

Port Hedland Port Authority —

Mr M.W. Sutherland, Chairman.

Mr W.R. Marmion, Parliamentary Secretary representing the Minister for Transport.

Mr A.M. Bush, Chief Executive Officer.

Mr J.F. Fischer, Executive Director, Transport Industry Policy, Department for Planning and Infrastructure.

Mr E. Curry, Chief of Staff, Office of the Minister for Transport.

[Witnesses introduced.]

The CHAIRMAN: The member for Armadale.

Ms A.J.G. MacTIERNAN: Looking at the new works listed on page 458 of the *Budget Statements*, I do not see any additional work after Utah Point. Can the parliamentary secretary give us some idea of what is being proposed for funding the expansions in South West Creek that will be necessary to provide the berth space for the juniors and the berth space for Hancock Prospecting?

Mr W.R. MARMION: I thank the member for Armadale. Mr Bush will be able to answer the question and perhaps he might provide some background on demand in the port.

Mr A.M. Bush: Certainly, the demand for capacity in the port is significant at present and has been for a while. The port has been planning for expansions within the inner harbour for up to 470 million tonnes. The exact figures are —

Ms A.J.G. MacTIERNAN: It is like a magic pudding; it gets bigger every time the Port Hedland Port Authority talks about it!

Mr A.M. Bush: Those are the figures set out in our last annual report to June 2008. We are also investigating options beyond that through the outer harbour. As far as South West Creek is concerned, we are looking to accommodate the needs of Hancock Prospecting, the North West Iron Ore Alliance and other juniors. Therefore, when we talk about the North West Iron Ore Alliance, it is always “and other juniors” too. We are seeking to accommodate their needs via two berths in South West Creek and we are presently looking at one berth for Hancock Prospecting.

Ms A.J.G. MacTIERNAN: Can I just have that clarified because I understand there has been some discussion that Hancock gets two berths?

Mr A.M. Bush: There certainly is a strong —

The CHAIRMAN: Can members put all questions to the parliamentary secretary, please.

Mr W.R. MARMION: I know this is very fluid, member for Armadale, and I am interested in the answer as well. I ask Mr Bush to respond.

Mr A.M. Bush: There is strong demand for capacity within the inner harbour and certainly the port authority, as it has done to date, has sought to meet the demands of the proponents. It is true that Hancock Prospecting seeks two berths, and seeks greater capacity than that which we have so far earmarked for it, which is 30 million tonnes. We are endeavouring to meet the requirements of all proponents within the port, but at present the board-approved capacity is 470 million tonnes.

Ms A.J.G. MacTIERNAN: Has the port authority done any work that would indicate that there could be a third berth in South West Creek, or is that beyond capacity?

Mr A.M. Bush: In South West Creek, on the western side, there are three berths in a line: SP1, SP2 and SP3. Currently, SP1 is for Hancock, and SP2 and SP3 are for the iron ore alliance. In the planning for all proponents within the port, we seek to make sure that no berths lie standing and undeveloped. That is why I say “currently”, because if a proponent does not develop in a timely manner, we will seek to reorient the allocation to allow berths not to block other proponents.

Ms A.J.G. MacTIERNAN: There is no budget allocation over the next four years for any capital works of that type. Is it proposed that all of this development in South West Creek be privately funded?

Mr W.R. MARMION: My understanding is that the minister is in commercial discussions with some of the companies that have been mentioned. Things may be in a fluid state, and all options are possibly open at the moment.

Ms A.J.G. MacTIERNAN: There is actually no money in the budget.

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Mr W.R. MARMION: If there is no decision, there is no money, because it could be that the money is not needed.

Ms A.J.G. MacTIERNAN: Unlike Oakajee, this will not be public investment.

Mr W.R. MARMION: Not if the private sector deals with it.

Mr A.J. WADDELL: In the event that that private money does not eventuate, what sort of costs might have been put into this budget to cover that eventuality?

Mr W.R. MARMION: Is the member asking what the cost of a berth is?

Mr A.J. WADDELL: Yes.

Mr A.M. Bush: It is very difficult to say what the cost of a berth is, because it also relates to the conveyors and stockpiles. If one is just looking at the berth itself, it is of the order of \$150 million. It also depends on the extent of the dredging, which is a costly component, and can vary. For the berth alone it is \$150 million. If we include port infrastructure for a berth, with support infrastructure going back to rail car dumps, stackers and the like, which is part of the associated infrastructure to achieve approximately 30 million tonnes per single berth, we could be looking at somewhere in the region of \$500 million for infrastructure.

