

Freight & Logistics Council of Western Australia

Meeting 26 March 2009 - Fremantle

EXECUTIVE SUMMARY

The first meeting of the Council raised a variety of issues with a view their subsequent development. These included:

- freight noise policy;
- logistics impacts in the Pilbara;
- National Transport Plan;
- single national rail regulation;
- protection of freight corridors in the planning process;
- increased private sector involvement in WA ports;
- national shipping policy;
- international trading terms;
- Bunbury Port rail access;
- State grain rail network;
- Fremantle Port planning;
- national ballast water policy;
- Oakajee Port development; and
- environmental impacts of dredging at ports.

ACTIONS FROM MEETING

- Circulate recent letter on freight noise policy
- Council presentation to WAPC on freight noise policy
- Finalisation of Pilbara Study
- Council briefing on National Transport Commission review
- Working Group on Single National Rail Regulation
- Council presentation to WAPC on protection of freight corridors
- Approach Minister re national shipping policy discussions
- Develop position on international trading terms
- Further updates on Bunbury Port rail developments
- Industry to consider approaching Government re funding grain rail network
- Update on ballast water initiative
- Briefing on Oakajee Port development
- Council support of ports on dredging issues
- Finalise administrative arrangements

NOTES OF MEETING

Those present included:

- Eric Lumsden, Director General, Department for Planning & Infrastructure (Chair);
- Hon Bill Marmion, Parliamentary Secretary, Minister for Transport;
- Greg Martin, National Transport Commission;
- Fred Affleck, Port Operations Task Force;
- John Oliver, Chamber of Minerals & Energy;
- Bob Pearce, Forest Industries Federation;
- Graeme Wilson, Shipping Australia;
- Paul Larsen, WestNet Rail;
- Rob Voysey, Intermodal Link Services;
- Alan Bassham, Tronox;
- Owen Davies, CBH Group;
- Ian King, Transport Forum;
- Andrew Canion, Chamber of Commerce & Industry of Western Australia;
- Jim Matijasevich, Western Australian Port Authorities' Association;
- Chris Leatt-Hayter, Fremantle Ports;
- Kevin Loftus, Main Roads WA;
- Drew Gaynor, Department for Planning & Infrastructure;
- Mark Brownell, Freight & Logistics Council; and
- Glenda Galipo, Freight & Logistics Council.

Agenda Item One: Opening Comments

Eric Lumsden welcomed members to the first meeting of the Freight & Logistics Council of Western Australia. He particularly noted the presence of Hon Bill Marmion on behalf of the Minister for Transport, Hon Simon O'Brien.

Eric said that the creation of the Council was an important initiative by the Minister that recognised the broad-based view of the freight task increasingly being adopted by industry. The Council was based on a proven model of liaison between industry and Government based on advocacy, research and information exchange.

Eric noted that this first meeting would focus on establishing issues for future discussion and the agenda reflected this priority. Accordingly he would prefer to deal with the group's terms of reference and administrative arrangements outside of Council meetings.

Before asking Bill Marmion to comment, Eric sought apologies for the meeting. These were noted as John Fischer, Chris Cain, Tim Fraser, Tim Collins, Trevor Lovelle, Doug Morgan and Ian Williams. Most of these absentees were represented at the meeting.

Bill Marmion spoke briefly about his own background and his present role with the Government. He said that he had a personal interest in the sorts of issues before the Council and hoped to be involved in its future deliberations.

Agenda Item Two: Ongoing Issues

Freight Noise Policy

John Oliver said that this issue was a prime example of the value of freight councils. He said that Government noise level proposals were a problem for the freight industry, especially rail. There had been an ongoing dialogue between the Sea Freight Council and policy-makers and, while there were still some differences of view, better understanding was emerging on the issue.

Eric Lumsden commented that as the Acting Chair of the Western Australian Planning Commission, he had moved to ensure that when the issue is discussed in that forum, industry would have the opportunity to put its views directly through Council representatives..

Pilbara Study

Mark Brownell said that this study had been initiated by the Sea Freight Council with the objective of understanding logistics impacts from growth in the Pilbara resource sector. He noted that the study report had found shortcomings in the region's road capacity and associated Government planning systems.

However, it was acknowledged that the forecasts on which these findings were based were arrived at prior to the current downturn in the resources sector. The consultant had been asked to review the study conclusions against that background. Graeme Wilson made the comment that lower iron ore shipments should not be taken as indicative of lower levels of company activity across the region.

Agenda Item Three: New Issues

National Transport Plan

Eric Lumsden said that there were a number of initiatives occurring at a Federal level within Government that industry should be informed about and have the opportunity to comment. He described progress in the areas of COAG Road Reform and the National Transport Planning Framework. The third area of activity, the Review of the National Transport Commission, would be discussed at the next meeting.

Bill Marmion commented that there were dangers in national approaches if they resulted in this State being brought back to a lowest common denominator in terms of efficiency. He urged the Council to be mindful of this.

Drew Gaynor noted that as part of the Federal initiatives, four supply chains of major significance - livestock, grain, intermodal and coal - had been examined to identify regulatory constraints and bottlenecks. Industry input was being invited on the resultant studies. Similarly, work was occurring nationally in respect of workforce planning and skill shortages and industry's views were again being sought.

Single National Rail Regulation

Fred Affleck described a proposal for single national rail regulation that would be considered by the Australian Transport Council in May. He said that the WA position on the issue needed careful consideration and felt that the Council would be well placed to advise the Minister prior to the forthcoming meeting. He suggested the formation of a small working group to progress the issue. This was agreed to.

