



Port Kembla Coal Terminal Ltd

**Submission to the House of Representatives
Standing Committee on
Transport and Regional Services**

INQUIRY INTO THE INTEGRATION OF REGIONAL RAIL AND ROAD FREIGHT TRANSPORT AND THEIR INTERFACE WITH PORTS



Introduction & Overview of PKCT Operations:

Port Kembla Coal Terminal (PKCT) is a key coal exporting facility on Australia's east coast, 72 km south of Sydney. It services two of the nation's richest coal reserves, the Southern and Western coalfields of New South Wales, exporting high quality coking and steaming coal to customers around the world.

Coal mining began in the Southern coalfields in 1849, and over the last century and a half the quality of coking coal produced by the region's mines has become greatly prized by steelmakers around the world for its excellent metallurgical properties. Similarly, steaming coal from the Western coalfields is highly regarded by energy producers.

The first coal loader at the present site was commissioned in 1964 with a capacity of two million tonnes per annum. This had expanded to 7.2 million tonnes by the time the loader was replaced by the No. 2 Loader in 1982. However, the No. 1 Loader has been retained for loading bulk cargoes such as slag and coke, and as a back-up for the main terminal.

PKCT has been a private company since 1990, and is owned by five equal shareholders - BHP Billiton, Centennial Coal, Excel Coal, Austral Coal and X-Strata.

PKCT provides a 24 hour, 7 day per week service to twelve mines in the Southern and Western Coalfields, namely; Appin, West Cliff, Dendrobium, Elouera, Tahmoor, Charbon, Clarence, Springvale, Ivanhoe, Baal Bone, Metropolitan and Gujarat NRE No. 1 Mine.

PKCT exports coal to more than 60 customers in 25 countries. Our biggest customers are Japan (38%), India (14%), Korea (13%) and Europe (10%), while our other customers include China, Taiwan, Algeria, Egypt, Turkey, Argentina, Brazil, Indonesia, the Philippines and Chile.

The terminal has a reputation for quick vessel turnaround times and for its ability to handle any sized cargo – from 5,000 tonne barges to 160,000 tonne bulk carriers.

PKCT is committed to a safe, reliable and cost-effective bulk handling service to our customers. The Terminal achieved the international quality certification ISO 902 in 1992 and upgraded to ISO 9001 in 2000. We also comply with the ISO 14001 Environmental Standards.

This commitment to quality runs through our entire operation, from the receipt of coal by road and rail to the management of our stockpiles, our coal blending capabilities, monitoring and sampling the coal, scheduling vessels for loading and ensuring they are loaded quickly and efficiently.

We receive around 65% - close to seven million tonnes – of coal by rail each year, delivered efficiently in 75-tonne payload bottom dump wagons that allow for continuous discharge at PKCT's rail receival bins.

The trains, operated by Pacific National, have a nominal discharge rate of 3,700 tonnes per hour and the Terminal generally handles seven trains a day, each delivering around 3,300 tonnes of coal. Coal is recovered from the receival bins through under-bin belt feeders designed to operate at 4,200 tonnes per hour.

Port Kembla is within 30-40 minutes by road from the Southern Coalfields mines. Around 300 trucks a day, most of them B-doubles, deliver 40 tonnes of coal on each trip.

Unloading takes only a matter of minutes on PKCT's two road receival bins, where the trucks dump the coal through steel grids into two bins with a total capacity of 3,000 tonnes. Under-bin rotary arm plough feeders recover the coal from the bins at a rate of 4,400 tonnes per hour.

Massive conveyor belts transport the coal from the rail and road receival bins to the stockyard, where it is assembled in areas dedicated to different shippers and coal types in preparation for loading onto the ships.

Three rail-mounted stackers remotely controlled from the Terminal's Control Tower distribute the coal into stockpiles. If necessary, different coal types can be blended during the stacking process. Great care is taken to ensure stockpiles are kept separate.

PKCT's stockyard, which has an east and west pad each 50m wide by 1km long, can accommodate up to 850,000 tonnes of coal at any one time, although its optimal working capacity is around 600,000 tonnes. This storage capacity is a valuable asset that gives the Terminal considerable flexibility in planning vessel loading schedules.

