

TRANSCRIPT

ECONOMIC DEVELOPMENT AND INFRASTRUCTURE COMMITTEE

Inquiry into local economic development initiatives in Victoria

Geelong — 13 March 2013

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Mr J. Murray, General Manager, Ports, Asciano (sworn).

The CHAIR — Welcome to the public hearings of the joint party Economic and Infrastructure Development Committee's Inquiry into local economic development initiatives in Victoria. The evidence you give today will be covered by parliamentary privilege but any comments you make outside this hearing will not be covered by the same privilege. The transcript of the proceedings today will become part of the public record. Could you state your name, the position you hold and whether you are appearing on behalf of an organisation?

Overheads shown.

Mr MURRAY — John Stewart Murray is my name. I am the General Manager of Ports for the Asciano group. Firstly, I would like to thank members for giving Geelong port an opportunity to speak today. I would also like to thank the Mayor and his team for making the location available and also for their continuing support as we work through the issues. I have tried to keep my slides to a minimum. If members are happy I will give you a handout to save you taking notes. That makes it a bit easier.

The CHAIR — Thank you very much.

Mr MURRAY — I was interested to see a similar map in the city's presentation, although theirs goes a little bit higher than mine.

The CHAIR — Geelong is in the same place fortunately!

Mr MURRAY — Geelong has not moved from the top of the ladder. The significance as far as the port is concerned is that this one slide outlines a lot of what is happening in Geelong and indeed Victoria. You can see that the catchment area for Geelong is substantial. Our significant port to the west is Portland, which is also a dry bulk port. Obviously to the north-east it is Melbourne, which is fundamentally a container port that also has a very strong focus on cars. The slide also conveniently shows the port of Hastings over there, which I also run.

Basically that slide provides a pretty significant view of what currently happens. This is a dry bulk port. It is Victoria's second largest port and moves 12 million tonnes a year. It basically has very good channel access — not quite as deep as Melbourne; Melbourne has 14 metres of water and we have 12.3 metres. As the city representatives said, we have a very good rail and road network. We have broad and standard gauge rail into the port. Significantly for port development we also have a very large amount of land available at the port, and later on I will show some slides on that as well.

This might look like an odd slide to include in a presentation such as this, but I think it makes some significant points. The first is that the port itself is now effectively made up of a number of different managers. If you start here, you see that the majority of the port assets were privatised in 1996. An infrastructure fund bought Refinery Pier, Lascelles Wharf and Corio Quay as well as Point Henry Pier, which is over here somewhere by the Geelong sign. GrainCorp at that time, or prior entities, bought the grain operation here. The significant thing about Geelong is that the water is controlled by the Victorian Regional Channels Authority, so Geelong as a port in terms of development requires a larger group of stakeholders to get together to work things out. By the same token it has private ownership, which hopefully allows greater access to capital for the right projects. The port is recognised as a very significant part of what happens in this part of the world.

I effectively represent Geelong port, which manages the majority of the assets; the city runs the assets down by the waterfront. But everyone has an interest in what goes on. I speak partly on behalf of Geelong port, but partly to give you a general overview as well.

One of this port's features is that while it is a dry bulk port it has diversified income streams. We have Shell starting at one end — a very significant asset for our organisation — at the other end we have the Alcoa smelter, and then everything between, from forestry and timber products to chemicals, steel and grain. The largest grain terminal is run by GrainCorp. I do not think they are speaking today so I will say it for them: last year they moved about 2.8 million tonnes of grain and less than 1 million went out of Melbourne so that is a very significant contribution. Just of late we have had a lot of success through the port with project cargo, so currently we have a very diverse list of customs and areas which basically give us some buffer in relation to any difficulties that any of those individual organisations are having, but it also gives us a large base from which we can grow our assets.

The previous presentation talked about the benefits of Geelong, and it is interesting that even as a port manager I come up with a very similar list of what makes sense and why this port works as well as it does. The main product that goes out of here back to Melbourne is basically petrol or steel. As to the majority of other products, the woodchips are brought down in log form and then chipped and exported whereas the fertiliser comes in and goes back out into the western districts. So our proximity gives us access to Melbourne but it also gives us access to the rural sector. Latterly it gives us access to new resources projects that are potentially coming on upstream that I will touch on in a minute.

We have good road linkages. There is the Geelong Ring Road that will go around the outside of Geelong. What we need to look at is greater connectivity from the northern end of the ring-road back into the port. The school has its issues with any traffic going past its front door. We need to work on that. I think that is potentially a combination of physical infrastructure, such as a new exit or entry to the start of the ring-road at the northern end, but also probably there are some planning issues that need to be considered in relation to vehicles and the types of vehicles that can be moved. That significantly changes the trucking costs into the port, and that in turn moves the area from where we capture freight out further and for everything we can take off. Believe it or not, we are actually in competition with Adelaide on some of these infrastructure projects.

