

Chairman; Mr Chris Tallentire; Mr Troy Buswell; Mr John Bowler; Dr Graham Jacobs; Dr G.G. Jacobs.; Mrs  
Michelle Roberts

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**Bunbury Port Authority —**

Mr J.M. Francis, Chairman.

Mr T.R. Buswell, Minister for Transport.

Ms N. Premji, Chairman.

Mr K.L. Schellack, Chief Executive Officer.

Mr J.E. Barratt, Chief Financial Officer.

Ms S.J. McCarrey, Deputy Director General, Policy, Planning and Investment, Department of Transport.

**The CHAIRMAN:** This estimates committee will be reported by Hansard staff. The daily proof *Hansard* will be published at 9.00 am tomorrow.

Members may raise questions about matters relating to the operations and budget of the off-budget authority. Off-budget authority officers are recognised as ministerial advisers.

It is the intention of the Chair to ensure that as many questions as possible are asked and answered and that both questions and answers are short and to the point.

The minister may agree to provide supplementary information to the committee rather than asking that the question be put on notice for the next sitting week. I ask the minister to clearly indicate what supplementary information he agrees to provide and I will then allocate a reference number. If supplementary information is to be provided, I seek the minister's cooperation in ensuring that it is delivered to the committee clerk by Friday, 10 June 2011, so that members may read it before the report and third reading stages. If the supplementary information cannot be provided within that time, written advice is required of the day by which the information will be made available. Details in relation to supplementary information have been provided to both members and advisers and, accordingly, I ask the minister to cooperate with those requirements. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge the question on notice with the Clerk's office. Only supplementary information that the minister agrees to provide will be sought by Friday, 10 June 2011.

[Witnesses introduced.]

**The CHAIRMAN:** The member for Gosnells.

**Mr C.J. TALLENTIRE:** I will begin by asking about the required dividend increase from 50 per cent to 65 per cent on the financial operations. What impact will this have on the Bunbury port's operations?

**Mr T.R. BUSWELL:** None.

**Mr C.J. TALLENTIRE:** How will this required dividend increase impact on the reinvestment or investment in the port expansion works that are so essential for the port's future?

**Mr T.R. BUSWELL:** It will not.

**Mr C.J. TALLENTIRE:** Where will funds for the port's expansion come from?

**Mr T.R. BUSWELL:** They will come from the retained earnings of the ports, an equity injection from government, borrowings or other external sources.

**Mr C.J. TALLENTIRE:** Can the minister outline some of the volumes of grain exports that will be going through the port, projected into the future?

**Mr T.R. BUSWELL:** Zero.

**Mr C.J. TALLENTIRE:** Can the minister outline some of the other commodities that are going to be exported through the port, and the tonnages involved?

**Mr T.R. BUSWELL:** Certainly. For that, I might ask the chairperson to make a couple of comments and observations.

**Ms N. Premji:** We are looking at urea going through the port in 2014–15, and that will be about 2.5 million tonnes. Coal is projected at around 10 million to 15 million tonnes in 2015–16. We still have natural growth woodchips, general cargo and spodumene, which is a natural trade through the port. Alumina constitutes 70 per cent of our exports.

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**Mr C.J. TALLENTIRE:** I am keen to know what additional facilities are going to be required to meet the tonnages of, say, coal exports.

**Mr T.R. BUSWELL:** Clearly, the potential coal export project, which will involve Lanco Infratech Ltd, will require a significant upgrade at a dedicated berth in Bunbury. It is my anticipation that that would be predominately funded by the proponent. The Bunbury port master plan clearly indicates the position within the port that that dedicated facility would fill.

**Mr C.J. TALLENTIRE:** I know that there are concerns about coal exports contaminating other exports through the port; how is that situation being resolved?

**Mr T.R. BUSWELL:** That situation will be resolved in due course through the design of the load-out facility, the storage facilities and the tippler facility, by which the coal is transferred from the train into the portside storage facility. Of course, as with all our ports, there will be stringent controls imposed by certain regulatory bodies. I expect that in this case the port will have to obtain a licence from the Department of Environment and Conservation, and the licence conditions will include dust emissions. I think people can take great comfort from the fact that the operation can be done in a more than appropriate way. We also have to remember that coal is currently being exported from the Kwinana bulk terminal, and I am not aware of any reports of any issues in relation to coal impacting on any of the neighbours of the KBT.

**Mr C.J. TALLENTIRE:** The tonnages would be significantly different from the 10 to 15 million tonnes we are talking about for Bunbury.