Coal is stacked in individual vessel consignment lots. Generally each cargo is assembled in the stockyard at least 2-3 days before a vessel berths, to ensure the quickest possible turnaround once the vessel is at the Terminal.

The Terminal has two track-mounted operator-controlled bucketwheel reclaimers that reclaim the coal from the stockpiles for delivery via conveyor belts to the shiploader. The reclaiming machines have 10 buckets on their wheels capable of reclaiming 6,600 tonnes per hour. On the way to the vessel, the coal passes through the sampling plant where samples are taken by independent superintending companies to measure quality, moisture content and ash content.

The No. 2 berth has two manually-operated shiploaders capable of loading at 6,600 tonnes per hour. The shiploaders are rail-mounted and have a hatch

coverage of 235m when both loaders are operating. The average cargo size is 65,000 tonnes, although the berth has handled cargoes up to 159,000 tonnes.

The No. 1 Berth gives PKCT the flexibility to load "boutique" cargoes as small as 5,000 tonnes. It has a separate stockpile area where the bulk cargoes, usually coke or steelworks slag, are stored prior to loading. In 2004-2005 the No. 1 Berth accounted for 400,000 tonnes of the 10.4 million handled through PKCT.

PKCT offers world-class berth turnaround times. Our targets (by ship size) are:

- Handy – 17 hours
- Panamax – 22 hours
- Cape – 38 hours

The Economic Imperative:

During 2004/05 PKCT shipped 10 million tonnes of coking and thermal coal, as well as 0.4 million tonnes of coke and blast furnace slag. Importantly, PKCT has more than seven million tonnes of spare capacity. This means that it is well placed to grow as world demand for coal increases.

PKCT plays a vital role in enabling the mining industry in the Southern and Western Coalfields of NSW to realise export opportunities. Over 90% of throughput at PKCT is destined for export markets, in the key destinations of Japan, India, Korea and Europe.

The economic benefits created by the mining industry in this region are significant. Based on 10 million tones per annum, nearly \$1 billion per annum is generated and several thousand jobs, both direct and indirect, are created through coal mining export activities.

Therefore, PKCT provides crucial infrastructure to enable significant economic benefits to be realised for the Australian economy.

The Coal Industry – International Market and PKCT Growth:

Currently, world seaborne coal trade is strong, with continued high demand predicted for both coking and thermal coal. The principal drivers of coal demand have been China and more recently India.

PKCT ships coal to these destinations but also to Japan, Korea, South America and Europe. Confidence in the coal industry is evidenced by the significant expansion and development plans in place by mines in the southern and western coalfields of New South Wales, whose exports are loaded at PKCT.

In the Southern Coalfields, new mines such as Tahmoor North and Dendrobium have commenced operations in the past 12-18 months. Additionally, older mines have been re-opened under new management. The Gujarat NRE No. 1 Mine is now producing coal from what was known for many years as South Bulli Colliery and the Delta Colliery was opened replacing BHP Billiton's Elouera Mine.

However, there is even more growth in the pipeline. BHP Billiton has projects in various stages of pre-feasibility, feasibility and construction with the potential to inject approximately \$500m into the Illawarra economy over the next 5 years.

PKCT loaded the first shipment of Gujarat NRE coal from their No.1 Mine on 15 December 2005. In addition, Gujarat NRE is undertaking feasibility assessments on re-opening Huntley and Avondale mines.

There is clearly a high level of confidence by the industry in the future of coal mining in the Southern and Western coalfields. It is imperative that PKCT facilitate these growth plans and ensure the efficient management of the coal terminal into the future.

PKCT Maximisation of Infrastructure:

PKCT is in a unique position in comparison with all other Australian coal terminals. Capacity constrained coal loading facilities and expansion projects exist for every other coal terminal along the eastern seaboard, except PKCT. PKCT has excess capacity of over 7 million tonnes per annum. PKCT's additional capacity is extremely significant to the overall Australian economy and positions PKCT well to take advantage of the current buoyant market.

