian Rail Track Corporation.

Instead, the Federal Government of the day put in the least money that it could just to get it up as a project that would save the faltering conservative governments in South Australia and the Northern Territory (both of which subsequently lost anyway). In fact, they put in so little that it had to be built as a "Cinderella" Railway with two sleepers instead of three all the way and inadequate ballast and bridges that can't sustain heavy mineral trains.

ATEC is lodging an expression of interest to acquire it as we want to link it to Mount Isa. But, anyone who bids for it will have to factor in the heavy cost of upgrading it from Tennant Creek to Darwin so that it can cope with the heavy mineral loads that will come from Mount Isa once the connection is built as the existing track needs those minerals in order to survive.

Above all, the Adelaide/Darwin Railway must not be allowed to close. It is a national icon, a forerunner to all the infrastructure that we have failed to build in years past and it is an important symbol of the transition from road to rail in the movement of long distance freight.

6. TOURISM INFRASTRUCTURE

At the 2020 Summit, the group that debated the future of tourism made it clear that Australia has failed to sell the uniqueness of the nation as a tourist destination, ie, ignored the very special features of the Bush and the remote regions around our deserted coastline.

We take tourists to our capital cities and to Cairns, Alice Springs and the Gold Coast and we spend a lot of money trying try to convince them that we have better five star hotels in those places than New York.

I have just taken a two weeks journey to one small part of the Inland travelling with some good friends on an expedition led by John Thompson of Nature Bound Australia. We went out to see the Dig Tree at Coopers Creek, where Burke and Wills met their fate 150 years ago and where Charles Sturt almost did likewise. We called in at fascinating places such as Tibooburra,

Cameron Corner, Innamincka and Birdsville, plus three cattle stations in the Channel Country, all filled with the great historical legends of Australia. We enjoyed the great scenery of the Australian Desert which is unrivalled in the world. We also visited some great mining ventures, including the hot rocks project being pioneered by Geodynamics. They are worth investing in.

But, we found that the infrastructure that supports bush tourism is very poor and there are few plans to invest in it because millions of voters won't travel beyond the outer suburbs of our capital cities as they think that the definition of the word travel is to fly overseas.

We could bring millions of international tourists to Australia if we stop advertising Sydney, Melbourne and the Gold Coast and sell the mystery and magic of the Outback as they can't experience it anywhere else.

To capitalise on this opportunity, we must invest in tourist roads. There are very few good ones and there are only inadequate tracks across the great expanse of the incredible deserts of Western Australia and the roads up to Cape York are shocking. Airports are not good enough and air services are very sparse, uncomfortable and unreliable.

We carefully picked our accommodation along the way. It was clean and adequate but it won't attract either international tourists or the residents of our leafy city suburbs. We looked at alternative accommodation along the way and it was basic because tourist numbers are few at present.

Investors are needed who will create spacious three star accommodation, built in the unique architectural style of the bush, which will provide a special experience.

Bush Tourism also needs more investment in water and much better communications, as mobile phones don't work. It can become a big dollar earner for Australia, especially if our own citizens will give a bush holiday a go instead of heading for London.

Investment in Tourism Infrastructure represents a big challenge for Australia and the Future Fund can invest in a few good joint ventures, which can rapidly bring good profits.

You should talk to John and Ros Thompson who hosted my holiday in a highly professional and very friendly manner. Their small company, Nature Bound Australia, is pioneering an important industry in Outback Australia. E-mail me and I will put you in touch with them.

I recommend that you get them to take you out to see the enormous potential for good infrastructure in the bush.

7. NEXT MONTH

In the July Edition of Everal@Large, I plan to talk about the new highway that is desperately needed through the Blue Mountains, the underutilisation of Port Kembla, Brisbane's need of an Underground Rail System and the absence of infrastructure in Queensland's North West Minerals Province.

8. REGISTER YOUR FRIENDS

There are now well over 1,000 people who receive Everal@Large free of charge every month and the list grows every day.

If you have friends whom you think will be interested, please send me a list of their e-mail addresses and I will include them in our database.

Yours at large,
Everald Compton

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