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22 January 2014

Inquiry into Public Infrastructure
Productivity Commission
LB 2 Collins Street East
MELBOURNE VIC 8003

By email: infrastructure@pc.gov.au

To whom it may concern

ATLAS IRON SUBMISSION – ROAD USER CHARGING

Atlas Iron Ltd (“Atlas”) seeks to make a brief submission for consideration by the Commission in preparation of its report on Public Infrastructure. Atlas is a member of both the Chamber of Minerals and Energy and the Association of Mining and Exploration Companies who have also made submissions to the inquiry.

We seek to make this additional submission in response to the public submission to the inquiry made jointly by Asciano, Aurizon, the Australian Rail Track Corporation and the Australasian Railway Association (“the rail submission”).

The rail submission calls for a new funding model for on-road heavy vehicle usage priced on a mass-distance-location (MDL) model monitored by GPS. The rail submission argues that this would lead to more efficient investment in the “...infrastructure required for freight transport”, presumably with the goal of moving more freight to rail.

Atlas is currently constructing its fifth iron ore mine in the Pilbara region in Western Australia. To date Atlas has entirely used road haulage on the public road network to support its growth, because we have mined deposits that are not large enough to support the construction of a new railway line.

Since we first began transporting iron ore by road in 2008, we have grown to employ more than 600 people (directly and through our contractors). To the end of 2013 we have paid more than \$140 million dollars in State mineral royalties. This is a great example of the role of public infrastructure in helping to support private sector economic activity with substantial public benefit.

Atlas is concerned that the rail submission may be more applicable to general freight transport, and does not recognise the very different circumstances that apply to bulk commodity transport in Western Australia:

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1. Western Australia already has a form of mass distance location charging for bulk haulage operators. In addition to Commonwealth road user charges and State registration, bulk haulage operators contribute directly to road maintenance costs through Western Australia's Concessional Loading Bulk Products Scheme on a tonne/kilometre basis through a deed established for each haulage operation and route.
2. Atlas also provides additional direct capital contributions to public road infrastructure, for example through upgrading and sealing the public road connecting the Great Northern Highway to our Mt Webber project, significantly enhancing a public asset.
3. All existing railway lines in the Pilbara are privately owned, and integrated into existing mining operations. There are various well documented challenges to gaining access to these rail lines, which are unrelated to the pricing of road transport.

In the context of the above we submit that little has changed since 2006 when the Commission completed its inquiry *Road and Rail Freight Infrastructure Pricing*, which concluded relevantly that:

- *Heavy trucks have been more than paying their way in aggregate under the PAYGO system administered by the National Transport Commission.*
- *Competitive distortions between road and rail have been limited and not a significant source of market inefficiency.*
- *Regulatory reforms would have a more beneficial impact on rail's performance than increases in road charges.*

Atlas submits that any increase to road charges in Western Australia would not impact on allocation of bulk commodity transport between road and rail. Rather its only effect would be to adversely affect the economics of mining smaller mineral deposits, with a potential consequential loss in employment, economic activity and taxation revenue.

Yours sincerely



Ken Brinsden
Managing Director