



NORTH QUEENSLAND BULK PORTS (NQBP)

**SUBMISSION TO THE JOINT SELECT
COMMITTEE ON NORTHERN AUSTRALIA**

FEBRUARY 2014



EXECUTIVE SUMMARY

This submission has been prepared by North Queensland Bulk Ports Corporation (NQBP) for consideration by the Joint Select Committee on Northern Australia. The submission deals with relevant Terms of Reference applicable to NQBP's ports and its roles and responsibilities as a Port Authority. While the information provided in this submission is based on NQBP's specific experience at its ports, much of the content could be equally applied to all Northern Australia ports. References to Great Barrier Reef (GBR) management issues should be read in the context of NQBP solely.

Role of Seaports in Northern Australia Development

There are numerous seaports along the Northern Australian coastline in strategic locations. The locations were selected based on the geophysical characteristics of the coastline and their proximity to commodities and general trade catchments. Many of these ports have existed in some form for over 100 years. They have played a significant role in the sustainable development of Northern Australia and will continue to play a key role if there is to be major and continued trade growth across the North of the country.

While additional capacity is present in some existing Northern Australian ports, including some NQBP ports, significant population growth and trade growth in ship-bourne imports and exports will at least require additional capacity at most existing ports, or potentially in some cases, the establishment of new ports.

Infrastructure Planning and Delivery

However, every effort should be made to maximise the utilisation of existing port locations and infrastructure ahead of developing new ports in new locations.

Development of greenfield port locations represents enormous economic challenges. The capital costs associated with developing port facilities, both on and potentially off-shore, are significant and in some cases may be deal breakers for otherwise financially viable projects.

In addition to the economic impediments, establishment of ports away from existing locations will open up significant environmental issues and growth within existing port precincts should provide better environmental outcomes compared to unnecessarily opening up new port sites.

Need for Coordinated Planning

Seaports represent just one component of the overall supply chain and will only be effective if the enabling infrastructure such as roads and rail links are also provided and of appropriate standards to meet the current and future needs of industry.

Hence, the planning for any future development in Northern Australia must consider seaports and their linkages to commodity and trade catchment areas as well as the supporting infrastructure which will be required.

To establish a competitive infrastructure model for major transport infrastructure in Northern Australia, including seaports, an holistic approach should be taken, whereby major capital expense commitments should be made, accounting for national and regional needs, which will provide the best long-term outcomes, rather than addressing economically unsustainable short-term or individual project needs, unless of a nationally significant scale.

This approach will require coordination across the Commonwealth, State and Territory jurisdictions in Northern Australia which could be achieved through a Planning Coordination Partnership. This partnership should consider the overall strategic transport priorities in a regional context, and in a ports context specifically, be informed by valid and relevant work which has already been done on port planning.



Funding Ports

Development of new port facilities, even in existing port locations where supporting infrastructure exists, increasingly presents challenges for emerging projects and ventures. Many new or expanding projects and ventures will only be financially viable and succeed if they can utilise shared, multi-user port facilities. In recent times, governments have moved away from providing this infrastructure and then contracting capacity to users, in favour of private enterprise being required to plan and fund the infrastructure.

This has led to issues for establishment of new or expanded common-user port facilities. Individual project proponents generally do not support funding the “first mover costs” and significant initial capital investment, which will ultimately also advantage others.

Where the infrastructure is ultimately to be owned by a single infrastructure provider but funded by one or more private sector parties which use the infrastructure, the complexity of funding and tax arrangements can materially impact the timing and viability of a project.

Environmental Compliance

Environmental compliance is a priority issue for NQBP which is committed to good environmental management to support its social licence to operate and corporate responsibility and commitment to environmentally sustainable operations.

NQBP is also committed to the provision of environmental offsets where necessary to ensure net environmental benefits where impacts from projects are not able to be avoided.

