

**Rural Affairs and Transport Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

Supplementary Estimates October 2010

**Infrastructure and Transport**

**Question No.:** PAR 01

**Division/Agency:** Policy and Research

**Topic:** Response of freight tonnage growth to oil prices

**Hansard Page/s:** 86 (21/10/10)

**Senator Ludlam asked:**

**Senator LUDLAM**—We are planning for oil to stay cheap indefinitely, is my point, and it is not going to.

**Mr Mrdak**—I do not think that is what we are saying at all.

**Dr Dolman**—As Mr Mrdak was saying, and the report that you are actually referring to makes the point that to some extent there is limited substitutability between road and rail because people have an expectation about how quickly things would be delivered. Even though rail might be cheaper with a higher oil price, it still does not make people make the decision to move to rail because of a whole range of other factors.

**Senator LUDLAM**—Yes.

**Dr Dolman**—We provided some advice in a question on notice to you which suggested that our middle point projection for oil price in 2020 would be over \$100 a barrel, so we are doing our projections and in fact that freight projection would be based on the mid-term price which we are estimating in 2020 to be US\$117 or thereabouts a barrel, and by 2030 we would expect it to be \$150-odd a barrel.

**Senator LUDLAM**—Okay, so those numbers you have fed me there and the ones that you returned as a question on notice, are they the same numbers that you fed into that model about the freight task doubling out to 2030?

**Dr Dolman**—I can double check that—

**Senator LUDLAM**—If you could.

**Answer:**

The modelling of freight at aggregate levels does not include fuel price as an explanatory variable, as freight activity has been found to be relatively unresponsive to fuel price increases. The long-run forecasts are based instead on trends in income growth and an assumed saturation in freight “consumed” per person.

If oil prices rose from \$US81 per barrel currently to \$US150 in 2030 (equating to about A1.76 per litre for petrol) total freight is estimated to be about 2.5 per cent lower than in the basecase forecasts for 2030.

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Supplementary Estimates October 2010

**Infrastructure and Transport**

**Question No.:** PAR 02

**Division/Agency:** Policy and Research

**Topic:** Potential future petrol prices under alternate international oil market conditions

**Hansard Page/s:** 87 (21/10/10)

**Senator Ludlam asked:**

**Senator LUDLAM**—All right; I will leave it there. The CSIRO piece I am referring to is *The potential future petrol prices under alternate international oil market conditions*, published in 2008. It got a bit of press because their abrupt shock scenario took petrol over \$8 a litre. I do not know how much it would cost to fill up a Commodore at that kind of price. On notice, if you can provide us with whatever you think—you can see where I am going—that your agency has done in the recent price that most closely answers the question that I am asking about an oil shock. I do not believe it has really been done, but if you are saying you have, I would appreciate a chance to see it.

**Dr Dolman**—I will come back to you on that.

**Answer:**

BITRE has modelled potential future petrol prices under various alternate international oil market conditions. Under the most restrictive of the oil supply projections modelled, petrol price in Australia rose to about \$3.50 per litre by 2030. Under all other oil market scenarios they were lower than this.

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Supplementary Estimates October 2010

**Infrastructure and Transport**

**Question No.:** PAR 03

**Division/Agency:** Policy and Research

**Topic:** BITRE-Functions and Roles

**Hansard Page/s:** Written Question

**Senator Heffernan asked:**

- 1) Does the department believe that projected volumes of rail traffic make the inland railway a commercially or economically viable project?
- 2) What current work is Bureau of Infrastructure, Transport and Regional Economics (BITRE) undertaking in regard to infrastructure?
- 3) Has BITRE conducted any cost analysis or assessment of the infrastructure required to support enhancements of Australia's freight and transport networks?
- 4) What, if any, involvement has BITRE had with Infrastructure Australia?
- 5) What are the department's/BITRE current projections of the costs of road, rail and port congestion on the Australian economy?
- 6) What are the infrastructure cost projections for the needs of regional and local governments over the next five years?
- 7) What work in regards to regional development has the Bureau of Infrastructure, Transport and Regional Economics (BITRE) performed recently?
- 8) What work in regards to regional development has the government asked the BITRE to perform in the past three years?
- 9) What work is the BITRE doing at the moment in regards to regional development?
- 10) What will be the role of the BITRE in the Government's announced Regional Development Policy Centre as agreed with Mr Windsor and Mr Oakeshott?
- 11) Does the BITRE believe that the Regional Development Policy Centre will be undertaking work that it would have otherwise performed?
- 12) How does the BITRE assess the state of data on regional Australia at the moment? What are the significant gaps in this data? What is the Government doing to fill these gaps?

**Answer:**

These questions were asked and answered at the hearing. See Department of Infrastructure and Transport Hansard Transcript – Thursday, 21 October 2010, page 76-80.