Ms A.J.G. MacTIERNAN: I can understand that Hancock Prospecting, for example, could be expected to build its own berth, and I do not see a difficulty there. However, with the common-use berths for the North West Iron Ore Alliance, and the other juniors—to get the language right—it would be expected that it would be a publicly funded facility like Utah Point, because it will be common-user infrastructure. How will we progress on this without any money?

[9.40 pm]

Mr W.R. MARMION: That could be a possibility. Have you had discussions on this matter, Mr Bush?

Mr A.M. Bush: Discussions to date with the North West Iron Ore Alliance and other juniors is that they would form a cooperative, effectively, to share the capacity amongst themselves. So it would not be a strict common-user facility, as Utah Point is managed by the port authority. We have had discussions with the proponent regarding potential prepaid charges to fund the full value of the development. The only reason for that was to manage the operation of those berths. However, if the proponents have just two berths—that is, the North West Iron Ore Alliance, which it is managing on its own—there is no need for the Port Hedland Port Authority or the state to fund that. So, two options are being investigated. However, currently there is no need for us to intervene in potential shared berths and how to manage shared facilities between the three players, which we were considering. Therefore, at the moment should they develop their own berths, we will have managed to facilitate the trade without having to expend port authority or state money.

Ms A.J.G. MacTIERNAN: I ask the parliamentary secretary whether he would contemplate allowing Hancock to develop those berths and then require the juniors to access the facilities through Hancock.

Mr W.R. MARMION: I do not think I want to comment on exactly what we might or might not do. I think the question the member for Armadale is asking —

Ms A.J.G. MacTIERNAN: What I am saying is that the parliamentary secretary will not put the juniors in the North West Iron Ore Alliance at the call of a larger player.

Mr W.R. MARMION: In terms of?

Ms A.J.G. MacTIERNAN: Of requiring Hancock to develop the berths.

Mr W.R. MARMION: Allowing Hancock to develop this berth and then the juniors —

Ms A.J.G. MacTIERNAN: They are having to go cap in hand.

Mr W.R. MARMION: To Hancock to use the facility?

Ms A.J.G. MacTIERNAN: Yes, I would like that option ruled out.

Mr W.R. MARMION: That is a policy matter for the minister, I think. Maybe Mr Bush will be able to say a bit on it.

Mr A.M. Bush: We are looking to facilitate trade for the parties, and it must be something that the proponents are happy to enter into. I would say we are in discussions with the North West Iron Ore Alliance, other juniors and Hancock separately. There are many ways of looking at the funding of these berths, but it would need to be something that the parties themselves would feel comfortable with—that they, North West Iron Ore Alliance and other juniors would accommodate and manage their own facilities. One of the reasons I would like to repeat why we were contemplating having prepaid charges was that some juniors did not wish to be part of the alliance. We

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therefore had to put those parties together, and hence we had to manage the allocation. So we have not yet decided between the alliance and other juniors what the repartition of capacity is, but at the moment we are in discussions with those parties and they need to be amenable and accepting of any arrangement that we propose.

Mr W.R. MARMION: Can I just elaborate? I think the very good points that the member has made will be part of the mix in terms of what is happening at the moment. It is early days and a decision has not been made, but I am sure that all the issues that the member has outlined, and also outlined by Mr Bush, will be considered. I would say that in some months we will probably have an answer. Indeed, if the private sector or the cooperative does build the berths—there is a fair bit to work out yet—then the budget estimates are fine. If indeed it turns out that the government has to down the track —

Ms A.J.G. MacTIERNAN: It will just put the money in.

Mr W.R. MARMION: Exactly.

Ms A.J.G. MacTIERNAN: It will just add it in, because it does not matter if it does not add up.

Mr I.C. BLAYNEY: Can the parliamentary secretary provide us with an update on any revision to trade growth projections and how this might affect port operations?

Mr W.R. MARMION: I thank the member for Geraldton for the question, and again I will refer it to Mr Bush to answer.

