

PORT CITY

CHANNEL CAPACITY UPGRADE PROJECT

RECOMMENDATION

- Approve final funding arrangements for the \$193M Port of Townsville Channel Capacity Upgrade Project to enable construction to start early 2018

THE ISSUE

The Port of Townsville is the largest container and automotive port in Northern Australia, supplying a population of nearly 800,000 people with essential goods and materials like fuel, gas, food, furniture, electrical goods, clothing, cement, bitumen and vehicles. Farmers export products like sugar, frozen meat, cattle, fruit and vegetables and mining companies ship out commodities like copper, lead, zinc and silver. It also supports critical Defence operations and cruise tourism in the region and will welcome more than 33,000 passengers and crew during 2017/2018.

The last major channel upgrade at the Port of Townsville was in 1992–93. At present the Port of Townsville can only accept ships up to 238 metres in length and 32.5 metres beam. Over the past 25 years ship sizes have grown significantly and are continuing to get bigger. Townsville's channel has not kept up with this growth and is approximately half the width of access channels at other major ports.

If the channel is not widened, North Queensland will be dependent on trucking and rail freight over 1,300 kilometres south. This will add increased cost and time for North Queensland and also be detrimental to the land based environment. More cruise ships will also bypass Townsville, having detrimental impacts on tourism opportunities.

It is acknowledged that the 2016/17 State Budget included a conditional State Government funding contribution of \$75M to the \$193M project.

THE SOLUTION

Townsville Enterprise is calling on the State Government to resolve the balance of funding for the project to enable construction to start early 2018.

Widening of the sea channels to the Port of Townsville will:

- Enable vessels of up to 300 metres in length to safely access the Port of Townsville
- Significantly reduce freight on road/rail networks between North Queensland and Brisbane
- Increase the capacity of existing berths at the Port of Townsville to allow for trade growth

Positive outcomes of this solution include:

- Cost savings, improved efficiency, safety and environmental outcomes for freight movement
- Increased resilience for North Queensland, particularly when transport connections to the south are cut due to severe weather and flood events
- Reduced congestion on road and rail networks
- Increased capacity of the Port of Townsville to facilitate domestic and international trade growth
- Creating 120 FTE jobs in Townsville during construction and supporting 245 FTE jobs in Queensland
- \$580M present value of benefits – a Benefit Cost Ratio of 2.90 and aggregated benefits over 40 years of \$380M

The revised detailed business case was completed in April 2017, with the City Deal commitment to investigate funding options by Q4 2017. The State Government has announced a \$75 million commitment towards the project, subject to environmental approvals and securing the additional funding required to complete the project.

PORT CITY

MOUNT ISA TO TOWNSVILLE RAIL CONNECTION

RECOMMENDATION

- Complete the business case for the Townsville Eastern Access Rail Corridor (TEARC) and determine an appropriate funding and delivery model to ensure construction commences by 2020 and is completed by 2022
- Determine, adopt and financially support a long-term operating, funding and investment model for the Mount Isa to Townsville Rail Line that ensures it is a nationally competitive and efficient freight corridor

THE ISSUE

The Mount Isa to Townsville Rail Line is a critical piece of freight infrastructure supporting mining, agricultural and manufacturing industries in North and North West Queensland, and servicing the freight needs of communities across the region.

Townsville North Queensland services the North West Minerals Province (NWMP) as well as the broader Mount Isa to Townsville Economic Development Zone (MITEZ). The NWMP is one of the world's richest mineral producing areas containing copper, lead and zinc as well as major silver and phosphate deposits and strong rare earth potential. Over 2015/16 the NWMP produced 3.4 million tons of throughputs valued at \$4 billion. The region holds approximately 75% of Queensland's base metals supply.

Product from the NWMP is railed and trucked to Townsville Port for export to global markets. Railing of product on the Mount Isa to Townsville Rail Line has decreased in recent years with increased trucking of product. A lack of reinvestment in the rail line has resulted in inefficiencies of rail line speed/ restrictions, lack of passing loops, and lack of multi-user terminals for loading and unloading of product which has led to a modal shift of product to road transport. This modal shift places greater pressure and cost onto the road network, and has resulted in inefficiencies in the logistical supply chain.

The Northern Territory and Queensland Governments are currently undertaking a feasibility study of establishing a new rail line linking the NWMP to the Port of Darwin. The proposed Mount Isa to Tennent Creek Railway is a \$2–\$3 billion project aimed at expanding the Mount Isa to Townsville Railway to Tennant Creek and joining it to the existing Tarcoola to Darwin Railway in Northern Territory.

There is a significant risk to the Queensland economy, and in particular the ongoing contribution made by the North and North West Queensland region to the state's prosperity, that a Mount Isa to Tennant Creek Rail Line will result in products from the NWMP being diverted to the Port of Darwin.

In the State Infrastructure Plan (March 2016), Infrastructure Australia has earmarked upgrading the Mount Isa to Townsville Rail Corridor (which includes TEARC) as a priority project. However, the State Infrastructure Plan did not allocate funding to the project over the forward estimates. It is therefore critical to investigate a 50 year investment and operating model for the Mount Isa to Townsville Rail Line that will restore it as a competitive and efficient freight corridor and become a foremost priority of the Queensland Government rather than consideration of a new rail link to the Port of Darwin.

The Townsville Eastern Access Rail Corridor (TEARC) presents the immediate opportunity to efficiently connect the Mount Isa Rail Line (and the North West Minerals Province) with the Port of Townsville and resolve existing rail bottlenecks within the port.

The construction of TEARC is vital to the future growth of the Port of Townsville and the economic growth of the broader Townsville North Queensland region. TEARC would take rail traffic out of Townsville's growing urban areas, allow for longer trains (1.4 kilometres), reduce bottlenecks in the Port and provide vital capacity for the growing tonnage demand on the Mount Isa Rail Line. The construction of TEARC would also support the Queensland Ports and National Ports Strategies.

In May 2016, the Federal Government announced that it would provide \$150M in grant funding to the TEARC project. Building Queensland has commenced the business case and it is due to be completed in 2017.

THE SOLUTION

- Complete the business case for TEARC and determine an appropriate funding and delivery model to ensure construction commences by 2020 and is completed by 2022.
- Determine, adopt and financially support a long-term operating, funding and investment model for the Mount Isa to Townsville Rail Line that ensures it is a nationally competitive and efficient freight corridor.