

**STANDING COMMITTEE ON  
ESTIMATES AND FINANCIAL OPERATIONS**

***BUDGET STATEMENTS***

**TRANSCRIPT OF EVIDENCE  
TAKEN AT PERTH  
THURSDAY, 3 SEPTEMBER 2009**

**SESSION SIX**

**Members**

**Hon Giz Watson (Chair)  
Hon Philip Gardiner (Deputy Chair)  
Hon Liz Behjat  
Hon Ken Travers  
Hon Ljiljanna Ravlich**

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**Hearing commenced at 1.54 pm**

**O'BRIEN, HON SIMON, MLC**  
**Minister for Transport,**  
**13<sup>th</sup> Floor, Dumas House, 2 Havelock Street,**  
**West Perth 6005, sworn and examined:**

**BERRY, MR COLIN**  
**Finance Manager, Albany Port Authority,**  
**85 Brunswick Road,**  
**Albany 6330, sworn and examined:**

**WILLIAMSON, MR BRAD**  
**Chief Executive Officer, Albany Port Authority,**  
**85 Brunswick Road,**  
**Albany 6330, sworn and examined:**

**WEST, MR PETER**  
**Chairman, Albany Port Authority,**  
**85 Brunswick Road,**  
**Albany 6330, sworn and examined:**

**The CHAIR:** On behalf of the committee, I welcome you to this afternoon's meeting. Before we commence, I am required to administer the oath or affirmation.

[Witnesses took the oath or affirmation.]

**The CHAIR:** You will have signed a document entitled "Information for Witnesses". Have you read and understood that document?

**The Witnesses:** Yes.

**The CHAIR:** These proceedings are being recorded by Hansard. A transcript of your evidence will be provided to you. To assist the committee and Hansard, please quote the full title of any document you may refer to during the course of this hearing for the record. Please also be aware of the microphones and try to talk directly into them. I remind you that your transcript will become a matter for the public record. If for some reason you wish to make a confidential statement during today's proceedings, you should request that the evidence be taken in closed session. If the committee grants your request, any public and media in attendance will be excluded from the hearing. Please note that until such time as the transcript of your public evidence is finalised, it should not be made public. I advise you that premature publication or disclosure of the uncorrected transcript may constitute a contempt of Parliament and may mean that the material published or disclosed is not subject to parliamentary privilege. Government agencies and departments have an important role and duty in assisting Parliament to scrutinise the budget papers on behalf of the people of Western Australia, and the committee values your assistance. Members, if you could please quote any page number, item or program ahead of your questions, it would assist Hansard.

**Hon PHILIP GARDINER:** Can I kick off? That would be a bit of a record!

**Hon SIMON O'BRIEN:** Madam Chair, I thought members might appreciate it if the chairman or the CEO gave a brief overview. Would that be a good idea?

**The CHAIR:** Minister, I think that is probably an excellent idea.

**Mr West:** I have only been involved for a year. One of the first things last year was to have a strategic review of where the port was in view of the various proponents and activities coming forward. Two key things came out of that—the need for strong linkages with the community, and land use, particularly around the Albany port. This is relevant to most ports, but it is particularly relevant to Albany. If there is to be significant development, short-term and long-term, land-use planning is a critical item. There is also a lot of proponent stuff that I will let Brad talk about.

