

Southern Ports Authority —

Mr P. Lilburne, Chair.

Mr D.R. Michael, Minister for Ports.

Mr K. Wilks, Chief Executive Officer.

Mr A. Asthana, Chief Financial Officer.

Ms R. O'Toole, Chief of Staff, Minister for Ports.

[Witnesses introduced.]

The CHAIR: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available online as soon as possible within two business days. Questions must relate to the operations and budget of the off-budget authority. The chair will allow as many questions as possible. Questions and answers should be short and to the point.

A minister may agree to provide supplementary information to the committee. I will ask the minister to clearly indicate what information they agree to provide and will then allocate a reference number. Supplementary information should be provided to the principal clerk by noon on Friday, 31 May 2024. If a minister suggests that a matter be put on notice, members should use the online questions on notice system to submit their questions.

I give the call to the member for Roe.

Mr P.J. RUNDLE: I have a couple of questions on the Esperance projects found on page 664. Can the minister give us an update on the progress of the \$11.5 million recladding of iron ore shed 3 listed in paragraph 3.4?

Mr D.R. MICHAEL: Iron ore shed 3 at the port of Esperance has been used for more than 20 years and requires refurbishment due to its location in a highly corrosive coastal environment. The cladding system has reached the end of its life and major funding is required to renew it. The project includes repairing and repainting the internal structure columns, as well as remediating the roof structure through the repair and placement of roof sheeting, purlins and fascia purlins affected by advanced localised corrosion. The prior year tender exercise resulted in only one bidder, whose price was double the budget due to market conditions. In the 2024 financial year, the project was rescope and retendered to deal with the worst corrosion degradation to provide a five-year period for the contractor market to cool. Those temporary works have allowed us to delay the full cladding until the 2027 financial year.

Mr P.J. RUNDLE: Is the minister saying that because there was only one tender that came in at double the price, a temporary job was done and the full job will need to be looked at in five years?

Mr D.R. MICHAEL: Yes. By spending an estimated \$2.5 million, we have bought a few years to allow the market to cool before doing the full repair.

Mr P.J. RUNDLE: What would the minister predict the cost of recladding to be in five years?

Mr D.R. MICHAEL: The member will see that \$11 505 000 has been allocated in the budget for the 2026–27 out year. That money is currently sitting there for the project.

Mr P.J. RUNDLE: I refer to the \$2 million to design a new general-purpose berth in Albany to enable trade facilitation through the great southern region, which is found in paragraph 2.6 on page 664. I know that it is a limiting scenario there with the former woodchip berth. Can the minister explain the plans to expand with another berth and what materials will be loaded at that berth?

Mr D.R. MICHAEL: Some of this will probably be a little hypothetical, but I am sure that the member has seen berths 1 and 2, and I was standing on them with Mr Wilks in February. Berths 1 and 2 assets are well beyond their design life. They are in poor condition and require replacement. The replacement is unlikely to be finalised prior to the berth being shut down for reasons of operational safety. Existing trades will have to be redeployed to adjoining berths and that will have to be managed in the years ahead.

This funding in the budget will allow for the first stage of the planning. Funding for some of the things that the member asked about will come out of that \$2 million to look at berths 1 and 2 and what trades they will need to accommodate. Discussions will also need to occur with the primary user of berth 3, which is Co-operative Bulk Handling, to make sure that we accommodate them, because some of the bigger ships hang over onto berths 1 and 2. The funding will allow the planning to occur, and some of the things that the member asked about will come out of that planning.

Mr P.J. RUNDLE: Ten years ago, there was a plan for magnetite to come in from the Wellstead project. I have heard a rumour of that project restarting. Is there any allocation or planning for that?

Mr D.R. MICHAEL: The port authority or I can speculate on whether or not the Wellstead project gets up, but, by the sounds of it, there has been contact with the Southern Ports Authority on the odd occasion over the last 10 years to discuss matters.

Mr R.S. LOVE: I refer to paragraph 2 under “Trade Growth” and “Significant Issues Impacting the Government Trading Enterprise” on page 661. It refers to “trading options to better diversify risks across customers and commodities”. I have a couple of questions around that, the first of which is about the closure of the mine at Ravensthorpe and the threats to other mines in the area. What would that mean for the turnover of the port? Is that a material risk to the business and would it mean some writing down of expected revenues?