**Mr T.R. BUSWELL:** It will be a different facility.

**Mr C.J. TALLENTIRE:** The minister has just admitted that there is no comparison between what is proposed for Bunbury and what happens in Kwinana.

**Mr T.R. BUSWELL:** Well, it is coal; it is black stuff, so there is a comparison.

**Mr C.J. TALLENTIRE:** Well, no, because the tonnages are completely different.

**Mr T.R. BUSWELL:** Kwinana will be 750 000 tonnes; Bunbury will be a lot larger than that. The facility in Bunbury will be a modern, properly designed, built-for-purpose coal export facility, and —

**Mr C.J. TALLENTIRE:** What tonnages of coal are currently going through Kwinana?

**Mr T.R. BUSWELL:** At the moment it is on hold, but —

**Mr C.J. TALLENTIRE:** So there is no comparison between what is being proposed for Bunbury and what currently happens at Kwinana.

**Mr T.R. BUSWELL:** No.

**Mr C.J. TALLENTIRE:** So why did the minister make that comparison, saying that —

**Mr T.R. BUSWELL:** I was merely pointing out that coal goes through Kwinana and does not upset anyone.

**Mr C.J. TALLENTIRE:** But that is irrelevant —

**The CHAIRMAN:** Members, there is no big rush—chill pill! Do not speak over the top of each other, please.

**Mr C.J. TALLENTIRE:** I want to establish the nature of the infrastructure that will be required for coal exports through Bunbury and a dollar value for that infrastructure.

**Mr T.R. BUSWELL:** We have not received a proposal yet.

**Mr J.J.M. BOWLER:** When I last visited the Bunbury port, one of the problems with coal and other new exports through the port was the fact that we had two lots of woodchip on both sides of the harbour. There was talk then that it would be nice to rationalise; is that still going to happen?

**Mr T.R. BUSWELL:** I might ask the chairperson to provide some information on the rationalisation of woodchips.

**Ms N. Premji:** At this stage, no. Hansol will stay where it is and WA Plantation Resources will stay where it is. We have no inconsistency or incompatibility with both those products being in those particular areas, and coal coming into the berth 14 area. The port users are very happy with the arrangements currently in place, so we are not looking at rationalising.

**Dr G.G. JACOBS:** On a point of clarification, the minister has spoken about the Koombana Drive screen wall. Obviously, some spend has occurred there. My understanding is that the Koombana Drive screen wall was

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previously a bund wall. The screen wall project is \$1.5 million, with an estimated total cost of an extra \$1.2 million. What was the reason for the extra cost? It is my understanding that the bund wall was for noise and the screen wall was for woodchips.

[9.10 am]

**Mr T.R. BUSWELL:** I will get some advice on that from the chief financial officer. It is a very interesting question.

**Mr J.E. Barratt:** The estimated expenditure was \$1.2 million. That was the actual cost of the project, which has been completed.

**Dr G.G. JACOBS:** So it came in under budget? You got a good deal.

**Mr J.E. Barratt:** Yes, we did. The name has changed because the noise management was not gauged, so we changed the name to “screen wall”.

**Mrs M.H. ROBERTS:** Has the minister given any consideration about how he will achieve the five per cent efficiency dividend, and what is the total amount of savings expected to be?

**Mr T.R. BUSWELL:** I have not had a chance to discuss that with the port, so I have not given that matter specific consideration as it relates to the Bunbury Port Authority.

**Mrs M.H. ROBERTS:** Has the authority given it some consideration?

**Mr T.R. BUSWELL:** I am sure that it has. We will discuss it soon. We will need to report back to Treasury shortly about how that efficiency dividend will be realised.

**Mrs M.H. ROBERTS:** What is the discretionary spending limit for the authority?

**Mr T.R. BUSWELL:** I do not know that off the top of my head. Page 288 of the *Economic and Fiscal Outlook* is the wonderful page that details that. The Bunbury Port Authority’s target is \$400 000. I assume that if we multiply that by 20 we will get the figure Treasury uses. I think it is five per cent. I do not have that information to hand.

**Mr C.J. TALLENTIRE:** I want to know more about the upgrades around the port, particularly the Bunbury–Brunswick Junction railway line. What is the time line for that?

**Mr T.R. BUSWELL:** By way of clarification, which line item in the budget is that?

**Mr C.J. TALLENTIRE:** I refer to new works on page 693 of the *Budget Statements*. A series of minor works is listed. It is clear that other works are associated with it. Will the Bunbury–Brunswick Junction railway line be absolutely critical to, and a justification for, those minor works?

