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THE LEGISLATIVE COUNCIL GOVERNMENT ADMINISTRATION COMMITTEE A MET AT CRADLE COAST AUTHORITY, SPRING STREET, BURNIE ON TUESDAY 16 FEBRUARY 2016

TASRAIL INQUIRY

Ms ALEX McKEAND, TASPOTS SENIOR COMMUNICATIONS CONSULTANT, WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

CHAIR (Mr Mulder) - Welcome to the public hearings. All evidence taken at this hearing is protected by parliamentary privilege. I remind you that any comments you may make outside the hearing, even if they are the same things you said in the hearing, may not be afforded such privilege. The evidence you present is being recorded on *Hansard* and the *Hansard* version will be published on the committee website when it becomes available.

Today we are seeking information in relation to the financial sustainability of TasRail.

Ms McKEAND - As I am sure you are aware TasPorts is the state-owned company of Tasmanian Ports Corporation. We own the four main cargo ports in Burnie, Bell Bay, Devonport and Hobart. We manage the outer island ports on King Island and Flinders Island. We also manage community assets in Sullivans Cove, Strahan, Stanley and Inspection Head. TasRail is a customer of ours, so we facilitate trade across our port through leased areas, through infrastructure.

CHAIR - The inquiry specifically relates to rail. The rail interface with TasPorts occurs at which of those ports?

Ms McKEAND - Burnie has rail interface, and Bell Bay. Hobart did. Hobart no longer has rail directly into it. It still has the access corridor into Hobart, and of course Burnie does as well. In terms of the cargo that comes across, I am not able to give you a specific breakdown but I am happy to provide that on notice.

CHAIR - Devonport, for example?

Ms McKEAND - Cement comes in on rail.

CHAIR - Bulk cement comes in on the western side?

Ms McKEAND - Correct.

CHAIR - Do you manage the loading or offloading of that -

Ms McKEAND - No.

CHAIR - or do you simply lease the port facility to Cement Australia?

Ms McKEAND - We lease the port facility to Cement Australia. TasPorts doesn't operate as a stevedore within our ports; we lease that service.

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16/2/2016 (McKEAND)

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Mr FARRELL - In relation to the Burnie port we looked at today, there has been quite a deal of work done to that area. Was that done in consultation with TasPorts by TasRail? Are you aware of the process?

Ms McKEAND - The Burnie optimisation project?

Mr FARRELL - Yes.

Ms McKEAND - Yes, that was a tripartite agreement with Toll, TasRail and TasPorts. TasPorts were the project managers for that. The three partners all provided specific funding, and TasRail provided funding specifically for their area of the project.

Mr FARRELL - What was the purpose behind all the redevelopment? From appearance it is quite a different way of handling the loads that come into Burnie.

Ms McKEAND - There were a variety of reasons - safety, environment, operational and efficiency, basically. As we outlined this morning, we have increased capacity in two ways. One is storage for the rail yard and for Toll. The second is for operational management in the port of being able to utilise the assets to a greater level than we were able to before. The safety aspect comes down to creating priority roads within the port, specifically used roads for Toll and, as we mentioned, working towards stopping the trains needing to shunt along the waterfront of the Burnie community.

Mr FARRELL - The work is not completed just yet, is it?

Ms McKEAND - There are a few aspects still being wrapped up. TasRail is still fine-tuning details in order to have train shunting within a secure port zone.

Mr FARRELL - Has it delivered the efficiencies to TasPorts that TasRail initially hoped it would?

Ms McKEAND - I am not able to answer that question definitively. It certainly is a long-term proposal for us. It immediately increased the capacity of the storage in the port zone. So yes, there were some immediate aspects to it but the operational management is still taking some time to bed down.

Mrs HISCUTT - On the back of that, how long do you reckon it will take before you can answer that question?

Ms McKEAND - I am not sure. I think that might be more a question for TasRail. As I said, we are providing the land, and TasRail are managing their operations, so it might be easier for them to answer that.