However, gaining approval for expanding or building new port facilities is becoming unnecessarily difficult due to duplicative and overlapping administrative processes and the intrusion of issues that are not directly related to the direct environmental impacts the development of ports create. This also involves substantial additional costs for projects and there is no longer confidence on how long approval processes will take to complete. The extent of restrictive green tape and the associated increasingly higher administrative costs and delays in gaining approvals, results in a lack of commercial certainty for the delivery of major projects, resulting in a significant deterrent to investment and development.

Environmental standards would not be compromised by streamlined regulatory processes and balanced and appropriate compliance initiatives.

Social Obligations

Notwithstanding that some projects will, for various reasons, opt for fly-in, fly-out works forces, if Northern Australia is to be developed in a sustainable manner it must generally have a strong, well skilled, local workforce. If the region is to attract a suitable workforce in the numbers to support key projects, then the social infrastructure must be in place to convince partners and families that their lifestyle will not be compromised by living in Northern Australia.

The Case for Abbot Point / Mackay

NQBP believes that two of its ports particularly will be crucial to servicing the long-term growth of Northern Australia. The Ports of Abbot Point and Mackay have unique characteristics which lend themselves to supporting a variety of new industries and associated trade, vital to opening up new in-bound and out-bound opportunities in the North.

Their strategic importance is highlighted by the relative growth constraints in other existing Northern Queensland ports and the challenges faced by attempting to open up new port areas.

Additionally, the Port of Weipa remains a key strategic infrastructure asset to facilitate growth on Cape York and adjacent areas.



Recommendations

- Recommendation No. 1:** Undertake an audit to assess the adequateness of existing major transport infrastructure in Northern Australia, including seaports, airports, roads and rail and how effectively they are linked, with a view to identifying transport infrastructure development priorities which are holistic in nature and provide solutions for long-term development.
- Recommendation No. 2:** Establish an Infrastructure Planning Coordination Partnership across jurisdictions to consider and coordinate the overall strategic transport priorities in a regional context, and in a ports context specifically, be informed by valid and relevant strategic port planning completed or underway.
- Recommendation No. 3:** Consider the creation of a zone in which government partners with private enterprise to help with “seed capital” to overcome “first mover” funding hurdles to encourage the development of common user facilities which accommodates longer-term development needs.
- Recommendation No. 4:** Consider establishing a special taxation regime for “first mover projects” which provide strategic, multi-user port infrastructure.
- Recommendation No. 5:** While ports accept the absolute need for good environmental management, governments need to commit to the application of environmental laws in the manner intended and ensure ports are dealt with in a balanced and fair manner compared to other impacts on the environment.
- Recommendation No. 6:** An audit should be conducted across all of Northern Australia into unnecessary port green-tape including duplication between constituencies and unfair environmental compliance being imposed on ports.
- Recommendation No. 7:** Ensure future development of economic infrastructure in Northern Australia is accompanied by the timely development of appropriate social infrastructure to ensure the affected communities maintain their quality of life and access to services.
- Recommendation No. 8:** That the Committee endorses the Ports of Abbot Point and Mackay as the primary Queensland ports to underpin the long-term sustainable development of Northern Australia and notes the key strategic infrastructure asset of the Port of Weipa to facilitate development on Cape York and adjacent areas.

1. INTRODUCTION

This submission has been prepared by North Queensland Bulk Ports Corporation (NQBPC) for consideration by the Joint Select Committee on Northern Australia. The submission deals with relevant Terms of Reference applicable to NQBPC's ports and its roles and responsibilities as a Port Authority. While the information provided in this submission is based on NQBPC's specific experience at its ports, much of the content could be equally applied to all Northern Australia ports. References to Great Barrier Reef (GBR) management issues should be read in the context of NQBPC solely.

2. ABOUT NQBPC

NQBPC is a Queensland Government Owned Enterprise with Port Authority responsibility for the ports of Hay Point, Mackay, Abbot Point and Weipa, which all fall within the geographic scope of the committee's inquiry. The ports handle a range of cargoes including coal, bauxite, sugar, molasses, grain, petroleum, fertiliser and general cargo. Historically, NQBPC was a major developer of port infrastructure undertaking research, design and construction activities, but in more recent times has moved to partnering with customers to facilitate port growth. Development of Northern Australia is consistent with the role and responsibilities of NQBPC.