There is in excess of 40 hectares of land immediately adjacent to the back of the berths that is available for development, and some of that land has been there for a long time. Some of it is easier to develop than others, but one of the things we need to look at going forward is our ability to do land reclamation here as well. It is a common feature of ports around the world. When we were looking at bringing the cars down to Geelong we were looking at an area of about 7 hectares of reclamation at Corio Quay. That basically allows you to end up with the sort of pavement that has capabilities of weight and those sorts of things that are far more suited to what you want to do, but also in our case it allows us potentially to put more 'land' closer to rail access. That might help us to win some of these resources projects that may otherwise go to Adelaide.

As I have said before, we have a suite of existing businesses and we see those as being a strength. Some of those businesses in the public forum are obviously pondering what the future holds — I am sure someone will ask me about that, so I will not mention it now. So there are existing businesses, but also there are opportunities to expand the existing trades we have in terms of fertiliser, forestry products and those sorts of things. But at the moment we are seeing a very significant number of new business opportunities. I think the port is in a bit of a sweet spot where we have seen pretty significant growth. We have already taken a lot of trade out of Melbourne, as Melbourne has become more focused on containers and cars. When development of Webb Dock East occurs we think certainly for a three-or four-year period we should see a significant increase in some of the trade that will find its way down here. We are hopeful that in the next week or so the first of that trade will start to come down from Melbourne as the congestion gets too great up in that part of the world.

We are in a good location for the resources projects. You are talking about things like mineral sands et cetera that are coming down from places like Ouyen. They are the ones that sit there and look at Adelaide, or they look at Adelaide, Portland or Geelong. We have rail structures that go awfully close to going into the port but not quite. If we were to develop a coal project for 5 million tonnes a year, then they are big enough that we could go and spend the money, or someone could spend the money to build the rail infrastructure necessary to get the standard gauge over to the broad gauge lines. But if you were only going to do 1 million tonnes a year of mineral sands, then it just becomes tantalising. So somehow we need to work out how those projects can be adequately serviced through this part of the world.

I think I should probably point out that there is a study that is being commissioned by a number of different stakeholders at the port, including the council, Geelong Port, GrainCorp, Midway, IPL, et cetera — everything from users to owners of the port and Ports Pty Ltd itself as an owner of a big chunk of the assets — who are basically trying to get in together and have an external report generated to look at a high level as to what the opportunities are in the port. Everyone has submitted a case, so everyone has their view on what we should or should not do and how it should be done. The idea is to bring it together into one report that focuses at a high level on what the strategic opportunities are and how we could deal with potential execution of that strategy. Obviously ports are an integral part of the State and what happens in the State, so we need to be able to present a coherent view on what happens going forward.

Some of the opportunities we see have been around for a very long time, but we see an opportunity to deepen the channel. If nothing else, just to match what Melbourne has. About 4 million tonnes a year comes in on crude

vessels for Shell, and currently they are draft constrained. They are only loaded to about 70 per cent, and that affects the ultimate economics for that operation at the refinery. GrainCorp are running a lot of their vessels out at about 70 per cent loaded, and then they take them round to Portland and top them up. That is a significant cost to the owners of that grain, so there are certainly benefits there. In order to attract the mineral sands trade ideally we would have deeper water, and there is no doubt we would give ourselves a lot more opportunities if we had the same depth of water as Melbourne. We get by with what we have. We work it out, but one of the things about port development is if you get too far behind, then you get completely left behind.

We are going through a process of working out rail access to the berths. As I mentioned before, if you have a very large project, it is very easy to raise sufficient money from the private sector to do things. If you have things that are marginal, then life gets a bit more interesting. A lot of rail sidings were built here when trains were 10 or 15 carriages, so you had sidings of 100 and 150 metres long at the absolute most. Most people now are looking at train lengths of anywhere between 1 and 2 kilometres. To avoid the need to continually break trains up to work them, we need to come up with a way of having longer and longer sidings. So we are about to recommend to my bosses that we go through a process of getting some other stakeholders involved to see if we can get a report to work out what the options are in relation to standard and broad gauge rail into the port, and to think laterally rather than how I suspect we have thought for too long.

Road access I touched on before. We have pretty good links; we just need an ability to get bigger vehicles in and then get them into the port a bit easier from the northern end of the city.

We are looking at a road closure — if I can just go on to a couple of slides here — where we are going to propose a road closure as soon as we get our ducks in a row to present it in a coherent fashion. The port owns this piece of land here, which is the old BHP rod mill site. The port land runs on this side of the road as well, up around there, so we are contemplating an approach to close the road from there around to there, the significance of which is that it would allow us to develop this site. There is a 7 hectare site here that we can develop and link to the wharf and get vehicles in there without them having to go onto the main road. It allows us to realign our road systems in there. We get a longer haul route before you get to the public road, so that will help keep product, say, fertiliser et cetera, off the main road. By developing something in here that is close to the port, it will act as surge capacity for product that comes off the wharf before it ultimately goes out to the country.