**Mr T.R. BUSWELL:** No. The minor works relate to the nature of the port’s activities. The upgrading of the Bunbury–Brunswick Junction railway line is the responsibility of the Public Transport Authority, not the Bunbury Port Authority, although I accept the member’s argument that ultimately the railway line must be upgraded to enable the port to grow. It is fair to say that the existing rail capacity will be absorbed when Perdaman Industries comes on line and Perdaman’s export of urea reaches two million tonnes per annum. That will present a challenge for the next major user of the port. As the chairperson pointed out, the next major user may well be a coal exporter. We will have to progress the upgrading of that rail link and the provision of port infrastructure as a job lot at that time. There is no doubt that that rail line will reach capacity, or pretty close to capacity, with the allocation to Perdaman of two million tonnes, which I understand has already happened.

**Mr C.J. TALLENTIRE:** I am interested to hear from the chairperson of the Bunbury Port Authority about when that capacity is projected to be reached, leaving aside the Perdaman proposal.

**Mr T.R. BUSWELL:** The rail capacity?

**Mr C.J. TALLENTIRE:** Yes.

**Mr T.R. BUSWELL:** It is estimated that the rail capacity into Bunbury is about an additional two million tonnes. I understand that Perdaman, at least indicatively, has been allocated that two million tonnes. Any significant project beyond Perdaman will require the railway line to be upgraded.

**Mr C.J. TALLENTIRE:** Leaving aside Perdaman, how close is the railway line to reaching its capacity?

**Mr T.R. BUSWELL:** I suspect that it is about two million tonnes per annum off reaching its capacity.

**Mr C.J. TALLENTIRE:** I touched on grain exports earlier. Is the minister in negotiations regarding exporting grain through the port?

**Mr T.R. BUSWELL:** No.

**Mr C.J. TALLENTIRE:** Is there no intention at all to export any grain through the port of Bunbury?

**Mr T.R. BUSWELL:** No.

**Mr J.J.M. BOWLER:** Is there any chance of iron ore being exported through the port, given that Fremantle port has been ruled out and we do not have a 10-berth wharf at Cockburn?

**Mr T.R. BUSWELL:** With the indulgence of the Chair—he is a decent chap—I am happy to canvass the broad issue of the export of iron ore, although this is not specifically in the budget paper. I know that this matter is of some interest to the member for Kalgoorlie. We do face a challenge. We estimate that the Kwinana bulk terminal has a five million tonne capacity. That amount has been allocated and comprises, give or take, about 3.5 million tonnes of iron ore and about 750 000 tonnes of coal. Hopefully coal will eventually be exported from Bunbury. One tonne of coal equates to two tonnes of iron ore, so it will free up another 1.5 million tonnes. That is not nearly enough to satisfy the potential iron ore deposits in Yilgarn, which is an area of interest to the member for Kalgoorlie. There are two solutions to the challenge of exporting iron ore from Yilgarn, the first of which is to export it through Esperance. The Esperance Port Authority will be appearing before us soon. The member is aware of the plans to increase the export capacity of Esperance port by 20 million tonnes. We will talk about that when the Esperance Port Authority is here.

The second part of the member for Kalgoorlie's question related to exporting iron ore from Kwinana. We are doing work to determine the ultimate total tonnage capacity of Kwinana to take the bulk commodity—iron ore. In my view, it will eventually be limited by the railway link that runs through the metropolitan area into Kwinana. There will be two trip points with the railway. The first is its current configuration and the second is that the railway line will require significant upgrades at Nicholson Road, for example. In addition, there are already problems with the rail intersections at Midland. Large iron ore trains running on that line would create even larger problems such as road congestion. Once we have worked out what the total available tonnage is at Kwinana, we will take off the five million tonnes that has already been allocated. One option will be to export the iron ore from the private port proposal and the Kwinana bulk jetty, which is the Fremantle Port Authority's other bulk facility in Kwinana. The Kwinana bulk jetty has environmental approval to export up to three or four million tonnes of bulk commodity. The Fremantle Port Authority will be working on developing a business case for a multiuser facility so that many iron ore companies can use it. We are trying to accelerate that as quickly as we can.

It would be fair to say that the export of bulk iron ore through Bunbury is not on the horizon. The chairperson outlined that the real commodity growth opportunity in Bunbury is the export of coal. We have to do that carefully and properly, but we see that as a good growth profile for the port of Bunbury.