**Mr Williamson:** I will give an overview of the port. Our main trade is the woodchip, which involves blue gum plantations. We are the largest woodchip port in Western Australia. That trade is down; it was down before Timbercorp and Great Southern went broke, because the market in Japan was down. Another main trade is grain. Depending on where it rains in the state, we are the second largest grain port. The other port is Geraldton. The other main trades include fertiliser; the importation of Patagonian toothfish and other Antarctic fish; silica sand; and fuel. We are also quite a large cruise port—we get about 13 or 14 cruise ships a year. The new trade of biomass fuel is also emerging. This is the residue of harvested timber. It is exported to Europe, and there are renewable energy credits when it is blended in with coal in coal-fired power stations. We are the first port in Australia to handle that. Our trades are basically food and fibre—grain, which is the food; and woodchips, which is the fibre. We are a financially strong port. We make consistent profits and had a record year last year. The port is quite stable financially, and there are new trades emerging continually. The big push for us, strategically, is to forge strong links with the community. Albany port is basically an industrial site, and, like all industrial sites, we have trucks, trains, noise, dust and odours—all those sorts of things in the guts of a lifestyle town. The challenge is to manage the linkage with the community, and we are making a lot of effort to do that. We have a good relationship with our community, but we are putting more resources into that. That is a snapshot of the port.

**The CHAIR:** By how much has the woodchip throughput been reduced over the past couple of years?

**Mr Williamson:** Woodchips have been in continual growth because more plantations are coming into maturity. Last year our tonnage was about 1.6 million tonnes. Normally that would grow up to 2 million tonnes, but because the trade in Japan is down it may plateau at 1.7 million tonnes, depending on what happens to these assets and who buys them. Some plantations may never be harvested, so there is a bit of uncertainty, but they are still good assets and the trade will continue, but it is uncertain where the growth will top out.

[2.00 pm]

**The CHAIR:** Is there a limitation in terms of the storage area for the chips on the foreshore?

**Mr Williamson:** There is not really. We think there is enough stockpile capacity at the port. You will find that proponents often want a lot of port land because it eases their stockpile requirements elsewhere. Waterfront flat port land is an extremely strategic asset. Reclaiming land is difficult environmentally and it is difficult to get community acceptance for that. It is a precious resource. Any port does not want to tie up too much waterfront land with trades that do not need it. We insist that all trades have take or pays. That means that if they lease the land, they commit to a tonnage; and if they do not export that tonnage, they pay us as though they did. That sobers them up in terms of their expectations of what they need. They will try to real-estate land at the port to keep out competitors. To answer your question, we think there is enough land there for woodchip.

**The CHAIR:** Is it only plantation chip going through Albany?

**Mr Williamson:** Yes. There is also some pine log, which is plantation pine.

**Hon LJILJANNA RAVLICH:** Can you provide us with some of the risks confronting the port and some of the opportunities that there may be for the port in the future?

**Mr Williamson:** Like any port, we have the normal risks, which are maritime risks of ships running aground, oil spills or something happening in the channel. Because we are a small regional port, staffing is critical. If our pilotage is imperilled in some way, we cannot bring the ships in or take them out, so we have backups. The real financial risks are seasonal risks. If it does not rain, farmers cannot grow grain and our finances collapse. We do not have significant environmental risks like some ports that are handling hazardous products. The only hazardous product we handle is fuel, and we have procedures for handling that. Other than the normal port risks, I cannot think of anything unique to Albany.

**The CHAIR:** You handle fertiliser through the port. I would have thought that would be an environmental risk if it got into the harbour.

**Mr Williamson:** We have done some studies on that to see how much goes in the harbour. It is a tiny amount. We have special procedures. Spill plates are put up abutting the hull of the ship so that it does not go in the water. We have done a formal study. A negligible amount goes in there. It is not a perceivable risk the way it is managed.

**The CHAIR:** A lot has changed since the 1970s.

**Mr Williamson:** Yes, that is right. It is a lot more disciplined than it was in the past.

**Hon KEN TRAVERS:** What is your estimated rate of return for this financial year?

**Mr Williamson:** If we look at last year's figure, we are around five to seven per cent.

**Mr Berry:** The long-term objective from the government's point of view is a five per cent rate of return. We expect to achieve that.

**Hon KEN TRAVERS:** According to some of the historical documents, you were not achieving that. What has been the turnaround?