PKCT is currently operating at around 10 million tonnes of coal throughput which is approximately 56% of total capacity of 18 million tonnes per annum. The combination of latent capacity, strong levels of business confidence in the mining sector and a healthy international market, ideally positions PKCT for

growth, with the economic benefits which accrue to both the regional and national economies.

Of course, notwithstanding the current positive external environment, PKCT must provide a competitive loading charge for our customers and benchmark levels of operational performance for both the short and long term to ensure that the proposed investment is realised. In practice this means fast coal receipt and ship turnaround times which are only achievable through an efficient logistics chain.

This is where the relationship and co-ordination between the road and rail networks and their connectivity to ports plays a major role in PKCT's future.

As stated previously, PKCT operates 24 hours per day, 7 days per week, and currently receives around 35% of coal via road and 65% via rail networks. We anticipate growth in both road and rail delivered coal.

Road Networks:

There have been significant improvements over the past decade in road networks which facilitate the transport of coal from local mines to PKCT. The implementation of noise attenuation barriers, jersey barriers, widened roads, additional lanes to Mount Ousley Road, and other road safety improvements, have combined to increase safety and reduce the environmental impacts of road haulage of coal. In addition, transport companies have invested in safer, quieter vehicles which carry larger payloads (and hence require fewer cycles) to PKCT.

Unfortunately, we are currently unable to maximise the efficiency of our road receipt facility due to the State Environmental Planning Policy No. 7 (SEPP 7), which restricts public road receipts at PKCT from 7am to 6pm on Monday to Saturday with no deliveries permissible on Sundays and Public Holidays. This provides a total of only eleven hours per day, six days per week of public road receipt capacity, when PKCT operates 24 hours per day, 365 days a year.

This translates to only 39% of available time in any week which may be used to receive coal by public road. It also forces coal deliveries to be made at the same time which commuters are using the main arterial road between the city of Wollongong and its southern suburbs. Furthermore, it is an inefficient use of a multi-million dollar asset and importantly inhibits PKCT's ability to take up our current excess shiploading capacity.

Rail Networks:

In relation to rail networks, there are a number of important, but nevertheless, competing priorities with coal transportation, including:

- Coal freight competing with increased passenger movements especially in the Sydney Metropolitan area,
- An increasing proportion of freight movements now undertaken by rail (having shifted from road, as a result of more competitive prices), and
- an overall increase in freight movements across the state.

The impact of these competing interests, for the available rail capacity, is that rail paths are limited, to avoid adversely affecting Sydney passenger traffic.

PKCT is available to receive trains, 24 hours per day, however, there are curfews which apply to coal train traffic which, rail operators advise, results in a loss of 9 hours per day or a reduction of 38% of available time Monday to Friday during which PKCT may receive coal by rail.

In summary, restrictions to rail and road receivals mean that for 46% of PKCT's available operating time either our road or rail facilities are not able to be used.

These are issues we face today with a coal throughput of 10mtpa, operating at 56% capacity, and the port of Port Kembla in the infancy of its growth and diversification plan. Clearly, there is the real prospect that growth of trade from Port Kembla may not be realised if PKCT's receivals restrictions are not addressed.

It is ironic that our rail receipt capability is restricted, in order not to adversely impact passenger transport, while our road receipt restriction, coal only being delivered during the day, creates exactly that interaction - coal trucks and commuters sharing the busy Springhill Road

PKCT's view is that the development of a rail freight corridor facilitating movement of coal and other products from the base of the Blue Mountains to the port of Port Kembla and which has a minimal impact on passenger traffic in the Sydney metropolitan area is now required.

There have been numerous proposals and studies over the past 20 years regarding a rail freight corridor for this route or parts thereof. A major theme of these studies has been the completion of the Maldon Dombarton link which was commenced in 1983.

I refer the Committee to Submission No. 116 to this Inquiry by P.G. Laird of the University of Wollongong, which contains at Appendix 'D' a chronology of the studies, reviews and deliberations concerning the Maldon Dombarton rail link.

I note that PKCT is reported in the Laird submission as holding the view in 1992, that the Maldon Dombarton link should not be completed, instead and I quote from Page 17 of the submission, "PKCT EIS suggested ongoing high levels of road haulage of coal".