Mr D.R. MICHAEL: First Quantum Minerals has moved to care and maintenance, but it will still be doing some work on improving its equipment and plant and getting more approvals for mine expansion. I saw that the nickel price today has hit well over \$US21 000 a tonne, whereas back in February it was \$US15 500. Although the nickel price has improved a bit, I am not saying the mining will restart anytime soon, but I hope that the nickel industry might have a brighter future ahead of it than we thought a few months ago. That notwithstanding, the impacts on the port of Esperance from First Quantum Minerals’ cessation of operations is expected to predominantly relate to trade volumes, obviously, and terminal handling operations. No advice has been received from FQM about the term of the care and maintenance period other than that it is based on the global economic outlook for nickel. The Southern Ports Authority has a diverse range of trade through Esperance port, with FQM’s nickel and sulphide only a small portion—around two per cent—of the total trade volume.

[3.30 pm]

Mr R.S. LOVE: I have a further question on trading options to diversify risk, which is what this is about. Are any of the ports in the Southern Ports Authority zone first point of entry ports?

Mr D.R. MICHAEL: All three are.

Mr R.S. LOVE: Is there any consideration of integrating any of the southern ports into the container traffic we have been talking about with Westport et cetera seeing that Bunbury, especially, would be a place that could be positioned?

Mr D.R. MICHAEL: I do not know, but within each first point of entry authorisation, there are subcategories of what can and cannot come in. I am sure that a port like Fremantle has all the categories covered. Although Albany, Bunbury and Esperance have first point of entry, I am told that Esperance is able to bring in containerised cargo, whereas the port of Bunbury is only for project and general cargo—so Esperance can bring in containers.

Mr R.S. LOVE: Is there a plan to expand trade? Given that a lot of the containers that come into Fremantle end up on the train in one way or another, is there a way of integrating Esperance into that trade?

Mr D.R. MICHAEL: Obviously, we have had a few discussions today about renewable energy and what we might need to bring in through different ports in WA. The work and the planning for that is ongoing. Should there be a need to ask the federal government for approval to bring containers into another port or to change any of the first point of entry cargo types, for want of a better term, that is something the state can talk to the federal government about once we know a little bit more about the trade need.

Mr P.J. RUNDLE: I refer to paragraph 2.2 on page 664 of the *Budget statements*, which states —

... upgrade the Esperance port entry and internal roads (Stage 2 and 3), providing safe and functional heavy vehicle access and supporting recent growth in non-iron ore trade transported by road;

Can the minister enlighten us about what the recent growth is?

Mr D.R. MICHAEL: This project is the approval to progress stages 2 and 3, following the approval of stage 1, for the pavement renewal and lighting and drainage upgrade of Hughes Road. It is part of the staged program to upgrade ageing road infrastructure. The program consists of two core components, which are stage 2, the heavy vehicle port entrance off Hughes Road, and stage 3, some internal roads, and that is the pavement renewal and drainage upgrades. I am told that the trade growth is primarily related to spodumene for lithium.

Mr P.J. RUNDLE: I have a further question on a similar theme as the member for Moore’s question. I understand that India has dropped its tariff on fava beans, for argument’s sake, so there is the potential for container loads of that type of thing to go out of the Esperance port. Is the minister trying to promote that as a way of increasing volume?

Mr D.R. MICHAEL: The port of Esperance has already been exporting some grain in containers, so the capability is there. I know that the team at Southern Ports is always willing to talk to any proponent, shipper or anyone else about opportunities to use its port.

Mr P.J. RUNDLE: I refer to paragraph 2.1 on page 664 of budget paper No 2 and the \$14.9 million to upgrade the tug pen and pilot jetty in Esperance, which I know is very welcome. There is a local tug operation there that is very well regarded. Can the minister let us know some more detail on the tug pen and the pilot jetty upgrade, if possible? Is there any breakdown?

Mr D.R. MICHAEL: The existing Esperance tug jetty was constructed around 2001 to accommodate two smaller shallow-draught aluminium harbour tugs. From 2010, the facility has been used for three larger tugs, with two tugs rafted in parallel on one side. The small boat pens accommodate the pilot boat and lines boats, and are also considered

part of the project. A condition assessment in 2019 identified that elements of the tug jetty were at risk of failure due to severe deterioration and/or overloading due to the extra tug rafted in parallel. Therefore, both facilities need to be repaired and modified to meet their operational requirements.

The CHAIR: That completes the examination of the Southern Ports Authority.