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**From:** Diane [dnolan@bowen.qld.gov.au]  
**Sent:** Thursday, 6 August 2009 5:06 PM  
**To:** Economic Development Committee  
**Subject:** FW: Economic Development Committee - Whitsunday Regional Council Response [Scanned]  
**Attachments:** Briefing Paper - Economic Development Committee.doc

The Research Director  
Economic Development Committee

Please find attached my response to the invitation to make a submission to the enquiry into employment creation opportunities in Queensland. I would also like to thank you for the opportunity to put forward the Whitsunday Regions employment and infrastructure projects that will not only stimulate employment but will also increase state revenue significantly in the future.

Cr Michael Brunker  
Mayor  
Whitsunday Regional Council

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**Submission:** Economic Development Committee  
Legislative Assembly of Queensland

**Presented by:** Whitsunday Regional Council  
August 2009

**Bowen - Queensland**      **Leading The Way In Employment Stimulation &  
Future Proofing Our Economy**

## **1 Introduction**

Queensland is in a prime position to lead Australia towards financial recovery in the current economic downturn. Investment in our industries would generate surplus revenue to repay financial debts.

Regional Queensland is abundant in natural assets including primary produce, mineral reserves, and energy resources that contribute significantly to the Australian economy. Existing capacities in these industries is currently being under-utilised. However investment in future developments would contribute significantly to industry growth and ultimately stimulate revenue capability for the economy.

This paper outlines why Queensland, through Bowen, can lead to Australia's economic recovery. Increased Government support of industry developments would provide opportunity for Queensland to grow as an 'Industrial Powerhouse' and provide immediate and long term employment solutions for the region.

This is a unique and vital opportunity to forge a path for the future. It is a win now and a win for long-term sustainability. In order to make this happen, we require dedicated Government support and financial commitment. The overarching benefits gained from endorsing regional industry development would offset current debt, build a more durable economy and generate capital to support the future of Australia.

## **2 The Opportunity**

The Queensland Government has identified Bowen/Abbot Point as the next major industrial hub and export facility in Queensland, with capacity to accommodate large scale new industry and cargo shipping in north Queensland and Northern Australia.

Queensland faces a situation where new alternatives need to be found to accommodate major industrial developments in the future. Abbot Point, north of Bowen is well located to support the mineral rich areas surrounding them including the Galilee and Bowen Basins. These areas will generate and deliver significant wealth via exports for Australia

The development of the port will provide significant capacity increases for coal exports and potential new trades such as alumina production and export, minerals processing and bulk minerals export and related industrial activity and goods importation.

The opportunity for the development of Abbot Point, Bowen is not just a one-off infrastructure project, such as rail line or road upgrade that supports a community, but a number of projects that will enable large scale investment and industrial development in the region.

The priority projects are:

- Common User infrastructure for the State Development Area at Abbot Point
- Multi Cargo Port Facility, Abbot Point (see attachments for detailed information on this project)

Other projects that support this development for consideration are:

- Water for Bowen (see attachment for further information on project)
- Northern Missing Link (see attachment for further information on project)

The numerous infrastructure opportunities, if this is secured include:

- Increased Coal exports from Abbot Point
- Relief from the congestion of people in the South East corner of the state by creating employment opportunities in the Northern regions of the state
- Chalco – Alumina Refinery at Abbot Point State Development Area and export of products via Abbot Point Multi Cargo Facility
- LNG – preliminary research into LNG opportunities for Abbot Point State Development Area are currently being investigated
- Further large scale industrial developments with access to a port facility, close to existing rail and road infrastructure
- Diversification and expansion of existing industry in the Bowen region, including Agriculture (Aquaculture, Seafood and Produce) due to export capabilities provided by a Multi Cargo Port facility

- Support for the development of regional Australia, offering export capabilities via infrastructure division and providing a secure and sustainable future for regional industries

### **3 Assistance Required**

The Whitsunday Regional Council is urging the Queensland and Federal Government to provide financial assistance for regional project developments to the relevant government agencies and project proponents. Support of infrastructure expansion through funding projects would ultimately increase regional industry capabilities and attract national and global investment.