Protection of Freight Corridors

Bob Pearce said that there was little protection for freight corridors anywhere around the State, especially those leading to ports, as the planning procedures did not give priority to freight. Bob said that he wanted to raise the issue generally, but also in respect of Fremantle Port in particular. He said that in a general sense, policy needed to be in place that obliged local councils to take account of freight needs in taking related decisions and powers to the State to amend local councils' decisions if they do not recognise freight.

Bill Marmion and several other members spoke in favour of this position. Eric Lumsden suggested that the Council discuss the issue with the WAPC during the forthcoming meeting on freight noise policy. This was accepted.

Increased Private Sector Involvement in WA Ports

Andrew Canion spoke to the CCIWA position on the privatisation of ports. He said that the subject was raised in the context of the weakening budgetary

position for the State and reflected the belief that the private sector could conduct port operations more efficiently than public agencies. He said that this efficiency would translate into lower borrowings for ports, thus reducing the risk to the State's credit rating.

John Oliver responded by contrasting his Company's experience with both WA and Victorian ports, the former being Government and the latter private. He said that the WA model was operationally and commercially superior and that any temptation by the State to sell ports for short term funding gain would be a mistake. Graeme Wilson added that considerable work had gone into the present corporatised model for ports and this was working well. Chris Leatt-Hayter noted that the WA model allowed private sector involvement, but recognised the strategic value of ports. Other members commented on the value of the present model and voiced general concern about the way privatisation has worked in areas such as rail and airports.

Fred Affleck warned against adopting a blanket rejection of private sector involvement. He felt that the issue needed to be examined on a case-by-case basis as there were different risk levels associated with different activities. Paul Larsen added that private operators can work with Government to achieve long term objectives.

Eric Lumsden said that a problem with the present WA port system was the way ports competed against one another for capital funding. He saw no evidence of a strategic overview on the part of ports that would improve their position. They had to work collaboratively as the State is not in a position to meet all funding demands.

National Shipping Policy

Graeme Wilson said that WA was more dependent on efficient shipping links than other States and that this had resulted in strong contributions previously to national shipping policy discussions. He noted that the present Federal Government is staunchly pro-shipping and wants major related policy change based on fiscal, legislative and industrial reform. Graeme felt that the Council should urge the present State Government to again take a leadership role in the national debate for the benefit of WA. This was agreed to.

International Trading Terms

Rob Voysey said that it was timely to talk about international trading terms because grain vessels were currently delayed at WA ports due to this very issue. He said that if exports were sold on a CIF basis (cost, insurance, freight) rather than FOB (free-on-board), the seller would control shipping movements and delays would be less likely. Recent calculations had put the cost of demurrage around the Australian coast last year at \$1.8 billion. This sum could start to be

addressed if there was more Australian control. Moreover, freight can be developed as a significant additional value stream on top of the product sale. He suggested that the Council needed to develop a view on this issue and participate in the national debate. This suggestion was agreed to.

Bunbury Port Rail

John Oliver noted that he was on a working group established by the Bunbury Port examining land-side impacts of future trade growth. Rail impediments had been highlighted, particularly the need for duplication of track. John said that this was a funding issue that the Council may consider supporting. It was agreed that John would bring further updates of the Bunbury work to allow this to occur.

Paul Larsen said that the Bunbury rail corridor was the key issue raised by WestNet Rail with Infrastructure Australia. He queried what the key items were for other ports. Eric Lumsden said that they would all be different and this supported his earlier comment about the need for a more collaborative and strategic overview on the part of ports.

Grain Rail Network

Owen Davies commented that the impact of the third largest State harvest on record and the increased number of operators following deregulation was creating a bottleneck moving grain to ports. The problem was exacerbated by the poor state of the rail infrastructure that saw some lines down to half speed and others not operable during daylight hours. Owen said that the Grain Infrastructure Group had identified steps to maintain the present network at a satisfactory level at a cost of \$400 million over ten years, to be split between Federal and State Governments, together with industry. This proposal was still being reviewed.

Rob Voysey expressed surprise that this long-standing proposal was still awaiting approval. He said that a crisis had now arisen and the State Government had to respond quickly to prevent a disaster. Eric Lumsden commented that the Minister had been pressing the issue vigorously, but that industry might be advised to directly approach the Premier, the Treasurer and the Leader of the National Party.

Fremantle Port Planning

Fred Affleck described the current review aimed at arriving at a conceptual development plan for Fremantle Port. He said that the intention was to offer industry some certainty as to the direction of Government policy in terms of the location of port development and its timing. Greg Martin said that the review was at a strategic level and was focussing on the State's best interest in the longer term. An important part of the process was to seek views from direct

stakeholders and a comprehensive consultation process had commenced. The Council would have an important role in that respect.

Other Issues

John Oliver asked for an update on the developing national ballast water issue.

Graeme Wilson mentioned that the shipping industry had approached WA ports seeking consideration of the impact of the global economic downturn in setting port charges. He did not think that shipping should be used as a buffer for ports against economic impacts.

Paul Larsen sought a briefing on Oakajee Port development. In particular, he wanted an assurance that this would not be exclusively an iron ore facility.

Bob Pearce said that dredging continued to be a problem for ports in working with State environmental agencies. The Council could usefully progress the matter.

Agenda Item Four: Administration

Eric Lumsden noted that there were a number of items of an administrative nature to resolve including the Deputy Chair position, meeting frequency, proxies and resourcing. He said that these matters could be finalised before the next meeting and confirmed there.

Agenda Item Five: Closing Comments

Eric Lumsden thanked members and proxies for their time and input. He said that this had been a useful first meeting and he looked forward to seeing progress on the identified issues. Eric confirmed that the next meeting was on the afternoon of 30 April and would be followed by refreshments. He noted the Minister's presence at that meeting.