- NQBPC Ports

3. ROLE OF SEAPORTS IN NORTHERN AUSTRALIA DEVELOPMENT

There are numerous seaports along the Northern Australian coastline in strategic locations. The locations were selected based on the geophysical characteristics of the coastline and their proximity to commodities and general trade catchments. Many of these ports have existed in some form for over 100 years.



They have played a significant role in the sustainable development of Northern Australia and will continue to play a key role if there is to be major and continued trade growth across the North of the country. The economic reality is that Northern Australian seaports will continue to be required as close as possible to existing and new primary export commodities and consumer markets for imports, as it would be logistically uneconomical to build significant road or rail transport to connect to ports in the south of the country.

Seaports in Northern Australia are essential in trades which exist for resources including iron ore, coal, bauxite, copper, gold, silver, tin, phosphate, lead, magnetite, manganese, and a wide range of rare earth minerals, gas and processed copper, zinc, nickel and alumina as well as agricultural trade including grains, beef, live cattle and sugar. Additionally, shipping is critical to service major cities such as Darwin, Cairns, Townsville and Mackay with fuel, consumables, fertilisers and other products and the many other towns and smaller communities in Northern Australia, be they linked to larger cities or in remote locations serviced by transshipment services. While not applying to any NQBP ports, some Northern Australian ports are strategic assets for cruise ship tourism.

While additional capacity is present in some existing Northern Australian ports, including some NQBP ports, significant population growth and trade growth in ship-borne imports and exports will at least require additional capacity at most existing ports, or potentially in some cases, the establishment of new ports (*see references to existing versus new ports later in the submission*).

NQBP anticipates that economic and population growth in the Asian and Pacific Regions will translate to significant trade opportunities for Australia. Port capacity will be a particular issue for anticipated growth in agricultural exports with Australia becoming the food bowl for major Asian markets as well as Pacific countries; in resources, including coal; and, should major manufacturing ventures be developed in Northern Australia. Similar port capacity issues will arise from servicing significantly increases in population growth.

4. CHALLENGES DEVELOPING PORT INFRASTRUCTURE

4.1 Infrastructure Planning and Delivery

While new ports may be required in particular circumstances, every effort should be made to maximise the utilisation of existing port locations and infrastructure ahead of developing new ports in new locations.

Development of Greenfield port locations represents enormous economic challenges. Capital costs associated with developing port facilities, both on and potentially off-shore, are significant and in some cases may be deal breakers for otherwise financially viable projects. In addition, opening up new port locations would likely require establishing supporting infrastructure ie. towns and social infrastructure, roads, rail, power, water as well as the establishment of a workforce.

In addition to the economic impediments, establishment of ports away from existing locations will generate significant environmental issues. This would be particularly the case in locations adjacent to the Great Barrier Reef Marine Park and World Heritage Area, which applies to all of the eastern Queensland coastline from the southern-most point of the Committee's inquiry area to the northern most point of the State. Growth within existing port precincts should provide better environmental outcomes compared to unnecessarily opening up new port sites.

Seaports represent just one component of the overall supply chain and will only be successful if the enabling infrastructure such as roads and rail links are also provided and of appropriate standard to meet the current and future needs of industry.

Hence, the planning for any future development in Northern Australia must consider seaports and their linkages to commodity and trade catchment areas as well as the supporting infrastructure which will be required. The planning should also be supported by a regionally focussed audit of major transport infrastructure which is strategic and holistic in nature.



To establish a competitive infrastructure model for major transport infrastructure in Northern Australia, including seaports, an holistic approach should be taken, whereby major capital expense commitments should be made accounting for national and regional needs, which will provide the best long-term outcomes, rather than addressing economically unsustainable short-term or individual project needs, unless of a nationally significant scale.

