

**STANDING COMMITTEE ON  
ESTIMATES AND FINANCIAL OPERATIONS**

***BUDGET STATEMENTS***

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

**SESSION THREE**

**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 11.22 am**

**O'BRIEN, HON SIMON, MLC**

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

**SHELLACK, MR KEVIN**

**Chief Executive Officer, Bunbury Port Authority,  
PO Box 4,  
Bunbury 6231, sworn and examined:**

**BARRATT, MR JOHN**

**Finance and Administration Manager, Bunbury Port Authority,  
PO Box 4,  
Bunbury 6231, sworn and examined:**

**BROSNAN, MR JAMES**

**Chairman, Bunbury Port Authority,  
PO Box 4,  
Bunbury 6231, sworn and examined:**

**The CHAIR:** Good morning. On behalf of the committee, I welcome you to this morning's meeting. I apologise because we are running a bit over time. Before we begin, I am required to ask you to take an oath or an affirmation.

[Witnesses took the oath or affirmation.]

**The CHAIR:** Thank you very much. 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 that you may refer to during the course of the hearing. Please 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 a very important role and duty in assisting Parliament to scrutinise the budget papers on behalf of the people of Western Australia. The committee values your assistance in this matter.

Members, if you could please quote any page number, item or program in preface to your questions, that would greatly assist Hansard.

**Hon LJILJANNA RAVLICH:** I first of all refer to the proposed Perdaman urea plant in Collie and the proposal to begin shipping through Bunbury port by 2013. Has funding been allocated to the berth upgrades, road upgrades and rail upgrades necessary for that shipping to happen by 2013?

**Hon SIMON O'BRIEN:** I do not know that it is referred to in the budget pages that we are examining, Madam Chair, but —

**Hon LJILJANNA RAVLICH:** I think you might find it might be referred to in the annual report, and perhaps there is an opportunity for the port —

**Hon SIMON O'BRIEN:** Normally, we would bounce firstly off the estimates hearing. I understood this is an estimates —

**The CHAIR:** Yes. We do have the terms of reference to deal with matters that are in the annual report as well.

**Hon SIMON O'BRIEN:** Absolutely; I am just noting that page 451 of the budget papers actually does not give us much information.

**The CHAIR:** It does not, so we are extending ourselves to the annual report.

**Hon KEN TRAVERS:** I think you will see most of the questions are about what is not on those pages rather than what is on them!

**Hon SIMON O'BRIEN:** Kevin, would you like to give an indication of what preparations have been made?

**Mr Schellack:** Sure. The Perdaman project, of course, is something that has come up relatively recently. We are in a lot of negotiations with Perdaman at the moment; the contracts are not finalised with Perdaman. We understood during the contract negotiations that they would elect a total logistics provider to provide from Collie the rail all the way through to the port, the construction of the shed, ship-loader, through to the vessel. In fact, we only heard last week that the people that they were dealing with—the negotiations have failed so far, so we are now waiting for Perdaman to come back to us and tell us what their intention is. So we are waiting on that before we actually put anything up in terms of any ship-loaders or anything like this.

**Hon LJILJANNA RAVLICH:** Okay; but you have only a small window of opportunity—perhaps not so small. Should it proceed, then quite clearly there would need to be upgrades to roads and rail and berth upgrades, so you would be fairly confident of securing those resources or that funding.

**Mr Schellack:** Sure. The way we are doing it is that providing the project does go ahead—and that is financial close next May, next year—we are in a position to move very quickly on any items that need to be done once we know which way they are going to move.

**Hon LJILJANNA RAVLICH:** Okay; thank you.

**Mr Brosnan:** Our deadline for having all our planning in place is for the end of this year, and then we will be moving in to looking for approvals in the early part of next year. But we are working right now on all the engineering studies, the costing studies, the environmental studies, and all of that is happening, but we are not yet in a position to seek any approvals, but that will be early next year.