The Government's support of Queensland's industry developments would demonstrate commitment to best practice solutions for generating genuine employment opportunities and securing economic growth for the nation.

### **4 Summary**

In a time of global financial uncertainty we applaud the Queensland Government's efforts to initiate opportunities and seriously considering employment driven industry projects.

Long term financial benefits would be created through further government support of industry progression. The development of projects at Abbot Point, Bowen and throughout Queensland would increase production and export capacity, global partnerships and financial wealth for the future of Australia.

# **Attachments**

**Information on:**

**Multi Cargo Port Facility, Abbot Point**

**Northern Missing Link Project**

**Water for Bowen Project**

**ABBOT POINT MULTI  
CARGO FACILITY (MCF)  
GOVERNMENT BRIEFING  
Whitsunday Regional Council August 2009**

**Introduction**

The Queensland Government has identified Bowen/Abbot Point as the next major industrial hub and export facility in Queensland, with capacity to accommodate large scale new industry and cargo shipping in north Queensland and Northern Australia. The development will provide for significant capacity increases for coal exports and potential new trades such as alumina production and export, minerals processing and bulk minerals export and related industrial activity and goods importation.

**Abbot Point Multi Cargo Facility (MCF) Project**

In keeping with this strategic State planning, Ports Corporation of Queensland (PCQ) plans to construct a new multi trade port facility at Abbot Point involving formation of a significant dredged basin and associated reclamation to create a breakwater protected harbour, adjacent to the existing Abbot Point Coal Terminal (APCT) berths.

PCQ believes that the construction of a sheltered harbour at Abbot Point, coupled with the establishment of the adjacent Abbot Point State Development Area (APSDA), represents one of the most significant industrial development opportunities ever in Queensland and Australia.

In mid-2008, PCQ engaged GHD Pty Ltd to undertake initial planning and to obtain environmental approvals for the proposed development. In its final stage it will create a protected harbour able to accommodate up to 12 large vessels and about 300 hectares of reclaimed land which could service a variety of cargoes including liquid and dry bulk, break bulk and potentially containerised trade, all of which would complement industrial growth in the APSDA. The MCF would also include a tug harbour (servicing the MCF as well as the adjacent coal terminal), possibly a Pre Assembled Module (PAMS) facility to unload large pre-assembled modules constructed off-site, a dredged access channel, swing basin and berth pockets. About 25 million cubic metres of material will be dredged to create the access channel, basin and pockets and this material will be used to reclaim the land required for the MCF.

The configuration allows for an ultimate capacity of 12 berths with the construction capable of being staged to match commercial demand.

**Estimated Cost:**

- Stage 1 (two berths plus tug facility) - \$725 million
- Stage 2 (additional four berths) - \$575 million
- Stage 3 (additional six berths) - \$680 million
- Total of 12 berths (\$1.98 billion)

**Project Timing:** PCQ is undertaking the necessary studies to obtain environmental approvals which are planned to be in place by early 2010.

**Problem/Opportunity**

Queensland faces a situation where new alternatives need to be found to accommodate major new industrial developments in the future. The traditional locations of Gladstone and Townsville are increasingly under pressure to accommodate new projects while also managing environmental and urban land use conflicts. The main advantages of Abbot Point include:

- access to a deep water port/port location
- availability of large areas of useable industrial land not subject now or in the future to urban encroachment
- proximity to existing high capacity road and rail transport infrastructure
- planned power and water infrastructure upgrades to service the area
- proximity to natural resources and major centres of skilled labour.

### **MCF Vision**

PCQ's vision for Abbot Point is that it will be transformed into North Queensland and Northern Australia's premier port, servicing what will be the major industrial hub in the north of the country. As the lack of suitable port sites and urban development eliminate new port opportunities around the Australian coastline to accommodate major new industrial development, Abbot Point represents one of the most significant new industrial and regional development opportunities in Australia in decades. It would be the only port in North Queensland capable of handling Cape size vessels, a crucial requirement for future trade opportunities.