Mr FARRELL - You mentioned earlier that access into Hobart is no longer there but the corridor is being maintained.

Ms McKEAND - Yes.

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Mr FARRELL - What changes has that made to TasPorts' operation, not having rail access to Macquarie Point?

Ms McKEAND - Specifically, by not having rail coming into the port there was a decrease in volume through the port, otherwise I am not aware of large changes. As I said, the access corridor is still there and of course Macquarie Point Development Corporation was established, which has taken over the old rail site. We continue discussions with them on management of our land and their land, and how the two work together.

Mr FARRELL - Swire Shipping has announced that they will be sailing into Hobart. What would the case be if the containerised traffic into Hobart increased to an extent that it was viable to ship that out by rail? Is that something that TasPorts would initiate with TasRail? How would that come about?

Ms McKEAND - I think the market would initiate that. TasPorts' role is simply to facilitate that freight. There is capacity there. The Hobart Port has roughly 7 to 7.5 hectares available, but that would have to be market driven. It would probably be a collaborative effort for the market, for TasRail and TasPorts to facilitate that increase if it was there.

Mr FARRELL - In relation to that - this links into TasRail's future opportunities - does TasPorts have communication with the Macquarie Point Development Corporation about future plans?

Ms McKEAND - Certainly. Obviously the long-term visions for both Macquarie Point and TasPorts are shared. We have a very close working relationship, as we do with all our stakeholders, particularly our adjoining landowners. I think urban encroachment and multiple use of surrounding port land will be an ongoing discussion, not just for Tasmanian ports but for Australian ports. That is an ongoing challenge. Yes, we have very close communication with Macquarie Point about that.

Mr FARRELL - Is there any demand from TasPorts to do port-to-port services - as from Hobart to Burnie - or is it all on-load, off-load, and not necessarily going from Hobart Port to Burnie Port across land?

Ms McKEAND - That is probably a customer question. The ports are there and the supply chain and logistics are really down to the customers, to State Growth and to the broader integrated freight strategy.

Mr FARRELL - Customers would have to see the efficiencies in utilising a port in Burnie or a port in Hobart?

Ms McKEAND - That's right. I guess it comes down to their pit-to-port costs. The location of not only the origin of their exports or imports but also the processing of that all have a part to play in where customers choose to export or import.

CHAIR - You mentioned 7.5 hectares?

Ms McKEAND - Yes, I think that's correct; I will check that.

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CHAIR - It might not be that number but anyway there is an amount of land there. Is there a particular long-term version for that land or is it designed to allow for a future freight yard

Ms McKEAND - We did a 30-year port vision for the state. We looked at primary cargoes and primary uses within each port. In Hobart we were looking specifically at Antarctic and crews, what we considered to be the primary uses, but there is certainly an element of ongoing freight capacity and storage that will be in Hobart. Again, that needs to be market driven. So, yes, there is the opportunity but we did identify key sectors.

CHAIR - It is a bit like the rail corridor. TasRail is struggling with this at the moment because they don't want to let go of the corridor in case they need it, but they have no plans to need it.

Ms McKEAND - It is.

CHAIR - Is that the same with this 7.5 hectares, or do we need to bite the bullet and say, 'No, we're not going to do rail freight into there and therefore we don't need 7.5 hectares; we just need a spot where we can truck some of it'?

Ms McKEAND - I am not able to answer that definitively. We haven't ruled out uses of the port. We have primary uses but we have created a multi-port strategy so that each port has a specific focus but has the capacity, given Tasmania's sector is quite diversified with a small volume. As I mentioned, pit-to-port costs are an impact for customers so we have been able to keep capacity within each port if we need to service additional customer needs.

Ms FORREST - With regard to Bell Bay, what is the future of rail in that port, from your perspective?

Ms McKEAND - Rail came back in recently, after I think it was 10 or 11 years of not being specifically into Bell Bay, with Australian Bauxite. In terms of the future, again I think that would probably be a question for TasRail and their customers. The facilities and the infrastructure are there; it just needs to be market driven.