**Hon PHILIP GARDINER:** Following on from Hon Ljiljanna Ravlich's question, when you have a project like the Perdaman project—we have just been discussing a little bit about expansion at Broome with your colleagues—I would expect that you could actually make a case for funding that project and, with the revenue you are going to get from the private sector for Perdaman, for example, assess the rate of return on it. Is that the way you do it? In other words, I am saying for the government to go and borrow money for the development of the Bunbury port, I would have thought you had a pretty good case by saying, "Here's the capital expenditure we need to have, and

here's the rate of return we'll have over the next 15 or 10, or whatever it is, years." Is that the way you do it?

**Mr Schellack:** Are you referring it to me?

**Hon PHILIP GARDINER:** Anyone really, because you are the guys who are assessing the financial viability.

**Mr Schellack:** I would refer it to John on this matter.

**Mr Barratt:** It certainly is. We do look at obviously the cash flows into the future. Basically, our current rate of return that we do measure on for investment is an eight per cent rate of return over the life of the project. This particular one would be a long-term one, at least over 20 to 30 years, so we certainly would look at cash flows, and recovery of whatever investment the government would do through the approval process to recoup that, through our business case that we would then put through to the minister.

**Mr Brosnan:** Perhaps I could just add that in this case it is a bit more complicated than usual. The berth of Perdaman that we are using is our second multi-user berth in the inner harbour. A lot of the infrastructure they will probably be putting in place, but what it will trigger is the need for another multi-user berth for our other customers and our future growth. That gets into, then, a bit more complex evaluations, because it is not just directly and solely Perdaman's project that is triggering that, but also the fact that we are losing that berth, and the growth that is going on around it in other products. So, it goes along the line as John says, but in this case it will be a quite complex evaluation.

[11.30 am]

**Hon PHILIP GARDINER:** With government borrowings, it is fine if we can get the rate of return that we need to repay the borrowings. Your activity is a very good example of how you can work out the rate of return that you are going to get and can use that to justify borrowing this additional amount, whatever it might be, because you can demonstrate that you can pay it back.

**Mr Brosnan:** This is an unusual project, but it such a large standalone project. The difficulty for the port is that, generally, the growth we look at is not in a big, single project like this but in a lot of smaller ones. Some good examples are the export of copper concentrate from Boddington Gold Mine, which is starting up soon, and bauxite exports, which Bauxite Resources Limited is looking at starting up. Each of these individually is not enough to justify a berth or a ship loading in its own right. So it is a matter of looking at the projects that are coming up, and the possible projects, and also using a crystal ball. Our obligation is to have the infrastructure in place to underpin the development in the south west. However, the business case is not always straightforward, because there are a number of projects and possible projects that are feeding into that, and the timeline for the approvals, studies, engineering, dredging and construction is often longer than the time frame that a lot of these projects will need for them to establish. So we need to keep a certain amount of fat or gap there all the time, which we can grow into.

**Hon SIMON O'BRIEN:** It is a task that the Bunbury Port Authority has been managing pretty well. I am a big believer in viewing situations onsite. Again, it is very interesting to look at Bunbury to gain an understanding of it. Bunbury had its origins in the nineteenth century. It is located in the heart of an expanding urban area. In fact Bunbury can now be seen as a second urban area in this state, after Perth. The growth veins from the point of view of port expansion have already caused them to move the mouth of the river once, and they are about to do it again.

**Mr Brosnan:** Technically it has already been moved twice.

**Hon SIMON O'BRIEN:** I am informed it has been moved twice. We are now going for a third time. The first time would have been before there were inconvenient DEC's and whatnot.

**The CHAIR:** I am sure the minister speaks in jest!

**Hon SIMON O'BRIEN:** Hopefully the record will show polite laughter. Even though there are proposals for further expansion, it will go ahead in due course. They reflect what an enduring, vibrant maritime operation is going on in Bunbury. It is going from strength to strength. As the chairman just indicated, lots of smaller shippers are involved. While they are more than enough to sustain the port in terms of the aggregate volume, individually they are not big enough to justify their own berth or dedicated facility. Therefore, the challenge for the port is to juggle all those needs from the point of view of the storage areas and the berths, because individual ships have different characteristics, different loading mechanisms and so on. I admire the way that this port works its way through these difficulties. There is a difficulty in having a range of widely different bulk products, and also sometimes incompatible products, so there is a risk of cross-contamination, yet they somehow manage to get those products across the same berths, and it is then a question of which loading equipment is used and so on. So it is a very interesting time in the port's development.