**Mr C.J. TALLENTIRE:** I am looking at the minor works plan on page 693 of the *Budget Statements* and note the estimated expenditure increase from \$1.5 million to \$2.4 million in the 2014–15 financial year and the retained profits of \$1.9 million up to \$2.3 million. How is that sustainable?

**Mr T.R. BUSWELL:** Where did the member get the figure for the retained profits from?

**Mr C.J. TALLENTIRE:** Those figures relate to general information on the ports. Perhaps the minister can help me. What are the intended retained profits for the port of Bunbury?

**Mr T.R. BUSWELL:** The member must understand that the port of Bunbury has a significant build-up of retained profits on its balance sheet. For the member's information, it is about \$80 million this financial year.

[9.20 am]

**Mr C.J. TALLENTIRE:** So, is \$80 million sitting in the bank?

**Mr T.R. BUSWELL:** It would be, I am assuming, invested wisely—hopefully not sitting in the bank. Different port authorities have different balance sheet structures. This is not part of the budget paper per se, Mr Chairman, but I am happy to canvass it. The port has about \$80 million of retained profits. I am not sure what form of asset that is held in but I will get some advice on that. That is currently forecast to grow incrementally at over \$2 million per annum. The figures I am looking at indicate that the funding of those minor works from retained profits, internal funds and balances is easily achievable. In fact, \$2.4 million in the out years is achievable out of retained profits and will not impact on balances; therefore, that would be the normal funding requirement of an enterprise.

**Mrs M.H. ROBERTS:** In terms of the financial performance of the port, I understand that in the last financial year there was a profit before tax of \$3.73 million, and that that was an improvement on the previous year's performance in a total revenue of \$26.036 million. I understand that was 8.2 per cent below budget with

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operating costs about one per cent over budget. Have plans been put in place this year to reach a budget, and what are they?

**Mr T.R. BUSWELL:** Which element of the budget papers is the member referring to?

**Mrs M.H. ROBERTS:** It is a bit difficult. We are allocated half an hour and we are given one page. If the minister is suggesting that we can ask only about particular line items on that one page, it will not give us a very good picture of the financial operations of the port. I therefore think it is a reasonable thing to ask about the budget estimates for the port.

**Mr T.R. BUSWELL:** I often reflect, Mr Chairman, on the reluctance of the former government, when we were over on that side, to canvass matters that were not on the page.

**Mrs M.H. ROBERTS:** That was not the case with me as minister.

**Mr T.R. BUSWELL:** I know it was not; the member was always very generous with her time. I will see whether we have some data available around the estimated budget.

**The CHAIRMAN:** It might help members and the minister if I reiterate a paragraph from the Chair's opening statement, as this is an off-budget authority, not a division. Members may raise questions about matters relating to the operations and budget of the off-budget authority. So, it is a broader brush with off-budget authorities than it is for divisions.

**Mr T.R. BUSWELL:** I can give the member some information.

**Mrs M.H. ROBERTS:** Can I clarify your ruling, Mr Chair? Are you saying that my questions about the budget and the financial performance of the authority are in order?

**The CHAIRMAN:** I am happy to accept them as being in order, because it is an off-budget authority, not a particular division, within the budget papers. Having said that, obviously the member has to be circumspect about the amount of information she asks for.

**Mr T.R. BUSWELL:** The forecast operating profit of the port of Bunbury for 2010–11, the current financial year, is \$5.6 million. The advice I have had from the port—I have met with the port three times—is that it is currently on track to over-achieve that budget by about 50 per cent. My view is that financially the port of Bunbury's operations are sound. Unfortunately, that is not my view of all the port authorities, for a range of reasons. Without going off the issue too much, for example, the port of Port Hedland, the largest by volume port in Australia, makes a loss. It made a loss last year and is forecast to make a loss this year. That is a concern to me and that is why there is currently a team from PricewaterhouseCoopers doing a fair bit of work around Port Hedland. I also have some concerns about the impact of debt levels on the profitability that some ports have had to incur over the years. Some ports are carrying massive debts on their balance sheet that impact on their ability to trade as what I term proper, independent financial entities. The port of Geraldton, for example, has a \$100 million-plus debt, and that massive interest bill has a significant impact on its ability to deliver an acceptable financial performance. We are therefore currently doing some work around the balance sheet positions of the different ports.