Ms FORREST - So it was only open to Australian Bauxite, which is now awaiting sale [inaudible]?

Ms McKEAND - That was the only customer coming through, yes.

CHAIR - With market-driven ports, you have delivered all the infrastructure, so you need some return on that investment. Is that return on the investment just a flat fee or do we talk about tonnages or containers moving through the port? When they lease the port off you, do they pay a royalty or a fee on tonnages, or is it just, 'We lease the facilities and what we do on it is our business'?

Ms McKEAND - Lots of different scenarios. TasPorts has leased areas - Toll, for example, was a specific leased area. We have common-use areas where there are wharfage and tonnage aspects that work with it. Long-term leases; for example, Mac 1 in Hobart is a long-term lease. There is a variety of combinations. We have specific bilateral agreements with major customers and then we obviously have tariff charges that are statewide that we work with.

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CHAIR - I take it your main containerised port is Burnie - probably your only containerised rail port?

Ms McKEAND - Devonport.

CHAIR - Sorry, rail-port interface which has containers as well.

Ms McKEAND - Bell Bay was obviously bringing in with Aus Bauxite.

CHAIR - But it's not.

Ms McKEAND - No. So, yes, Burnie is the major one, and Burnie was pipped for the future as well for the primary container port.

CHAIR - With Burnie, what sort of tonnages are you getting through with Toll, or doesn't Toll report that to you?

Ms McKEAND - TEUs in containers?

CHAIR - Yes.

Ms McKEAND - I think we are looking at 250 000. The state does about 500 000 TEUs and Toll roughly 250 000.

CHAIR - And the bulk of the rest of them are going out on trucks - Devonport? That is truck interface of course.

Ms McKEAND - Yes, and a very small amount out of Hobart is currently being seen, and a small amount out of Bell Bay.

CHAIR - What are the volumes like, for example, of going out versus coming in in terms of containers?

Ms McKEAND - I am not sure in terms of containers. I just looked at our annual report and I think import/export for 2014-15 was almost exactly the same in Burnie. It was about 119 000 to 125 000 each way, import/export. The state is split fairly evenly across volumes. I think we are looking at about a 46:54 split to export, and that volume split of import/export is forecast to remain the same

CHAIR - So are we sending more than we are receiving?

Ms McKEAND - Yes, I think so. I can check that.

CHAIR - Containers would probably be the other way around; we're receiving more than we're sending?

Ms McKEAND - Well, it depends if they are empty, and I am not sure of that breakdown.

CHAIR - Sorry, I am talking about full containers.

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Ms McKEAND - I am not sure of that breakdown.

CHAIR - Thank you for that tour today - most informative.

I have some questions about the environmental health of Emu Bay itself. It has been a port for a long time. Not just at the port but along the coastline it has had a range of industries that have had a major impact on the environment. What is the health of Emu Bay? Is it coming back?

Ms McKEAND - I am not sure; I can find out for you.

CHAIR - I guess you would have an environmental report on the health of the bay.

Ms McKEAND - We have. As we outlined today, we also work on a project base. We have environmental management for our projects as well as for broader port precinct areas.

CHAIR - I noticed that a lot of minerals and things like that are now in enclosed sheds and enclosed areas, whereas once upon a time, on a windy day half of them would be in the bay.

Ms McKEAND - Yes, that's right. As I mentioned, the port creates a changed environment over many years, but it certainly has improved.

Mr FARRELL - TasRail is a customer of TasPorts, having the ship loader at Burnie?

Ms McKEAND - The concentrates in the loader, yes.

Mr FARRELL - So that is owned now by TasRail?

Ms McKEAND - The asset is - the infrastructure, yes, not the land.

Mr FARRELL - Okay. So there is lease arrangement?

Ms McKEAND - Correct.