Mr Gardiner, my view, for what it is worth, of this particular port authority is that it is managing those challenges pretty well. I have a high degree of confidence when we talk about more timber exports coming down the line, and prospects of bauxite export, urea export, which we have just discussed, and coal export. All of these can be accommodated, but it is a bit of a juggle.

**Hon PHILIP GARDINER:** Probably wheat also. There is more wheat coming out of the south west than there has been in the past.

**Mr Brosnan:** This is where it gets challenging. Wheat is a very good example. Periodically we have approaches from people involved in growing wheat about whether it would be possible to recommence wheat exports out of Bunbury, which ceased some time ago. It is a matter of judging how serious these inquiries are and how seriously we should take them. That is one example. I do not think it has come up in the past few months since Kevin has been there, but in my time as chair, people came to us two or three times asking whether we would be able to do it. We have told them to tell us what they need and we will do our best. Coal is one that has been coming for a long time, and we think it is getting very close now. As I said, bauxite is another. There is a huge pent-up requirement for container export out of the south west. Thirty per cent of what goes out of Fremantle is initiated out of the south west. We regularly get inquiries from various people in the south west. Another hat I wear is vice president of the silicon smelter in the south west. We would love to be able to send our containers out through Bunbury. That is a project that, with Kevin's background, we are currently working very actively on.

**The CHAIR:** Do any of those particular exports pose any additional safety pressures? I am thinking of copper sulphate or urea. Would that have a cost implication for the port?

**Mr Brosnan:** Correct me if I am wrong, Kevin, but the only ones are the copper concentrate and the project we are currently working on at present with the waste water management. We had a very comprehensive audit following the incident at Esperance. We are very proud of the results that came out of it. There were two findings that were of any significance. On berth 5 we have a mobile ship loader. We were about to put a permanent one in ourselves, but, with the urea project, Pertamans will probably install that now. The other finding related to berth 8—our multi-user berth. It was found that we needed to upgrade our waste water management. We have just submitted a request for funding for that. We have been working on the engineering side of it and that is all ready to go. Stormwater management is the most significant issue with the exporting of copper concentrate, so it is important that we get that in place before next winter. They are the only two issues that came out of that audit. As I have said, we have just submitted a request for funding for that, and we have just finished the detailed engineering costs.

**The CHAIR:** Was the stormwater management the only identified additional consideration?

**Mr Brosnan:** John, you were there as acting CEO when that was happening.

**Mr Barratt:** That was the major issue. With the export of urea in the future there is a need for berth 5 to have a similar system. We will be starting work on that in the near future.

**The CHAIR:** Is that to avoid stormwater running into the inner harbour?

**Mr Brosnan:** Yes. Kevin, would you detail the design of the sheds and how the trucks coming in will be handled?

**Mr Schellack:** With all of that, we have been going through a dust control program to enclose the conveyor system on berth 8. It will prevent dust from moving around the port. In addition, detailed studies are taking place into a ship loader boom with a view to erecting an enclosure to reduce the dust. Of course, we have already outlined to the main people involved in the Perdaman Industries project that it has to be a fully enclosed system to prevent dust and spillage onto the berth.

[11.40 am]

**Mr Brosnan:** The copper concentrate shed has been specially designed.

**Mr Schellack:** The copper concentrate shed has been completed for some time. We have not actually started trial shipments yet; it will probably be October before we see the copper concentrates start. They have spent \$8 million on a negative pressure shed. Boddington is very much looking at the environment and ensuring that there are no spillages et cetera. We are very pleased with the way it is performing.

**Mr Brosnan:** Closed trucks will come into the shed and discharge within that controlled environment. There will be no risk on the transport side.

**The CHAIR:** You were saying that the prospect of coal export was looking more likely.

**Mr Brosnan:** I have probably been saying that for a long time, but yes.

**The CHAIR:** I imagine that there would be cross-contamination issues. Dust control for coal would, I imagine, be fairly significant.