### **Project Scope**

The MCF would be created on Clark Shoal at Abbot Point, within the Abbot Point port limits. The sheltered harbor would be created within a reclamation by a dredging cut and fill operation to create a reclaimed area surrounded by protecting rock or similar. The dredged material to form the access channel, berth pockets and swing basin would be used to reclaim up to 300 hectares in a staged program of construction. The MCF could have -18m LAT depths available within the channel and approaches and at some or all of the berths, depending on customer requirements. These depths mean Abbot Point would be able to accommodate the largest bulk carriers.

### **Social Environment**

Abbot Point is ideally located for heavy industry development. There is no encroachment of urban development and there will be no neighbours within a 10km radius of the APSDA site. The site is 15km to the nearest community of Merinda which is out of the prevailing wind zone and 25km to Bowen, which is also upwind of the SDA and port area. There is no immediate development within the prevailing wind zone from the APSDA and port as this area is predominately open, low-density grazing land along with undeveloped and ungrazed higher country.

### **Employment Creation**

Initial economic impact analysis undertaken by PCQ indicated that the MCF and associated major industrial development (based on two significant processing industries establishing at Abbot Point) would mean:

- About 2,700 direct fulltime equivalent (fte) jobs and almost 7,000 flow-on jobs are anticipated in Queensland in the peak construction year.
- While direct employment will be generated predominantly in Bowen Shire, the flow-on employment will be significant in the Northern and Mackay regions. Of the total employment

impact of about 9,700 fte jobs estimated for Year 4, about 42 percent would occur in Bowen Shire, about 12 percent each in the Northern and Mackay regions and 33 percent in the rest of Queensland.

*(Economic and Employment Impact Analysis included as Attachment 1.)*

### **Associated Infrastructure**

In addition to the declaration of the APSDA and port planning which is currently underway, to ensure the continued reliability of bulk electricity supply to North Queensland, Powerlink is investing more than \$500 million to strengthen the high-voltage transmission network from Central Queensland to North Queensland. This will provide an additional approximate 400 mega watts of extra capacity. New transmission infrastructure is also being built to reinforce the Bowen area for the expansion of the Abbot Point Coal Terminal and potentially service the new APSDA.

The Water for Bowen project, under State-Wide Water Policy, is being advanced by SunWater. It aims to supply up to 60,000 mega litres of water per annum for industrial and horticultural users in the Bowen region via a new pipeline and channel system extending 130 kilometres from the Burdekin River to Bowen. The project, scheduled for possible completion by 2012 is necessary to supply water to future industry in the APSDA, including the proposed Chalco alumina refinery.

### **Customer Potential**

PCQ has been discussing the potential use of the MCF with a number of customers, some for as long as several years. While the current Global Financial Crisis makes project timing projections even more difficult than normal, PCQ believes there are a number of industries which have a high likelihood of proceeding and utilising the MCF for their port import/export needs. These include minerals processing the most prominent being the proposed Chalco alumina refinery; coal exports from new mines in the Galilee Basin; coal from the Goonyella System, resources from the North West Minerals Province including magnetite and phosphate and LNG exports.

In the long-term, as a result of increased activity in the North West and North East Minerals provinces, the construction of the Abbot Point MCF may encourage bulk freight such as magnetite and phosphate ore destined for export via the Port of Townsville to be diverted to the Abbot Point MCF due to bottlenecks at the Port of Townsville.

### **Funding Options**

Historically PCQ has funded preliminary works including preliminary design through to statutory approvals as part of its infrastructure planning and provision role. PCQ has sought approval for State borrowings (and equity injections where required) to fund long-term commercial infrastructure. Such financing was always supported by long-term take or pay revenue contracts.

For the Abbot Point X50 Expansion, PCQ considered a range of financing options against a base case of State funding via a combination of equity plus borrowings. Due to the Global Financial Crisis, there was limited scope to involve private funding on the project. However user agreements were structured with a view to the potential sale of the Abbot Point Coal Terminal.

Going forward, the State Government has indicated its desire to see more private participation in major projects which are commercial in nature.