Mr FARRELL - There was some discussion that that is a fairly old piece of equipment and may need upgrading with larger ships. Have there been any discussions around allowing for a larger concentrate loader?

Ms McKEAND - I am not sure the two are necessarily linked. It is certainly an ageing asset, and as mentioned today it is coming to the end of its life. Whether or not you replace it with a larger asset is probably a separate question, as opposed to whether you need to remediate the current asset. In terms of conversations about increasing the volume, I am not sure about that.

Mr ARMSTRONG - Seasonal times for apples, cherries, whatever it may be, what is the difference between truck and rail bringing the product to the wharf?

Ms McKEAND - I am not sure.

Mr ARMSTRONG - Do you get a bigger influx during the fruit season with truck movements, compared to the off season?

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Ms McKEAND - I am not sure; I would have to look at that exact breakdown. All that information is provided to ports in terms of the contents of what is coming through in containers.

Mr ARMSTRONG - I just thought during spring time -

Ms McKEAND - It would probably make sense that there would be increases, but of course there are other seasons that might bump it up as well. I am happy to find out for you.

Mrs HISCUTT - As discussed this morning, you have thoughts of more recovery of ground out here. Would you explain how far advanced those investigations are and whether you have given any consideration to a spur line, particularly for woodchips if Foreco or Tas line were interested? Have you given any thought to putting a spur line for the rail if you moved the woodchip pile?

Ms McKEAND - Specifically to the spur line, I am not sure. In terms of what we have in planning - we have delivered our 30-year port plan for the state - we are now working on port precinct plans. The main two we are working on at the moment are Hobart and Burnie and they will be short- to medium-term operational and management aspects. At this stage we have just started working with consultants on those plans and are looking to develop them over the next six to 12 months, which will include consultation with key stakeholders and customers. That will be the opportunity for them to input into that. The port precinct plans have a shorter time frame as opposed to the long-term vision. As we mentioned in our tour, we have a long-term vision to enable greater port land within Burnie, and that would include reclamation of that area beside the log storage.

CHAIR - On the Burnie asset, you mentioned that the bulk mineral loader is owned by TasRail. Is that the same situation with the loading facilities at Bell Bay? Are they owned by someone else or by you?

Ms McKEAND - I am not sure. We operate the woodchip loader in Bell Bay. I am not sure of the mineral loader.

CHAIR - But the mineral loader is there.

Ms McKEAND - Yes. I can find out.

CHAIR - The Bell Bay industrial users, TEMCO and those sorts of people, are doing their own stevedoring activities on the Bell Bay port?

Ms McKEAND - There are a few stevedores that work within Bell Bay - Qube, and fuel-gate marshalling as well. I am not specifically sure which one -

CHAIR - Once again they would own the assets, not you, on the port?

Ms McKEAND - Yes. It isn't a hard and fast rule that the stevedore will own them. For example, in Burnie we own the Burnie chip export terminal and in Bell Bay there might be a mix as well. I can get back to you on asset ownership.

CHAIR - The direct loading crane that takes things straight off the ship and puts them on trucks, we saw that there. It is not being used at the moment of course. Who is that owned by?

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Ms McKEAND - That's TasPorts - at No. 5 in Burnie.

CHAIR - So you own that particular thing?

Ms McKEAND - Correct.

CHAIR - As a business model, it seems to me that we have this mixture of what is happening on the port. Some people own this and some people own that; some deals relate to tonnages and some deals just lease the land. Should the business be one thing and not another, rather than doing a bit of this and a bit of that, and some of it is a mix of public and private? It is a bit of a judgment call and you probably want to have a discussion with some others about your perspective on it. It seems to me to be a little difficult to run a business which is -

Ms McKEAND - TasPorts has a diversified business model, there is no doubt about it. The bottom line is to act commercially. You need a variety of options in order to do that, depending on the customer, depending on the value rate of return, so I guess at this stage we are open to being market-led, and where there is the need to support that, we will do.