**Mr Brosnan:** I do not know whether the committee remembers the woodchip cross-contamination court case with Hansol; that is what has made that project so difficult. If the coal people had been coming in and were able to do one million or two million tonnes immediately, it would have been a lot easier because it would have been a matter of setting up a dedicated facility specially designed only for them. However, because they are building up their business overseas, they need to start on a smaller scale and ramp up from there. It is a question of what existing facilities can be used. Our main multi-user berth, berth 8, has the woodchip issue that was the subject of the previous court case. Now we are working with solutions to enable them to get established. I do not know whether the committee is familiar with the layout of the Bunbury port, but what we refer to as berth 14 is near where the old Western Power station was. There is a hot water inlet at right angles to the main basin, and that is the ideal location for a dedicated coal berth in the long term. That would be situated as far as possible from the community and immediately neighbouring the area where the stockpile power station coal bunkers were. It would utilise the bunkers that were formerly used by the power station. That is the long-term plan; the challenge for the coal company is coming up with an acceptable solution for the interim.

**Hon LJILJANNA RAVLICH:** Has the port authority made submissions to the government for funding to establish specific coal-loading facilities?

**Mr Brosnan:** We have not requested the funding yet. Basically, it is up to the coal company to come up with a workable solution that is environmentally acceptable to the community. Once we have a solution that we think is workable, we will jointly take a proposal to the government to discuss how best it can be funded and the extent to which the government and the coal company will contribute. It is really with the coal company at this stage to come up with a proposal which can then be discussed.

**Hon LJILJANNA RAVLICH:** I put it to you that there are number of potential projects in the pipeline and that there is still bit of uncertainty. At this stage you may require an additional multipurpose berth. What is the value of the envelope as you see it potentially emerging to fund the requirements you would need to deliver on some of these new and emerging projects? I know that there are some question marks hanging over some of them at the moment, but have you done some of the preliminary work?

**Mr Brosnan:** Absolutely; an enormous amount of work has already been done. In fact, we have a full strategic planning day for port management on Saturday fortnight. We will be putting more flesh around that. Berth 5 is our second multi-user berth, and will be largely locked up by Perdaman. For us to move forward and facilitate all these other projects, plus the possible relocation from the outer harbour, we will need a new multi-user berth.

**Hon LJILJANNA RAVLICH:** What are they worth?

**Mr Brosnan:** The approximate figure was \$200 million for dredging and berth construction. Did that include the ship loader, John?

**Mr Barratt:** No, it did not.

**Mr Brosnan:** That would add another \$40 million. It would be in the range of \$200 million to \$250 million, including the ship loader, which would provide a new multi-user berth immediately adjoining berth 5, opposite berth 8. That would allow for the trade that would be displaced from berth 5 by Perdaman, the growth of the products that we were talking about before the various ones, and include the progressive relocation of products from the outer harbour to the inner harbour. That would be the state of development. As part of the dredging process, we would square off the inner harbour. Again, there are complications with the Gorgon project. We have the casting basin there, which may be required. There is a fallback option for the earlier development of berth 14 at a comparable cost, if the customer basin is still required for the Gorgon project. Our time frame decision for coming back to the government, as I said before, for precise costings on berth 7 or berth 14 would be at the end of the year, because that is really crunch time, if we look at the time lines, to have it all in place by the time Perdaman is up and running.

**Hon LJILJANNA RAVLICH:** To follow on from that, it seems that you have some time lines for what projects may come onstream on one hand, and capital works equipment requirements lining up in your demands, and you know when each project needs to kick in when. I wonder whether you can make that information available to the committee.

**Hon SIMON O'BRIEN:** What is the precise nature of what the member is asking?

**Hon LJILJANNA RAVLICH:** I am asking for the strategic development plan; basically, there should be a plan. I understand that a plan is already being worked on, if not already completed, that shows the likely impact of the projects as they come onstream—based on a number of assumptions, because they may not all come onstream—and the capital works requirements at the point at which they are needed in order to accommodate the increased throughput across the various categories of throughput product.

**Hon SIMON O'BRIEN:** The strategic development plan will be tabled, but not as supplementary information. It will be tabled in due course. There are some processes that have to be gone through. The strategic development plan for this port authority is in progress, as I indicated. It is incumbent on me to obtain the concurrence of the Treasurer before it can be adopted, and then it will be of status to be tabled; it will become a public document then. That is very much a global document, but if the member wants help with something specific, we will see if we can provide that separately.