The MCF project presents significant economic challenges both because of the scale of the project and the fact that customers are likely to be committing at different times. To get the project to the first stage



where it will have a tug harbour plus two berths will cost in the order of \$725 million. While this would represent a significant hurdle for the first users of the facility, who would be expected to meet most or all of this cost, the cost per berth for subsequent users would reduce dramatically as further berths are added. At final stage (12 berths plus a tug harbour) the total cost is estimated at \$1.9 billion.

Whatever funding option is adopted, this cost/user issue will need to be recognised and managed. However, the project will almost certainly succeed or fail depending on some "risk capital" being available in the early stages. This issue should also be considered when evaluating the advantages/disadvantages of the various funding options.

Funding options are:

1. PCQ borrows all the required investment amount and totally funds the project.  
Advantages: Greater likelihood of long-term, regional development approach. Proven, reliable port developer with a multi-user focus.  
Disadvantages: Borrowing may be difficult or impossible and unlikely to fit with State Government priorities.
2. The State Government seeks private sector funding.  
Advantages: No government debt. Finance would be available.  
Disadvantages: First proponent may not be prepared to fund full first stage of the project. Government loses control of what will be a key piece of strategic infrastructure. State and regional development approach will not be a consideration. Investment usually requires large, guaranteed returns.
3. Public/Private Partnership  
Advantages: Government keeps some asset control without being exposed to full borrowing debt.  
Disadvantages: PPPs have been historically difficult to make work.
4. Public Float: State Government establishes fund which would seek investors.  
Advantages: Government keeps asset control but not exposed to debt.  
Disadvantages: Nature of the project may make the MCF a difficult concept to market.

## CONCLUSION

- Queensland faces a situation where alternate location/s to the existing areas for major industrial development need to be found because of development limitations.
- Increased employment opportunities in the northern region of our state will help relieve the congestion and concentration of people in the south east of the state.
- The State Government has created the Abbot Point State Development Area and if the potential of that area is to be realised as a major new area for industrial development, a protected harbour capable of handling imports as well as exports needs to be created.
- Abbot Point has a number of important advantages – no neighbors and hence no land use conflicts and proximity to major resources and skilled hubs.
- No "show stoppers" have become apparent in the concept planning.

- PCQ wants to progress planning to have the port as user ready as possible to meet market demands which are likely to emerge quickly once the world economic situation improves. This work will be limited by lack of funding via government underwriting/commercial income streams being available early enough.
- EIS approvals for the MCF are currently being sought and should be finalised by the start of 2010.
- The MCF project has ongoing support across all levels of government and in the local and adjacent communities.
- Based on the MCF being constructed and two major industrial developments also starting, about 2,700 direct fulltime equivalent jobs and almost 7,000 flow-on jobs are anticipated in Queensland in the peak construction year/s.
- There will be strong employment and economic flow-on benefits for the near regions of Mackay and Townsville and within all of Queensland.
- Current interest from the coal, LNG, alumina and iron ore industries would suggest the MCF will have a future market with all of 12 ultimate berths needed if all the current proposed projects were to go ahead and use Abbot Point.
- While the capital expenditure is “lumpy” the relatively high cost of the initial berths is in contrast to the ongoing cost of providing new deep-water, protected berths (12 berths for \$1.98 billion being \$165 million per berth). The high initial cost may necessitate some form of support/underwriting/concession on the basis of risk capital being available to initiate the project.
- The MCF project presents significant economic challenges both because of the scale of the project and the fact that customers are likely to be committing at different times. The project will almost certainly succeed or fail depending on some “risk capital” being available in the early stages.
- Such “risk capital” could be in the form of an equity injection with the possible repayment of the equity as more customers contract to use the MCF.
- Underwriting from the Federal Government would help ensure this project of national significance proceeds.

**NOTE: The MCF project is the subject of a Queensland Government bid currently with Infrastructure Australia.**



## ECONOMIC/EMPLOYMENT BENEFITS

## Investment/Employment

PCQ has commissioned an Economic Impact Study (EIS) to give indicative figures on the economic impact, including employment generation, of the MCF project and associated development in the APSDA. The figures below and included in the full EIS summary (ATTACHMENT 1) are calculated on a scenario of the MCF being constructed and servicing two major minerals processing plants.