**Mr West:** Volume as much as anything. The charges have not increased for the past five years. Volumes have steadily gone up on the woodchips, and cereal has been marginally up. The costs have not changed a lot. We have now moved to seven per cent over five years. We take the long-term average as being a five-year period. We are on the top side of it now with a bit of slack, which is a nice place to be. We are trying to give the best service. At some stage we may well have to go under. If a new proponent is coming up, we get costs in advance—for instance, grain or iron ore. If something like that is happening, we do not have any other fat to deal with the pre-development costs associated with that. We are in a nice strategic financial position at the moment.

**Hon SIMON O'BRIEN:** In fairness, some credit does have to be given to the board of directors and also the management of this port. As we saw from the opening remarks of Mr West and Mr Williamson, there has been a conspicuous and conscious endeavour by this port authority to reposition itself as to how it fits in the wider community. That indicates what I think is a highly satisfactory approach to how it does business. If you do not mind me interjecting, some credit for the turnaround needs to go to the management and directors who are represented here today.

**Hon KEN TRAVERS:** I turn to page 449 of the budget papers. You expect the rail enhancement-rail access project to be completed this year. Is that what was previously referred to as the rail loop? Is that the same project?

**Mr Williamson:** Where a rail dumper is located, it has been put in the wrong spot. The maximum length of wagons you can get before you block a road—Princess Royal Drive—is 17 wagons. The idea was to initially build a bridge and then divert a road so you could have longer trains. That project ran into some technical and regulatory difficulties, and at the same time there was uncertainty about where the woodchip industry was heading. That project has not proceeded, because the demand might not be there, and also there are technical problems. We are looking at reallocating that money into a better use, which would be a rail loop within the port.

**Hon KEN TRAVERS:** You are not going to use the money that is allocated in the current budget for that purpose at the moment, so what would the rail loop involve?

**Mr Williamson:** Currently, the rail in the port is a push-pull arrangement, which is quite inefficient in the configuration of locos. It would be a far better arrangement to have a complete loop line in the port so it can do a complete loop around. That would really position the port for the future. We want to use some of that money to do some feasibility work. We have done some already. That would also service other trades beyond just the woodchip trade.

[2.10 pm]

**Hon KEN TRAVERS:** What is your estimated cost of the rail loop if you were to go down the path of building it?

**Mr Williamson:** It could be up to \$8 million. It is something that we would seek port users to contribute to. We have made a submission to Infrastructure Australia to also fund that.

**Hon KEN TRAVERS:** Would they make that as a contribution in advance? When you say “a contribution”, are you talking about fees and charges?

**Mr Williamson:** Yes. It could be structured in different ways, but it is not something that the port would fund entirely.

**Hon KEN TRAVERS:** Would it limit the capacity of the port in any way if that project did not go ahead?

**Mr Williamson:** No, it would not. Because of the uncertainty of the woodchip trade at the moment, it is not adversely affecting the woodchip trade. One of the potential new trades is bauxite. To get the tonnages in for bauxite, because of the length of the trains, we would need a loop line for that. We are talking with that trade about that.

**Hon KEN TRAVERS:** In terms of hinterland infrastructure, are there any other constraints, whether it be transport infrastructure or power or water, or anything else, that could constrain the port or your capacity to service any new clients?

**Mr Williamson:** It is only the continual issue of the future of the rail network into the port. That is something the government is working on in other forums. It is the balance of road and rail into the port and the urban amenity issues. Those out-of-port boundary issues are something that we contribute to but obviously do not control.

**Hon KEN TRAVERS:** I am asking about the impact that has on your port.

**Mr Williamson:** It is not constraining us at the moment.

**Hon KEN TRAVERS:** If there was a big movement of grain off rail and onto road in that area, in terms of your community engagement, that would have an impact on you. Although it might be the grain trucks coming through, it will be the port that is ultimately the cause of it—people will look to the port as the cause.

**Mr Williamson:** That is an issue for all ports—the urban amenity issue—and that would affect us.

**Hon SIMON O'BRIEN:** The member is absolutely right. The vast bulk of our grain exports actually go out through Fremantle port and nobody notices it, by and large, because of the way in which it is transported—that is, by rail. What you are indicating is probably very true about Albany. We want to keep as much of it as we can on rail.