**Hon KEN TRAVERS:** I just want to make it clear that the minister is making a commitment to the committee that he will table the strategic development plan.

**Hon SIMON O'BRIEN:** It will be tabled in due course, yes.

**Hon KEN TRAVERS:** The minister is making a commitment to the committee that once the strategic development plan is finalised by the government, he will table it.

**Hon SIMON O'BRIEN:** Yes.

**Hon KEN TRAVERS:** Thank you.

**Hon LJILJANNA RAVLICH:** Leaving that aside, my understanding is that the information I seek is already available in other forms; I am not after glossy, polished document. The information that I seek may well be in some other form. Is that information available? I am led to believe that it is.

**Hon SIMON O'BRIEN:** We are keen to assist; I just wonder whether the member can specify the information she wants, rather than making general reference to all sorts of things that might be in the ether.

**Hon LJILJANNA RAVLICH:** With all due respect, I think Mr Brosnan understands exactly what I want. I think there is an understanding between me and the chairman of the port authority about the information I seek.

[11.50 am]

**Hon SIMON O'BRIEN:** If I am going to give an undertaking to this committee, you need to establish an understanding with me. I am simply asking you what you want, and I will do my best to provide it.

**Hon LJILJANNA RAVLICH:** I want a time line of when each of the proposed —

**Hon SIMON O'BRIEN:** Have you got this question written down somewhere?

**Hon LJILJANNA RAVLICH:** No, I have not. I seek from you a schedule of when all the proposed projects that will impact on the throughput of the port are likely to come online. That is the first thing.

**Hon SIMON O'BRIEN:** I do not think we would have a problem providing such a document as supplementary information.

[*Supplementary Information No C1.*]

**Hon LJILJANNA RAVLICH:** Running concurrently with that, at each point that there is an increase in throughput because of a new project coming onstream over the same time period, there will be increased or new infrastructure capital works requirements. I want to know what those capital works or port infrastructure requirements are, and the value of each of those projects.

**Hon SIMON O'BRIEN:** Madam Chair, when would you be expecting this information that is taken on notice?

**The CHAIR:** We normally give 10 working days. If you think it would require longer, we could probably accommodate that.

**Hon SIMON O'BRIEN:** A planning meeting is to be held at the port on 19 September. I fear that if we were to rely on that, it might fall slightly outside your parameter of 10 working days. The sort of information that is being asked for here is exactly what would be generated by that strategic planning meeting. If that would be acceptable, that would probably produce more than the member requires and would help guide the committee.

**The CHAIR:** That is fine.

**Hon SIMON O'BRIEN:** There are two other indicators I would ask you to adopt. Firstly, some commercially sensitive information may arise. I ask that that information be treated—as I am sure it would be—in confidence in the first instance and that you have due regard to any commercial sensitivities.



**Hon KEN TRAVERS:** I make the point that that be clearly identified in the document—those bits that you want kept private.

**Hon SIMON O'BRIEN:** We will certainly accommodate that. The other aspect that I would notify now is that, as we have heard from earlier answers to questions, the prospective workloads and the nature of the workloads at ports can sometimes be subject to change and review—not due to the vagary of the port, but due to changed circumstances of potential shippers, who may come and go, expand, contract, drop off or whatever. It has to be clearly understood that the document that will be provided will be a work in progress dated at that date, and relying to a very large extent on the input of other potential shippers, and variations to that will also be at the prerogative of individual shippers. Although the port authority will obviously use its best planning endeavours, we cannot be held responsible for the underlining changes in circumstances that may come and go. So if we get to 19 September next year and something has not happened, it is not as though we have failed to deliver or anything. There might be some other reason.

**The CHAIR:** I appreciate that. We are already running very late. If there are further questions, I ask that members provide them in writing. If there are further questions, they will be provided to you very shortly, and we request that they be answered within 10 working days. Sorry to have to cut it short. Thank you very much for your attendance this morning. We appreciate your assistance.

**Hearing concluded at 11.56 am**