The expected economic impacts for the construction of the various proposed developments at Abbot Point are shown in Table 1. The main impacts are:

- Annual construction expenditure averaging \$973 million over eight years, peaking at \$2.07 billion in Year 4.
- Annual GSP impacts of between \$88 million (Year 8) and \$1.6 billion (Year 4) in Queensland. The average annual GSP impact over the eight-year construction period was estimated to be \$705 million.

In the peak impact year (Year 4) about 17 per cent of the GSP impacts are expected to occur in Bowen Shire, 12 per cent in the Northern region and 20 per cent in the Mackay region. The rest will be spread predominately throughout Queensland.

Because expenditure in the Bowen area will be predominantly for the wages and salaries of construction workers, whereas expenditures in the Northern and Mackay regions will be for construction related goods and services, GSP impacts will be more concentrated in Bowen Shire.

About 2,700 direct fulltime equivalent (fte) jobs and almost 7,000 flow-on jobs are anticipated in Queensland in the peak construction year.

While direct employment will be generated predominantly in Bowen area, the flow-on employment will be significant in the Northern and Mackay regions. Of the total employment impact of about 9,700 fte jobs estimated for Year 4, about 42 per cent would occur in the Bowen area, about 12 per cent each in the Northern and Mackay regions and 33 per cent in the rest of Queensland.

**TABLE 1 Total economic impact (direct plus flow-on) of the construction of the proposed developments at Abbot Point <sup>a</sup>**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Construction Expenditure (\$m)	502	627	692	2,074	1,596	1,231	950	113
<b>Gross State Product (\$m)</b>								
Bowen	60	94	125	268	180	112	15	6
Northern	39	59	79	198	144	118	49	20
Mackay	92	91	76	330	261	223	68	28
Other Queensland	314	255	118	824	702	579	81	33
<b>Queensland</b>	<b>505</b>	<b>498</b>	<b>398</b>	<b>1,621</b>	<b>1,287</b>	<b>1,033</b>	<b>213</b>	<b>88</b>
<b>Employment (fte)</b>								
Bowen	990	1,412	1,742	4,114	2,812	1,716	75	31
Northern	176	473	810	1,215	735	387	94	39
Mackay	162	455	790	1,159	955	945	655	271
Other Queensland	732	1,120	1,471	3,214	2,195	1,428	237	98
<b>Queensland</b>	<b>2,060</b>	<b>3,461</b>	<b>4,813</b>	<b>9,703</b>	<b>6,698</b>	<b>4,477</b>	<b>1,061</b>	<b>439</b>

<sup>a</sup> Values in 2007/08 dollars.

Source: EconSearch analysis.

## Operating Phase Impacts

The expected economic impacts for the operating phase of the various proposed developments at Abbot Point are summarised in Table 2. The main impacts are as follows:

An estimated \$2.8 billion in GSP in Queensland by Year 8, comprised of \$1.3 billion in direct GSP and \$1.5 billion in flow-on GSP.

**TABLE 2 Total economic impact (direct plus flow-on) of the operational phase of the proposed developments at Abbot Point in select years<sup>a</sup>**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
<b>Gross State Product (\$m)</b>								
Bowen	52	74	155	193	191	301	327	348
Northern	30	44	93	116	116	389	457	515
Mackay	29	41	88	109	109	626	758	868
Other Queensland	48	69	143	178	177	804	962	1,095
<b>Queensland</b>	<b>159</b>	<b>228</b>	<b>479</b>	<b>595</b>	<b>593</b>	<b>2,119</b>	<b>2,503</b>	<b>2,826</b>
<b>Employment (fte)</b>								
Bowen	611	879	1,877	2,332	2,327	2,591	2,633	2,663
Northern	98	141	455	566	596	1,054	1,156	1,240
Mackay	91	131	415	516	543	3,762	4,570	5,251
Other Queensland	324	466	1,024	1,273	1,276	3,039	3,474	3,838
<b>Queensland</b>	<b>1,123</b>	<b>1,616</b>	<b>3,771</b>	<b>4,686</b>	<b>4,743</b>	<b>10,446</b>	<b>11,833</b>	<b>12,993</b>

<sup>a</sup> Values in 2007/08 dollars.