There is another thing that that would allow us to do also — and I will just block the city out as I say it. One of the things that all our potential users of the port want is certainty of process. Whether it is at a state government or city level or my own level in terms of my ability to push things through boards of directors and those sorts of things, everyone wants to know that when they start to do something they are not going to go for six months or nine months down a path and all of a sudden get tied up in a big process that becomes very difficult. Eventually they will say, 'We just will not do it', or, 'We will go and do it somewhere else.' One of the things that closing that road would do is allow us to develop what we call Lascelles West — the old rod mill site — without someone having to worry about the planning issues of getting across the road; we can go across as a port road. What have I glossed over? Basically our growth opportunities really involve — —

There is not that much fertiliser we do not have. There is a bit that still goes down to Portland, but we have the majority of it. I think a little bit still goes into Melbourne. Interestingly there is fertiliser that comes into Geelong that then gets trucked to Melbourne, and we have an opportunity for cement and clinker. Boral at Waurn Ponds announced recently that they are going to shut down their clinker production.

We have mineral sands opportunities, as I mentioned before, and mineral concentrates coming from the high country, up near Benambra. That has financed the development of that mine in the early 1990s, so that one is a bit close to my heart.

Timber-related products are export products, so they are pretty exciting. We are having discussions with people about chemicals and what I call agri-oils as well. We think the break bulk opportunity, skill in particular that we see and potentially some roll-on, roll-off-type cargoes may end up coming down here as well over the next four years as congestion grows, and also our project cargo.

To put it in perspective as a conclusion, we have good rail access through here. It would be very nice if someone could put the passenger trains on the other side so the standard gauge runs down this side and so we have to go across to broad gauge to get those trains into the port. That basically means that they have to run

down here, round the loop, out to Gheringhap, loop back around and come back on the other side. That is pretty unattractive. It adds a significant amount of time. If we can get a big enough project, then we will be looking for some funding assistance to get that right. The main road access is through here, but we think what we really want to do is — —

The ring-road comes round about here somewhere, and what we really want to do is sort out a better connection here to get into the port. I think that will be something that comes up in the next three or four months at the end of this strategy process we are going through.

Mr FOLEY — Thank you, John, for your presentation. I take an active interest in things ports, having one in my own community. There was an investigation in regard to potentially relocating car exports to the port of Geelong, which did not proceed, as I understood it, for a variety of reasons, one of which was the technical difficulty of angles and slopes and all sorts of things of getting in and out of the port. How important is that an issue for the future of the port as a whole? In other words, are there constraints on the port that might cast a cloud over some of your growth opportunities?

Mr MURRAY — No, I do not think so. I will deal with the car trade first up. I have to be careful here.

Mr FOLEY — I did not wish to make it difficult for you.

Mr MURRAY — If the car trade had wanted to come to Geelong, then the car trade could have come to Geelong. The car trade had had a view that it did not want — —

Mr FOLEY — I was disappointed it did not, from my own community's point of view, let me assure you.

Mr MURRAY — The car trade did not have any great desire to come to Geelong. I personally do not believe any of the difficulties that were highlighted were insurmountable, but I can understand why the car trade did not come. Western Port will go through the same issue of determining what works or what does not work, and quite often it is the view you take to what you are faced with as to what your final answer is. The car trade could have very easily come to Geelong, and we could have made it work over a very long period of time. The work would have worked very successfully over a very long period of time. But that decision has been made, and we move on; that is pretty simple.

I see our ability to be able to get connectivity into the country — up country — is going to be our biggest issue. While the assessment of how much trucks should pay to drive on roads stays where it is, then I think we do not have any issues, because although our rail access is potentially good it is not good now. I think we can get around that. If ever anyone comes out and says that most of the damage is done by trucks to roads, and therefore we should increase the tax on trucks, then rail will become more important and then it will make expanding the port a little bit more difficult and we will have to think a bit harder, but I do not see there being any great issues in doing it.

We have a lot of land. There is 49 hectares of land in here alone. This is the old Ford land et cetera, and here land has been sold off to an investor who is still desperate to sell it. This bit of land here is for sale now. Over here some 16 to 20-odd hectares of land in all this area here is still to be developed. We have plenty of land. We just have to think a little bit laterally about how to use it and what the best way to develop it and the best approach is so that we make sure we do not do something that sterilises something that we want to do later on.

We would have loved to have had cars here. Cars would have been very nice. Cars would have stopped us basically doing virtually anything else that we are looking at doing now if we had cars, but you have the cars.

The CHAIR — John, on behalf of the Committee I thank you very much for the evidence you have provided today. It has certainly been enlightening. You will receive a transcript of today's proceedings in probably about two weeks. You can make any alterations that you believe are grammatical or the like, but nothing to the substance of the document. Thank you again for that evidence.

Witness withdrew.