Mr A.M. Bush: This year our projection is around 160 million tonnes. The original forecast was around 180 million tonnes. The main reason for the shortfall was primarily the slow ramp-up of production this year for The Pilbara Infrastructure Pty Ltd—or Fortescue Metal Group Ltd—due to certain dewatering problems at the mine. Certain of our future projections are governed by the ramp-up with FMG. We understand that FMG's ramp-up to 55 million tonnes will take place some time during the course of next year. Therefore, our forward projections will continue, possibly after next year. The projections for BHP in our forward-looking statements are anticipated to be held with BHP's approval of the RGP5 project, which will take the capacity of the port to 205 million tonnes. This year we grew 25 per cent over the situation in the previous year, which means we went from 130 million tonnes to 160 million tonnes. We project over the next five years, 25 per cent to 30 per cent year-on-year growth. Within five years we could be up to 470 million tonnes, but there are certain vagaries in the market. At the moment we are seeing committed projects of up to 320 million tonnes. These are projects that have yet to receive financial approval, including BHP's RPG6 project in the inner harbour, and TPI expansions of 55 million tonnes upwards. The projects of both Hancock and North West Iron Ore Alliance are yet to get up and running. At the moment, of the 470 million tonnes over the next five years, we have roughly 320 million tonnes of projects approved, which includes the ramp-up of Utah Point.

Mr C.J. TALLENTIRE: Given the history of dust problems in the town of Port Hedland, I am curious to know where in the budget papers we can find expenditure for dust and environmental monitoring in general.

Mr W.R. MARMION: Is the member referring to iron ore dust?

Mr C.J. TALLENTIRE: Indeed, iron ore dust.

Mr W.R. MARMION: Yes, I have also noticed it when I have visited.

Mr A.M. Bush: Dust monitoring is covered by the Port Hedland Port Authority and various industry groups. We are looking at forming a council that will comprise the port authority and other industry participants to carry out combined monitoring of dust in Port Hedland, and sharing the costs of that operation in a cooperative manner. In the future we seek to minimise dust impacts from the various project plans, and we are working with other government entities to ensure that adequate planning will minimise the impact of further dust growth on Port Hedland. It is part of the whole planning process for the inner harbour and the plans for the future outer harbour.

Mr W.R. MARMION: I might add a bit to that. My understanding, from my little knowledge of Port Hedland, is that BHP is involved in efforts to try to reduce dust in and around the port and the Port Hedland area, and that it is part of the contribution towards minimising dust. Is that correct?

Mr A.M. Bush: BHP's operation is sandwiched either side of the townsite of Port Hedland, and it is the main contributor to dust problems. Within its expansions, the dust impacts are minimised through the fact that the ore is direct-ship ore. A great proportion of the expansion—100 million tonnes to 240 million tonnes, should RPG6 proceed—is direct-ship ore. There are other enhancements and dust mitigation measures that the authority, along with the government, has sought to impose upon BHP.

Mr P.T. MILES: Given the disaster in Esperance a few years ago, has the Department of Environment and Conservation carried out an analysis on the Port Hedland Port Authority in the same way that it has on other port authorities? Has it noticed any issues that the authority has had to remedy to help allay the fears of residents?

Mr W.R. MARMION: I thank the member for Wanneroo for that question. It dovetails into the iron ore dust issue. Perhaps Mr Bush will elaborate more specifically on hazardous minerals that might be exported through the port one day.

[9.50 pm]

Mr A.M. Bush: Certainly dust through Port Hedland has been a problem for a long while. It is a problem that the Department of Environment and Conservation and the Department of Health have been monitoring. How we address the iron ore and dust shed issues is an ongoing process. I refer to the impacts from the port authority. By moving the export capacity of manganese and chrome from the public berth to the new berth at Utah Point, the dust problem within the west end of town will be reduced significantly. That operation, involving 1.5 million tonnes of export capacity, contributes roughly 20 per cent to the dust monitors at the harbour. It is a significant reduction. One of the major reasons that Utah was developed and supported by the government was to reduce both manganese activities and the risk to the population at the west end of town.

Mr W.R. MARMION: I will ask Mr Bush to point out to members where Utah Point is in relation to the rest of the port.

Mr A.M. Bush: Utah is on the other side of the harbour and is conveniently located out of the prevailing winds that impact on the west end of town. The movement of 1.5 million tonnes of product, together with approximately 15 million tonnes of iron ore through Utah, has resulted in a marked reduction in the dust problem in the town. It has been brought about by the location of the stockyards and a state-of-the-art facility.