Source: EconSearch analysis.

About 12 per cent of GSP impacts are expected to occur in Bowen area, 18 per cent in the Northern region, 31 per cent in the Mackay region and 39 per cent in the rest of Queensland.

By Year 8 about 2,600 direct fte jobs are anticipated in the Abbot Point developments with over 10,000 flow-on jobs expected in Queensland.

While direct employment will be generated predominantly in the Bowen area, the flow-on employment will be spread more evenly. In total, about 20 per cent are jobs expected in the Bowen area, 10 per cent in the Northern region, 40 per cent in the Mackay region and 30 per cent in the rest of Queensland.

## Royalty Estimates from Increasing Coal Exports

The current royalty rate for coal is 7 per cent of the value of coal. The determination of the value of coal for royalty purposes is detailed in Regulation 140 of the Department of Mines and Energy, *Valuation of Coal for Royalty Purposes* (Version 2, 20 June 2007). An amendment in the Year 1 budget placed an additional royalty payment of 10 per cent on the amount above \$100 per ton for any coal sold.

Table 3 provides an estimate of future royalty payments for Abbot Point coal exports for a range of different export volumes. The points to note are:

- The estimated royalty payments are expressed in 2007/08 dollars.
- The prices used for the royalty payment calculations were the ABARE projected prices for metallurgical and thermal coal.

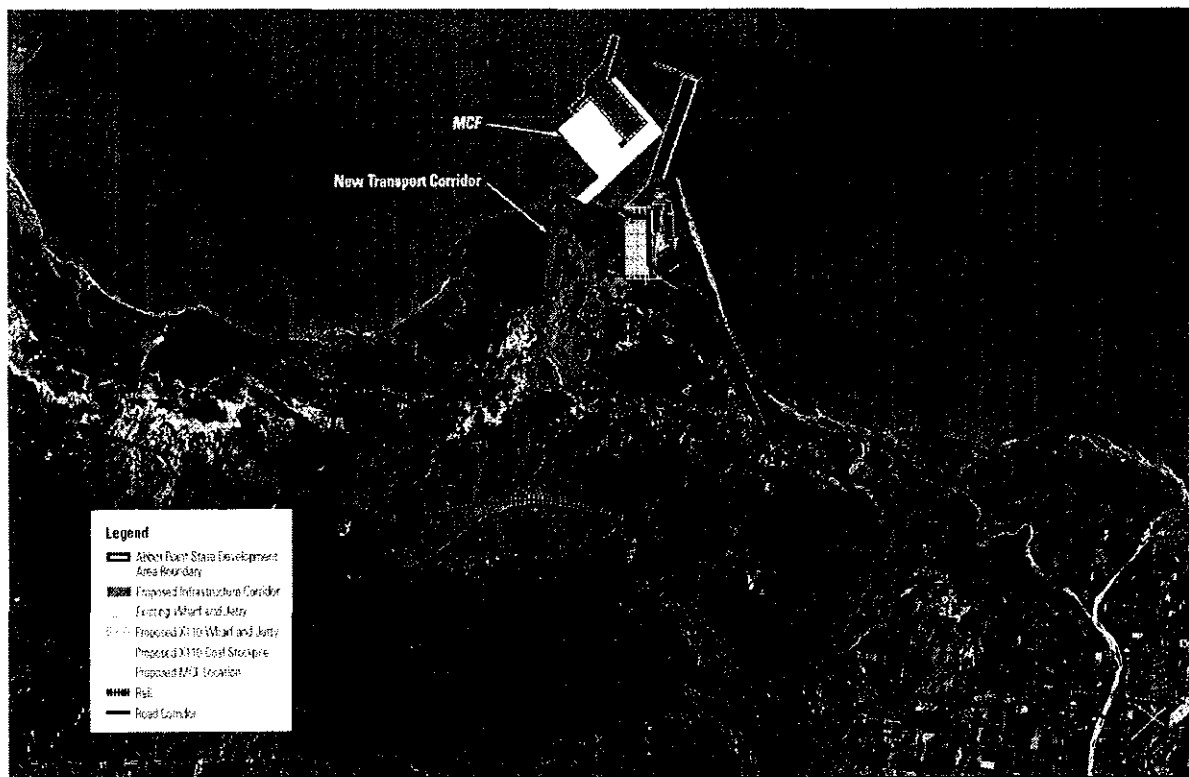
- Because future prices are uncertain, royalty payments for each export volume have been calculated for prices 50 per cent above (reflecting recent negotiated prices) and 25 per cent below the ABARE projected prices.
- The ratio of metallurgical coal to thermal coal exports is assumed to change as exports increase, i.e. 43 per cent metallurgical coal and 57 per cent thermal coal (43:57) at 25 Mtpa; 31:69 at 50 Mtpa and 38:62 at 110 Mtpa.
- Exports of 110 million tonnes from Abbot Point would generate annual royalty payments of \$739 million.