PKCT's position today is one of support for the Maldon Dombarton link. It is no longer an either/or situation. PKCT needs access to increased road and rail receipt capability if it is to provide an efficient service to our customers and importantly to realise our growth potential in an environment of growth elsewhere in the port.

The report of NSW State Development Committee into Port Infrastructure in New South Wales was released in June 2005 and is the most current publication to have considered these freight issues. The Committee made the following two Recommendations;

- Recommendation 12: That following the anticipated transfer of general cargo stevedoring to Port Kembla in 2006, the NSW Government re-examine the freight task out of Port Kembla to ensure that the anticipated increase in freight traffic is supported by the necessary improvements in road and rail infrastructure, and,
- Recommendation 13: That the NSW Government consider the feasibility of expanding rail infrastructure into Port Kembla, including consideration of the Maldon to Dombarton line in conjunction with the AusLink program

PKCT supports these recommendations and argues that there is a strong case for the completion of the Maldon Dombarton rail link.

In short, for PKCT to operate an efficient coal terminal, we need to ensure that the connectivity between road and rail networks complements our ability to deliver fast ship turnaround times to our customers. This will only be achieved if the transport infrastructure delivers our coal in a timely and cost effective manner. Currently our rail and road receipt restrictions cause inefficiencies. Combined they pose a serious threat to our ability to capture the benefits of growth which are currently available.

Freight in the Illawarra and long term infrastructure development:

The logistics chain and efficient and effective integration of freight movements is extremely complex. Discussions with several PKCT customers and stakeholders have informed PKCT's conclusions in this paper.

In the Port Kembla Port industrial precinct, there is currently an inequity between neighbouring businesses and their abilities to make freight deliveries. This area incorporates BlueScope Steel, many manufacturing and service businesses, the grain terminal, as well as PKCT. The Port Kembla Port Corporation has recently announced plans for expansion into further containerised cargo as well as importation of cars, which are being relocated from Sydney to Port Kembla by 2008.

PKCT is a major player in trade through the Port of Port Kembla, representing over 40% of the total trade, both import and exports, through the Port. Importantly, coal represents around 70% of the total export trade from Port Kembla, and is therefore a significant net economic contributor to the Illawarra and Australian economies.

In addition, cargo into and out of the Port Kembla industrial precinct is increasing and anticipated growth in coal, steel and port cargo could see further competition for freight corridors into the future.

PKCT therefore proposes that a co-ordinated Illawarra Freight Strategy be developed. This would require a long term perspective to be taken and ideally enable better co-ordination between the future needs of industry and subsequent infrastructure requirements. This could involve all three levels of government working with industry and can only provide a win-win for industry, government and our overall ability to maximise economic benefits for the Australian economy.

Conclusion:

The following key points summarise PKCT's perspective and recommendations to the House of Representatives Standing Committee on Transport and Regional Services – Inquiry into the integration of regional rail and road freight transport and their interface with ports:

- PKCT provides crucial infrastructure to enable significant economic benefits to be realised for the Australian economy
- Mines in the geographical area of PKCT have strong levels of confidence in future market opportunities
- PKCT is currently operating at 56% of our capacity, and we have a unique opportunity to realise the latent capacity of over 7 million tonnes per annum
- For PKCT to operate an efficient coal terminal, we need to ensure that the connectivity between road and rail networks complements our ability to deliver competitive ship turnaround times to our customers
- Road and rail receipt restrictions on 46% of available operating time not only adversely impact efficiency of current operations, but could also constrain PKCT's growth potential and jeopardise several hundred million dollars in investment
- PKCT is a major player in the overall freight movements through the Port of Port Kembla, providing around 70% of export volume through Port Kembla
- We support the completion of the Maldon Dombarton rail link, as well as a review of the rail freight corridor from the Blue Mountains to Port Kembla
- We propose that a co-ordinated Illawarra Freight Strategy be developed which takes a long term perspective and enables better co-ordination between the future freight needs of industry and subsequent supporting rail and road infrastructure requirements