**Hon KEN TRAVERS:** Do you know what your current tonnages are? I know from looking at the historical data that they fluctuate quite dramatically, which I suspect is seasonal and also depends on how much growers grow in any given year and all the rest of it. Do you know what your current average tonnage of grain is and also how much of that is carried by rail rather than road?

**Mr Williamson:** It depends on whether it rains. It is roughly 1.8 or two million tonnes of grain a year. It is about a 50-50 split. It is plus or minus 10 per cent because of rainfall patterns, but it is a 50-50 truck and rail split.

**Hon KEN TRAVERS:** Is that because the areas close to the port transfer the grain by trucks, or are particular areas that are not serviced by rail transporting their grain by trucks?

**Mr Williamson:** Some areas are not serviced by rail, and if a lot of grain is grown there, you get more trucks. Our catchment includes Hyden, Lake Grace and Newdegate. It is quite a big catchment.

**The CHAIR:** I will swing over here, but be cheeky enough to throw in a couple of questions on the way through. Does canola go through Albany?

**Mr Williamson:** Yes, it does.

**The CHAIR:** What is the tonnage for canola?

**Mr Williamson:** Last year it was 409 000 tonnes.

**The CHAIR:** You mentioned the potential to ship bauxite from Albany. Where would that come from?

**Mr Williamson:** From north of Williams, to be trucked to a railhead at Wagin and then railed straight down to Albany from there.

**Hon PHILIP GARDINER:** What is the maximum draft that can get into the Albany harbour?

**Mr Williamson:** It is 12.2 metres. Generally, we would not load a ship of more than 11.5 metres.

**Hon PHILIP GARDINER:** I think that when we spoke sometime ago you mentioned that there was the possibility of dredging a channel. I think that was said in the context of the Grange Resources iron ore coming on stream as well. Is the Grange iron ore project any closer? Does that mean that you are starting to plan any further to do that dredging? Environmentally—I know you are doing research—have all of those approvals been obtained?

**Mr Williamson:** To take the last question about the approvals first, hopefully we are very close to having a bulletin issued as part of the public environmental review process. There has been three years of work to get the PER done, and that will be released imminently. We hope that that will be approved with conditions. If it was approved today, would the project proceed? The answer is no, because they have not raised the money. They need to raise \$1.5 billion. Naturally, we would not do the dredging until they had financial closure, and they are not there yet. We have done an enormous amount of work preparing for it, but it is not proceeding until they can get financial closure.

**Hon PHILIP GARDINER:** You talked about the rail loop. It is probably heinous of me to even mention it here, but I think that the port in Albany is in the wrong location for the long term.

**Hon SIMON O'BRIEN:** Would you like it moved a bit to one side?

**Hon PHILIP GARDINER:** I take anything that comes my way! Geraldton is reorganising its port.

I was interested in the port's profitability. You said that last year's profit was one of the highest, or was a very good year. This comes back to a question to you, minister. The return on capital was mentioned at five percentage points earlier —

**Mr West:** As a target.

**Hon PHILIP GARDINER:** I know that in other ports it is six to eight per cent. Is there a common level at which the government aspires the ports to give a return on the net assets involved?

**Hon SIMON O'BRIEN:** I would not want to look as though I was trying to avoid this question, member, but I believe it would be more profitably addressed to the Treasurer or his representative. I mean that sincerely, because the response, I think, would give a broader conveyance of the

government's position on the matter, which is what I think you are looking for and what I cannot really provide.

**Hon KEN TRAVERS:** I think you will find that Treasury—I would have thought that some of your officers would be aware of that—expects ports to return a rate in the range of between five and eight per cent. It is my understanding that that is Treasury's requirement.

**Mr Williamson:** That is correct.

**Hon SIMON O'BRIEN:** Why there is a difference between five and seven per cent, for argument's sake, which is what I think Hon Philip Gardiner was talking about, I am sorry, I cannot enlighten you on that.