Another thing I should point out to the member is that this is an area of some interest. Historically, the way port authorities report to governments is that every six months they provide governments with a report of their financials. Those reports differ significantly in their content. We are moving to a uniform reporting framework, which will require every port to report to me through the Department of Transport on a quarterly basis. That report will focus on profit and loss performance, which is business performance, and also on balance sheet-related issues. It is very important that our ports are run in a business-like manner and I intend to increase the government's focus on that. That six-monthly reporting has been in place, as I understand it, for as long as anyone can remember. What the member will see, therefore, is a stronger level of interest in the performance of the ports, because they are so very important to the economic future of the state.

**Mrs M.H. ROBERTS:** I have a further question on the same matter. The minister gave me a figure for the expected profit before tax, I believe. Can the minister tell me what the anticipated total revenue for the port will be this year, and to what does the minister attribute the turnaround in the profit situation?

**Mr T.R. BUSWELL:** I will get the chairperson to provide a retrospective. I do not have the 2009–10 figures in front of me.

**Mrs M.H. ROBERTS:** The 2009–10 figure for total revenue, I understand, is \$26.036 million.

**Mr T.R. BUSWELL:** Yes.

**Mrs M.H. ROBERTS:** I am asking for the anticipated revenue for 2010–11.

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**Mr T.R. BUSWELL:** The anticipated revenue for this year is \$27.597 million. I do not have the data on the constituents of that increase over the previous year, but I am sure the chairperson will have some reflections on that.

**Mrs M.H. ROBERTS:** Through you, Mr Chairman, the profit figure the minister quoted to me is considerably up on last year by \$3.73 million. I am really wondering about the profit element.

**Mr T.R. BUSWELL:** I will get the chairperson to provide some advice. My suspicion would be that if profit is growing at a greater rate than the increase in revenue, there are also some expense-related matters that would play into that, but I will let the chairperson provide the information.

**The CHAIRMAN:** Thank you, Ma'am—through the minister.

**Ms N. Premji:** The operating profit increase has been due mainly to the number of ships we have been receiving. Our ship movements have increased significantly. That is mainly because a lot of the port users are now using smaller ships, which means we have more increase in revenue in terms of pilotage. Also, we get revenue through the electricity used and all the other facilities they use, which we put a levy on. Also, in the last two years, the port operations have concentrated on introducing efficiencies into the port in terms of the operation, and in doing that we have been able to reduce our costs in some of the areas. Also, we have introduced a policy whereby if some potential user is interested in securing land, they have to start paying up-front in terms of the leasing, and by doing that we get the money, cash, up-front. That is why our revenue is increasing over time.

**Mr T.R. BUSWELL:** I have just been informed by the deputy director general on my right that there is currently some coal going through Kwinana bulk terminal. I think I informed the Legislative Assembly about that previously. It has happened. I thought it was still happening and I have now been advised that around 500 000 to one million tonnes are currently going through there. So, anyone who goes down there today will see a stockpile of coal. We had mistakenly reached the conclusion that, because of the problems with Griffin, the coal going through there had stopped, but clearly it is still going through.

**Mrs M.H. ROBERTS:** Who is “we”?

**Mr T.R. BUSWELL:** Me! Me—under expert advice!

**Mrs M.H. ROBERTS:** I thought it was the royal “we” or something!

**Mr T.R. BUSWELL:** We have had a few of those. In fact, we still have the toilet in Busselton, Mr Chairman, that the Queen sat on when she came in the 1950s, and we are hoping she comes back.

**Mrs M.H. ROBERTS:** The minister is fascinated with seats!

**Mr T.R. BUSWELL:** Seriously, we have! We saved it out of Mr Killerby’s house.

**The CHAIRMAN:** We are quickly running out of time. The member for Eyre is next on my list if he has a quick question.

[9.30 am]

**Dr G.G. JACOBS:** Is the proponent of the improvement in the port infrastructure for coal through the port of Bunbury the same proponent as for the coal going through Kwinana at present?

**Mr T.R. BUSWELL:** Yes, it is. It was Griffin; it is now Griffin/Lanco. I would expect that, if and when it gets the Bunbury operation up and running, the coal effort will be transferred from Kwinana to Bunbury. I am not aware of the detail around that, but I suspect that is what will happen. In terms of the plan, coal is at Bunbury, and we are trying to activate the bulk capacity at Kwinana as quickly as we can to help free up some of the iron ore prospects in Yilgarn.

**The CHAIRMAN:** Thank you, minister. That completes the examination of the Bunbury Port Authority.