**Table 3 Estimated royalty payments for Abbot Point coal exports**

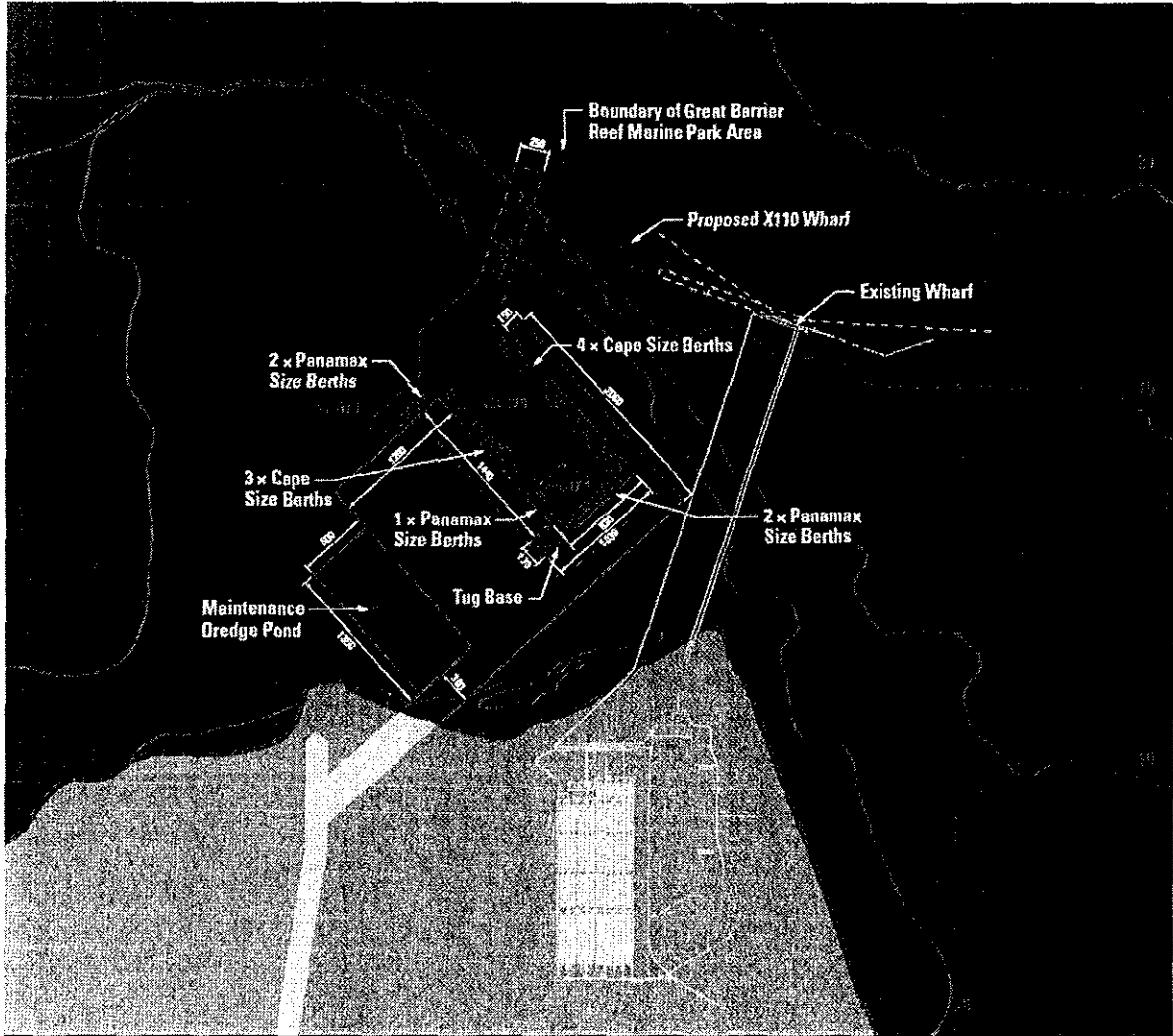
Port Export Capacity (million tonnes)	Projection Year	Royalty Payments (\$m) <sup>a</sup>		
		Assuming ABARE projected prices <sup>b</sup>	Variation on Projected Prices	
			-25%	50%
21	2008	127	92	211
25	2009	304	211	496
50	2012	381	265	645
110	2015	739	526	1,267

