

## INDUSTRY COMMISSION

### INQUIRY INTO

### AUSTRALIAN BLACK COAL INDUSTRY

Submission by

Ports Corporation of Queensland

Industry commission Inquiry into Australian Black Coal Industry

### QUEENSLAND GOVERNMENT INFRASTRUCTURE POLICY

The State of Queensland achieves efficiency in the provision of capital intensive port infrastructure by placing that infrastructure in the hands of the State's Port Authorities, allowing for multi-user access at ports. This benefits new and existing users in being able to ship coal with reduced initial capital expenditure on port facilities, reducing barriers to entry to the global coal market

The Ports Corporation has a policy of expanding its coal ports when it is clear that the coal industry requires that level of throughput. The Ports Corporation has been able to deliver required expansions within the time frame of the coal industry whilst minimising investment in over-capacity.

Expansion of current mines will increase the pressure on the Corporation to deliver sufficient capacity in short periods of time. The Ports Corporation is currently constructing additional stock yard facilities and a second shipload at DBCT enabling it to respond to the coal industry's needs.

### QUEENSLAND COAL PORT INFRASTRUCTURE DEVELOPMENTS

There are four coal ports in Queensland responsible for the handling of over 50% of Australia's coal exports. Queensland coal is exported through the Corporation ports of Abbot Point and Hay Point; the Gladstone Port Authority and Port of Brisbane Corporation ports.

Table 1 indicates the current highest actual level of shipments achieved and the achievable capacity after a range of expansions in Queensland's ports are delivered. The table also shows the ability of Queensland ports to expand and lists the next most logical expansions of each port. The capacities which are shown in Table 1 should meet demand generated by the coal industry within the next five to ten years. The ports are only limited by their ship-handling capabilities and could be expanded further if demand required such expansion.

The Port of Brisbane has a coal export terminal with a capacity of 8 million tonnes per annum (mtpa) and last year handled approximately 3 million tonnes of coal. Coal exports through Brisbane are expected to increase with the development of mines in the Surat Basin, however, the Port of Brisbane has access difficulties associated with the rail system.

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#### PORT OF ABBOT POINT

Currently, the Port of Abbot Point exports coal from the Newlands and Collinsville mines. Mount Isa Mines Limited, the owner of the Newlands mine, has expanded this mine to compensate for the reduced production from the Collinsville mine.

The volume of coal exports from Abbot Point are currently limited by the coal production at the Newlands and Collinsville mines and the lack of rail infrastructure linking the port to other mines in the Bowen Basin.

Coal exports from the Port of Abbot Point will only increase significantly if new mines are developed in the vicinity of the port along the Collinsville to Abbot Point rail line, or if the 'missing rail link' between Goonyella and Newlands is constructed.

Rail infrastructure cost estimates suggest that the costs associated with the construction of the Abbot Point rail link are at least of \$70 million to \$80 million, without considering electrification of the system.

The Port of Abbot Point has a current capacity of 12 million tonnes. With current coal exports around 6 mtpa there is sufficient spare capacity to accommodate any increases in the short to medium term.

Current indications are that no new mines will be developed along the Collinsville - Abbot Point rail line. It is therefore unlikely that any additional coal from new mines will be exported through Abbot Point within the next five years.

#### DALRYMPLE BAY COAL TERMINAL

The terminal completed an expansion to 26.55 million tonnes per annum capacity in June 1995. This expansion involved duplication of the offshore berth, duplication of the rail receival facilities and additional stockyard area including a new stacker reclaimer and the upgrading of an existing reclaimer to a stacker reclaimer. Subsequent minor works resulted in capacity up to 28.55 million tonnes per annum being allocated.

The Ports Corporation is currently expanding the terminal to a capacity of 32 mtpa. This expansion includes additional stockyard capacity and a second shiploader is scheduled for completion by mid 1998.

## USER AGREEMENTS

The facilities at Dalrymple Bay, part of which were provided by the Users, were constructed commencing in the late 70's and were in use by 1983. At that time the Ports Corporation's predecessor, the Harbours Corporation sought assistance from Queensland Treasury in funding the DBCT and Abbot Point Coal Terminals. In 1991 discussions were recommenced in order to finalise arrangements for the use of the facilities.

The users of the Dalrymple Bay Coal Terminal and Abbot Point Coal Terminal may suggest that the Special Harbour Dues payable at both terminals are a tax imposed

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by the Government. Until the agreements are renegotiated, the actual quantum of the Special Harbour Due is primarily an issue for Queensland Treasury Corporation. Because of the particular financing arrangements, the majority of the special harbour dues collected at DBCT are paid to Queensland Treasury Corporation.

The User Agreements are to be renegotiated during the next 18 months.

## COMPARATIVE PORT CHARGES

During the past three years a number of studies by the Bureau of Industry Economics have focussed on the port charges of coal ports in Australia and the rest of the world. The studies referred to include the Bureau's report 9S/16 entitled "Waterfront 1995 - International Benchmarking" and Report 95/20 entitled "Overview 1995 - International Benchmarking".

The difficulty in comparing the performance and charges at each terminal is that these are often determined differently at each terminal. In some cases only particular users are aware of the price they pay. Therefore it is difficult to obtain a straight comparison.

The Ports Corporation has attached a comparison of port charges for Queensland ports. Note that demurrage is excluded. Figures of \$2.30 per tonne have been ongoing in some Australian coal ports.

## AUSTRALIAN AND INTERNATIONAL BENCHMARKING

Ports Corporation would participate in and support an open, co-operative exchange of information on actual whole-of-port costs. While information is not generally available, the true positions will remain obscured, limiting action that ports can take to improve their performance.

The Bureau of Industry Economics in its "International Benchmarking - Overview 1995" stated that the coal ports in Australia are highly mechanised and efficient. "Waterfront charges for coal handling are amongst the lowest in the world. Even the more expensive of the Australian coal ports are on a par with their international counterparts" (Bureau of Industry Economics, Report 95/20, p.56.). This report also made reference to the capital utilisation rates of the major coal terminals and the Ports Corporation refers YOU to this report.