CHAIR - Is there a vision to get to a particular standardised business operating model so that you are not doing bits and pieces all over the place? If the stevedores are good at operating equipment and you don't want to do any stevedoring, then maybe what you should do is just become a tenant and a maintainer of berthing facilities.

Ms McKEAND - A landlord model, for example.

CHAIR - Yes.

Ms McKEAND - We don't do stevedoring. That is obviously one aspect of it. Whether or not there is an aim to get to a narrower field of business operations, I am not sure; I am not aware of that strategy if it exists.

CHAIR - It is more of an observation, I guess, but it is a question that maybe we should get a response from TasPorts on because it seems that is one of the end-to-end issues you have.

By way of cargo coming in - and Burnie being your main rail container outlet - we were informed this morning - and you might need to get some specific figures - about containers. How much of the container freight is coming in and going out on road compared to how much is coming in and going out by rail?

Ms McKEAND - I can get those figures; I'm not sure what they are.

Ms FORREST - It would also be handy to get the breakdown of where it comes from. Obviously if it is coming from the west of here it has to come by road, otherwise the information is not necessarily comparable. If you are trying to compare road versus rail it has to be over a like route, otherwise it's meaningless. Do you think you can provide that level?

Ms McKEAND - I am not sure what level; it depends on what level of information our customers give us in that respect. I think we would have breakdown of road versus rail. Whether

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or not it relates to the origin of their product or the origin of the destination of their product, that would be part of the input the customers provide us.

CHAIR - This morning we were told that a lot of the stuff from Toll was coming from the south of the state by road, so not all of it is coming on the train.

Ms McKEAND - No, not all is.

CHAIR - From the south, which would tend to ask the question about the Brighton Hub, and that is what this particular line of inquiry is. Ruth has a good point. If it is coming from Smithton, where they have pulled the rail line up, you have no option.

Ms McKEAND - Yes. In the Burnie optimisation one of the other key aims was to create a comparable intermodal system in the north and south that could work together and could manage that capacity.

CHAIR - The point I am trying to get at is how much of that containerised freight is still coming up the road despite the Brighton Hub? That is what I am trying to drive at. Although that is not an issue for you, if you have that information -

Ms McKEAND - I imagine it would be better answered by either State Growth or TasRail itself.

CHAIR - Or probably Toll.

Ms McKEAND - Yes, or Toll.

CHAIR - If you can find the source information of the road cargo, that would be very interesting to us.

You are doing the woodchip exports?

Ms McKEAND - Yes.

CHAIR - I also noticed on the way in that on the old dioxide site you have log storage. Those logs that are being stored off site, what becomes of those?

Ms McKEAND - They are exported, I imagine.

CHAIR - As whole logs?

Ms McKEAND - I am not sure, I can check but I imagine yes.

CHAIR - I notice there were some on the southern fringes of the port -

Ms McKEAND - Yes. Veneer or logs?

CHAIR - No, not the veneer. There were some logs on the port side, stacked up on the shore. It would be interesting to see what is happening with the export of whole logs, as to whether they are going there. Your bulk chip loader is getting sourced from where?

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Ms McKEAND - Two key customers in Forestry Tasmania and Foreco.

CHAIR - And Forestry Tasmania operates the chipping operation on the top of the hill?

Ms McKEAND - Yes.

CHAIR - How do the chips get from the top of the hill, and from Foreco, onto your waterfront where you then take over the loading?

Ms McKEAND - I imagine they are coming in on their trucks.

CHAIR - This morning TasRail announced they had bought log containers and were implementing some log containers. From the surprise on your face I see you are not going to be able to answer my next question about what is becoming of those. Are they going to turn up in your ports and are you in a position to handle them?

Ms McKEAND - I am not in a position to answer that. Obviously that is news to me. Perhaps TasRail can best answer that.

CHAIR - Thanks a lot, Alex; it was really good, particularly the trip around this morning.

THE WITNESS WITHDREW.