Mr P.T. MILES: I refer to the Utah berth. Is there a big enough buffer to prevent residential development creeping in and causing operations to have to move further out?

Mr W.R. MARMION: From my study of the Port Hedland map I would say yes, but Mr Bush would be able to confirm how far Utah is from the residential population and whether there is the likelihood of residential development around the Utah berth.

Mr A.M. Bush: That is affirmative. There will be no further development there. It is on the other side of the port, approximately one and a half to two kilometres further away from the current operations and out of the prevailing winds. The modelling has indicated that the reduction of 1.5 million tonnes of export capacity and the handling of 15 million tonnes of iron ore on the other side of the harbour will reduce the dust at the harbour dust monitors by 20 per cent. That is proof in itself.

Ms A.J.G. MacTIERNAN: I refer to the port access regime. There is an agreement with Pilbara Infrastructure Pty Ltd under which there is required to be a port access agreement to protect the interests of third parties. Has that agreement been completed? What is the basic mechanism of protection for third parties? Is there a point of appeal? Are we still proposing to bring that access regime under the economic regulator?

Mr W.R. MARMION: Is that in relation to Utah?

Ms A.J.G. MacTIERNAN: No, in relation to Anderson Point.

Mr A.M. Bush: The access regime has not yet been executed as far as I am aware. I am part of the steering committee. It is not with me at the moment. It is certainly nearing finalisation.

Ms A.J.G. MacTIERNAN: I want that clarified—it is not yet completed?

Mr A.M. Bush: As far as I am aware, it has not been executed as yet.

Mr W.R. MARMION: Is that right, Mr Fischer?

Mr J. Fischer: That access agreement is now with the Minister for State Development. It is not under the Minister for Transport anymore.

Ms A.J.G. MacTIERNAN: Why is it with the Minister for State Development?

Mr J. Fischer: He looks after the Fortescue Metals Group Ltd agreement.

Ms A.J.G. MacTIERNAN: Sorry?

Mr J. Fischer: The Minister for State Development looks after the Pilbara Infrastructure Pty Ltd agreement and the access regime that has been developed.

Ms A.J.G. MacTIERNAN: Can the parliamentary secretary just clarify that, because I understood that under the terms of that particular state agreement—that particular one—that was deliberately put in and said to be the responsibility of the Minister for Transport?

Mr W.R. MARMION: I will allow Mr Fischer to continue answering the question.

Mr J. Fischer: Can the member clarify whether she is talking about the TPI —

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Ms A.J.G. MacTIERNAN: When the Railway and Port (The Pilbara Infrastructure Pty Ltd) Agreement Act 2004 was established, it was deliberately put not under the Minister for State Development but under the equivalent of the Minister for Transport. It was considered important not to have that under the Minister for State Development.

Mr J. Fischer: That agreement is now under the Minister for State Development. The Minister for Transport or the Department of Transport is assisting in the development of that access regime and has —

Ms A.J.G. MacTIERNAN: He does not allow this guy to do anything, does he? Has he now got responsibility for that piece of legislation?

Mr J. Fischer: Correct.

Ms A.J.G. MacTIERNAN: Is it still proposed to bring that agreement, if and when it is ever completed, under the auspices of the Economic Regulatory Authority; is the parliamentary secretary aware of whether that is still being contemplated?

Mr W.R. MARMION: I will allow Mr Fischer to answer this question.

Mr J. Fischer: That is still being considered. There has been no decision to move it that way.

Mr A.J. WADDELL: I refer to budget paper No 3, which I do not think the parliamentary secretary has.

Mr W.R. MARMION: No.

Mr A.J. WADDELL: I refer to the Port Hedland Port Authority. I am mindful of the time so I will quickly go through the dividends: 2008-09, \$1.869 million; 2009-10, \$1.198 million; 2010-11, \$2.235 million; 2011-12, \$13.265 million; and 2012-13, \$12.591 million. Why suddenly have the dividends increased by a factor of six in those outward years?

Mr W.R. MARMION: It sounds like a good question to me. I will ask Mr Bush for the answer.

Mr A.M. Bush: That aligns with the coming on stream of Utah Point and the revenues generated from that facility.

The CHAIRMAN: That completes the examination of the Port Hedland Port Authority. The question is —
That the clauses, schedules and titles of the bills be agreed to.

Question put and passed.

Committee adjourned at 9.58 pm