**Hon KEN TRAVERS:** I would imagine it is because there are various situations for different ports in terms of their stages of investment and the type and nature of the port. To have a single rate of return would be impossible for all the different ports across the state.

**Hon PHILIP GARDINER:** From year to year it will fluctuate, but I would have thought that a long-term average would be reasonably consistent.

**The CHAIR:** I have a question relating to the previous question about the potential of the Grange project going ahead, the potential of dredging and the environmental assessment. Is it correct that the new leases for mussel farms in the port area are contingent on them not making any future claims against the impact of spoil; and, if so, why is that?

**Mr Williamson:** The port authority controls the seabed and the waters of King George Sound. We are happy for aquaculture and mussel leases to operate in that area. We give them licences to do that, but we do not want them to imperil a key piece of industrial infrastructure in the region, which is obviously the port, otherwise we had better not have them there. We have just copied Fremantle's mussel leases, which recognise the primacy of that \$2 billion investment and the key nature of that asset. It recognises that ports have always dredged and always will dredge. We have dredged five times and we will dredge in the future. We do not want to have an industry that comes in that we have allowed to imperil that enormous critical thing for the state.

[2.20 pm]

**The CHAIR:** Is it not something that relates to potential new or additional dredging, and the disposal of that spoil being different to continuous maintenance dredging, because otherwise it would have been in the contracts to start with, if you follow what I mean?

**Mr Williamson:** I think there was a general acceptance of ports dredging, but community values have changed. We have done five capital dredging projects in the past, and I think it is an avoidance of litigation and imperilling such a critical piece of infrastructure. It is similar to living next to an airport and complaining about the noise. It is really recognising the primacy of that critical piece of infrastructure, otherwise I would rather not licence it; I would rather not have the mussel industry. We want to try to coexist with people but not have them imperil us, if that makes sense.

**The CHAIR:** They are good water quality indicators though, are they not?

**Mr Williamson:** Yes, we use them for that, too.

**Mr West:** There is one change here—the boundary of the dredging has been moved; it is further out than it was previously—so the quantum of dredging and movement of sand in King George Sound is beyond what it has ever been in the past, and it is moving into the area where they are.

**The CHAIR:** Is it a different disposal site as well?

**Mr West:** Yes.

**Mr Williamson:** It is the deepest disposal site in the state. We have deliberately done that so as to make the environmental impact minimal. All dredging is controversial. People hate it, but you tend to need it.

**Hon PHILIP GARDINER:** I have one final question—it is almost a superficial question—but I notice that you have a new pilot ship in which you are investing \$1.8 million.

**Mr Williamson:** Yes.

**Hon PHILIP GARDINER:** One of your colleague port authorities has purchased a ship for \$1 million. Is that second-hand versus new? Is there a secondary market?

**Mr Williamson:** It is just a notional figure, and we may even lease it in the end. They are expensive bits of gear, because they are going to King George Sound and encountering all kinds of conditions—big swell conditions. It is a notional figure until we work out exactly what to purchase.

**Hon PHILIP GARDINER:** But there are pilot vessels and pilot vessels, are there?

**Mr Williamson:** Yes. It depends on what the sea state conditions are.

**Hon PHILIP GARDINER:** So you would need something different?

**Mr Williamson:** Yes; we have got the worst conditions.

**Hon KEN TRAVERS:** Have you ever had cause to engage in hedging operations?

**Mr Williamson:** No, never. No way.

**The CHAIR:** I think we might have run out of questions; we have done very well.

**Mr Williamson:** You should come down to Albany sometime!

**The CHAIR:** I do, regularly.

**Hon PHILIP GARDINER:** I will still come down, even if the port is in the same place!

**The CHAIR:** Thanks very much, gentlemen. I do not think there are additional questions; but, if there are, they will be provided to you within the next 24 hours.

**Hearing concluded at 2.23 pm**