This approach will require coordination across the Commonwealth, State and Territory jurisdictions in Northern Australia which could be achieved through a Planning Coordination Partnership. This partnership should consider the overall strategic transport priorities in a regional context, and in a ports context specifically, be informed by the work which has already been done for the National Ports Strategy, the Queensland Ports Strategy including work underway for the establishment of Port Priority Development Areas in Queensland and the Queensland Government's work underway on the 10 Year State Infrastructure Plan and Total Asset Management Plans. Additionally, other jurisdiction-specific strategic port planning work should also be considered.

Recommendation No. 1: Undertake an audit to assess the adequateness of existing major transport infrastructure in Northern Australia, including seaports, airports, roads and rail and how effectively they are linked, with a view to identifying transport infrastructure development priorities which are holistic in nature and provide solutions for long-term development.

Recommendation No. 2: Establish an Infrastructure Planning Coordination Partnership across jurisdictions to consider and coordinate the overall strategic transport priorities in a regional context, and in a ports context specifically, be informed by and compliment valid and relevant strategic port planning completed or underway.

4.2 Funding Ports

Development of new port facilities, even in existing port locations where supporting infrastructure exists, increasingly presents challenges for emerging projects and ventures. While large projects may have the trade capacity need and the financial where-with-all to build their own dedicated, single-user facilities, this is not the case in many instances. Many new or expanding projects and ventures will only be financially viable and succeed if they can utilise shared, multi-user port facilities. In recent times governments have moved away from providing this infrastructure (particularly for resources companies) and then contracting capacity to users, in favour of private enterprise being required to plan and fund the infrastructure.

This has led to issues for establishment of new or expanded common-user port facilities. Individual project proponents generally do not support funding the "first mover costs" and significant initial capital investment, which will ultimately also advantage others.

Where the infrastructure is ultimately to be owned by a single infrastructure provider, but funded by one or more private sector parties which use the infrastructure, the complexity of funding and tax arrangements can materially impact the timing and viability of a project.

One option to facilitate growth in Northern Australia, could be the creation of a zone in which government partners with private enterprise to help with "seed capital" to overcome "first mover funding" hurdles, with returns on government investment to be achieved as additional users come on stream. In addition, a special taxation regime for "first mover projects" which provide strategic, multi-user port (and potentially other) infrastructure could be considered to remove the need for complex tax structuring and provide a positive incentive to encourage infrastructure investment. For example, the special tax regime could incorporate a "grace period" for the tax balance, to be paid once projects are established and financially capable.

Recommendation No. 3: Consider the creation of a zone in which government partners with private enterprise to help with "seed capital" to overcome "first mover" funding hurdles to encourage the development of common-user facilities which accommodates longer-term development needs.



Recommendation No. 4: Consider establishing a special taxation regime for “first mover projects” which provide strategic, multi-user port infrastructure.

4.3 Environmental Compliance

Environmental compliance is a priority issue for NQBP which is committed of good environmental management to support its social licence to operate and corporate responsibility and commitment to environmentally sustainable operations.

NQBP is also committed to the provision of environmental offsets where necessary to ensure net environmental benefits where impacts from projects are not able to be avoided.

However, as already previously stated in respect of new port locations, increasingly existing ports adjacent to the Great Barrier Reef Marine Park and World Heritage Area (which applies to all of the eastern Queensland coastline from the Tropic of Capricorn to the northern most point of the State) are being expected to meet tougher environmental management standards.

Additionally, gaining approval for expanding or building new port facilities is becoming unnecessarily difficult. Firstly, because duplicative and overlapping administrative processes are applied within the approval process for the development; and secondly because emotive issues that are not directly related to the direct environmental impact from the development of the port have intruded into the approval process.

This causes substantial additional costs for projects with a lack of confidence on how long approval processes will take to complete. The extent of restrictive green tape and the associated increasingly higher administrative costs and delays in gaining approvals, results in a lack of commercial certainty for the delivery of projects which is a significant deterrent to investment and development.

Environmental standards would not be compromised by streamlined regulatory processes and balanced and appropriate compliance.

Recommendation No. 5: While ports accept the absolute need for good environmental management, governments need to commit to the application of environmental laws in the manner intended and ensure ports are dealt with in a balanced and fair manner compared to other impacts on the environment.