<sup>a</sup> 2007/08 dollars

<sup>b</sup> Detailed in Table 5.1. Prices for 2015 are assumed to be the same as for 2013, the latest ABARE projection year.



# Abbot Point MCF at Final Stage



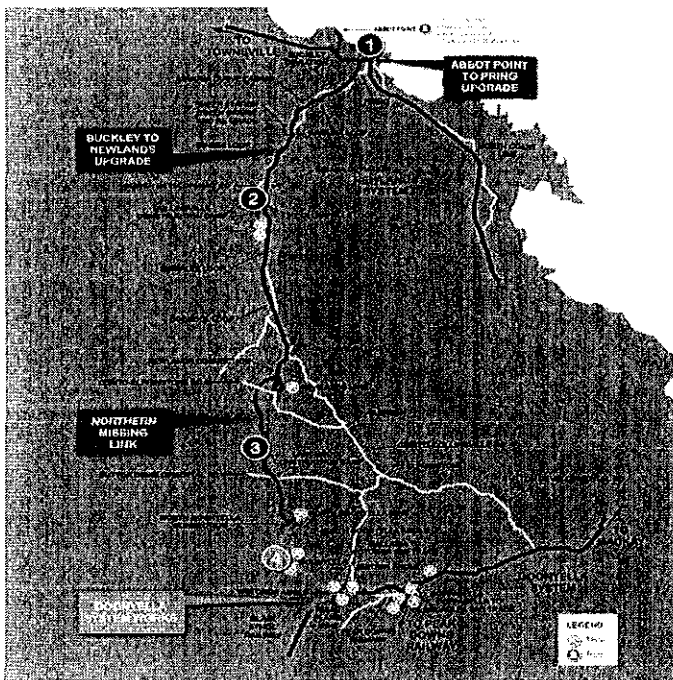
## Queensland Rail (QR) – Coal Rail Infrastructure Program Goonyella to Abbot Point Expansion Early Works

To meet the expansion in capacity at Abbot Point Coal Terminal, north of Bowen, QR Network plans to implement a program of rail infrastructure works between Goonyella and Abbot Point.

The proposed Goonyella to Abbot Point Expansion Project (GAP Project) aims to ease constraints on the Goonyella System and increase capacity to Abbot Point through the Newlands line.

Early works have been completed on the project. Plans were in place to continue with the delivery of this project however have been put on hold due to the Global Economic Crisis.

The works for the GAP project consist of individual sub-projects including:



- The Northern Missing Link (NML) - a 69 kilometer long new railway between the Goonyella and Newlands rail systems situated in Central Queensland Bowen Basin coalfields, directly west of township of Glenden
- A major upgrade of the existing Newlands line between Newlands and Abbot Point
- Upgrade works for provisioning of trains
- Various upgrade connection works into the Goonyella system

QR Network is continuing to consult with the coal industry to confirm timing and negotiate commercial agreements for the project.

The Goonyella to Abbot Point Expansion Project (GAP) will cater for an increase in capacity at the port from 30 Mtpa to 50 Mtpa, on completion of the project.