Recommendation No. 6: Conduct an audit across Northern Australia into unnecessary port green-tape, including duplication between constituencies and unfair environmental compliance being imposed on ports.

5. SOCIAL OBLIGATIONS

Notwithstanding that some projects will, for various reasons, opt for fly-in, fly-out workforces, if Northern Australia is to be developed in a sustainable manner it must generally have a strong, well skilled, local workforce. If the region is to attract a suitable workforce in the numbers to support key projects, then the social infrastructure must be in place to convince partners and families that their lifestyle will not be compromised by living in Northern Australia.

Recommendation No. 7: Ensure future development of economic infrastructure in Northern Australia is accompanied by the timely development of appropriate social infrastructure to ensure the affected communities maintain their quality of life and access to services.

6. THE CASE FOR ABBOT POINT/MACKAY

NQBP believes that two of its ports particularly will be crucial to servicing the long-term growth of Northern Australia. The Ports of Abbot Point and Mackay have unique characteristics which lend themselves to supporting a variety of new industries and associated trade, vital to opening up new in-bound and out-bound opportunities in the North.



At Abbot Point, port planning is influenced by two key factors. The first is that coal trade growth from the Bowen Basin and Galilee Basin and minerals trade from the North West Queensland Minerals Province will result in major volume growth (probably in the hundreds of millions of tonnes per annum). Facilitation of these new trades will require large-scale operations area, multiple berths and shipping depths to handle bulk cargo vessels up to cape-size. The second is that the Queensland Government has established an industrial area (16,000ha Abbot Point State Development Area) adjacent to the port, which is one of, if not the last, remaining area in Queensland, remote from urban encroachment, which will be able to accommodate large-scale, long-term industrial development, which could include power generation, minerals processing etc.

NQBP believes that while Abbot Point is already a key strategic coal port, over time it will become a hub for the processing, manufacturing and exports of regional, state and national significance.

There are very few locations along Queensland's seaboard where deep water is so close inshore backed by large areas of undeveloped, dedicated industrial land.

At Mackay, there is significant opportunity for growth within an existing multi-trade port which is ideally located to service break-bulk cargo for the mining and mining services industries within the Bowen and Galilee Basin and beyond when new resource projects are started, in addition to the agricultural sectors in Central and Northern Queensland. The Port of Mackay will continue to accommodate and grow a reliable multi-commodity trade in sugar, grain, fuel and bulk products. Accommodating coastal shipping and overseas vessels, growth will be expanded in the area of break bulk cargo particularly for the mining sector. Opportunities for import and export of containerised products can also be accommodated.

NQBP believes the Ports of Abbot Point and Mackay provide unique long-term port solutions to underpin the economic growth of Northern Australia.

Apart from the advantages of the ports, as discussed above, their strategic importance is highlighted by the relative growth constraints in other existing Northern Queensland ports and the challenges faced by attempting to open up new port areas, as also discussed above.

Additionally, NQBP considers the Port of Weipa, as the only significant port facility on Western Cape York, will continue to be a key strategic asset in servicing the mining activity in the region and the town and surrounding communities in the area.

The port plays an important role in the extensive bauxite industry and the associated trade and activity which supports the mining effort.

Beyond the core trade at the port, NQBP supports and encourages efforts to diversify port throughput, coming from trade and economic development initiatives in the region. The port would play a significant role in helping to facilitate opening up any new trade in the area and recognises that there is potential in the timber, live cattle, agricultural industries and other mining ventures.

Opening up these activities would be complementary to development in Northern Australia and have the potential to be undertaken at a significant scale, generating benefits which spread beyond Weipa, Cape York and regional boundaries.

Recommendation No. 8: That the Committee endorses the Ports of Abbot Point and Mackay as the primary Queensland ports to underpin the long-term sustainable development of Northern Australia and notes the key strategic infrastructure asset of the Port of Weipa to facilitate development on Cape York and adjacent areas.





Port of Abbot Point



Port of Mackay



Port of Weipa