

7th INTERMODAL ASIA CONFERENCE Melbourne, February 2016

Issues arising in the Privatisation of Australian Ports



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1. Australian Port Industry Context
2. Political Drivers
3. Industry Growth/Development Issues
4. Where Now in 2016?
 - Melbourne
 - Fremantle
 - Point Utah



Australian Ports



 **Ports Australia**

- Privatised 1996 – 2001; 2010 – 2015; planned 2016 or later

Port Industry Context

- Australian Ports traditionally the domain of State/Territory governments not Federal
- Originally State Maritime Boards combined all commercial, operational, development, safety, and security matters – latterly commercial/ operational activities hived off in State Port Corporations, PSOL (safety) and pilotage stay with State/contractor
- Due geographic distance and high domestic transport costs little inter port competition - single container port per state and key bulk ports/terminals close to domestic source/destination of cargo. Some bulk operated by major cargo generators (iron ore, oil)
- By contrast major interstate road/rail infrastructure the focus of Federal planning/funding and unlike shipping attracted significant interstate traffic – hence disconnect between port and domestic transport infrastructure development.





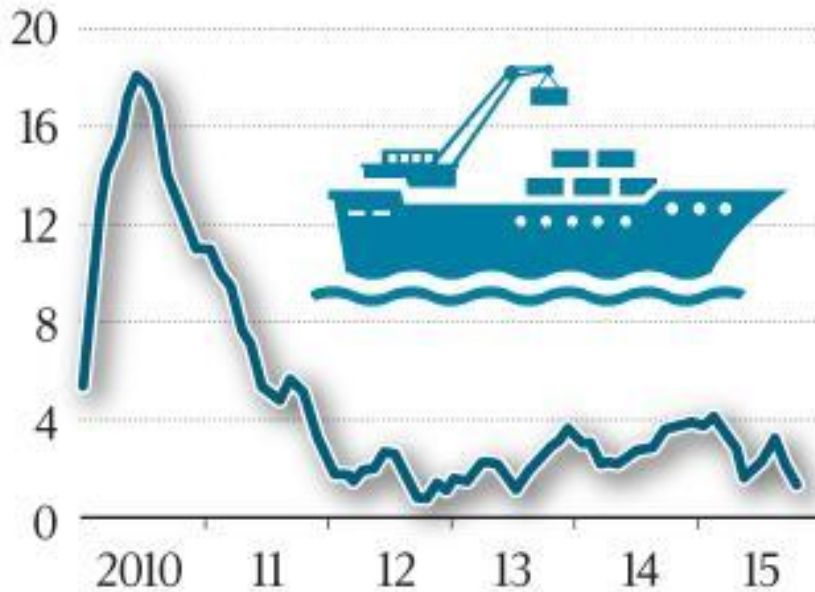
Political Drivers

- Traditionally State role to facilitate and promote international trade
- Pressure on State Budgets for education and health as well as local transport in a less buoyant economy (decline in manufacturing and mining)
- Federal inability/unwillingness to pick up shortfalls in State funding
- Philosophical belief (particularly with coalition State governments in NSW, WA and previously Victoria) that private sector would invest & operate more cost effectively
- Privatisation (airports, toll roads, ports, power grids) seen as option enabling State Governments to recycle investment locked up in old assets into new (NSW, Queensland, Victoria, SA)

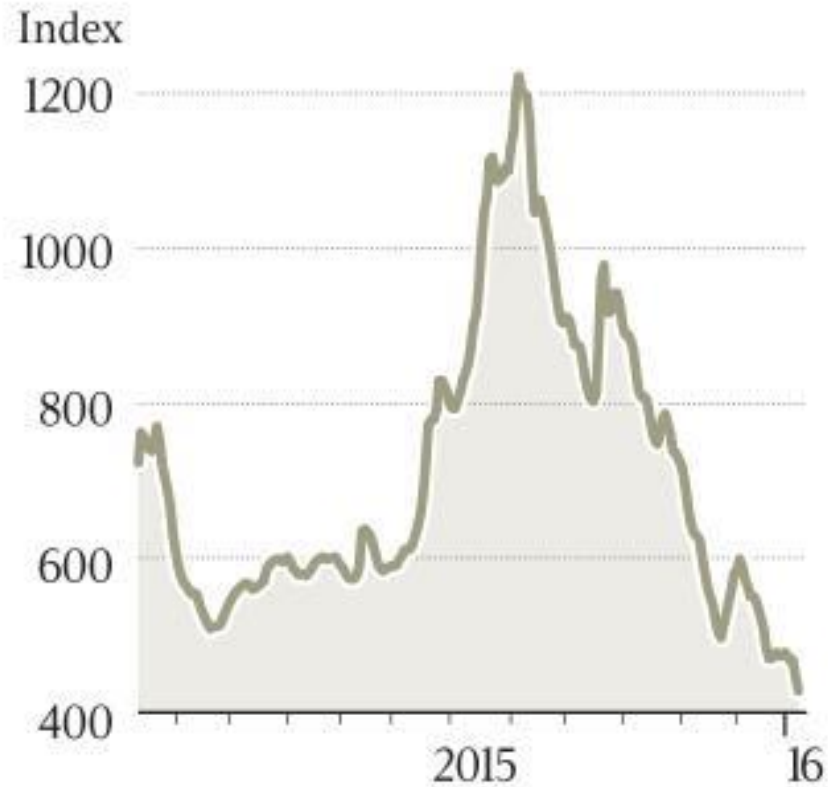
Global Shipping Outlook

World merchandise trade volume

Last 3 months on year ago
% change per 12 months



Baltic Dry index

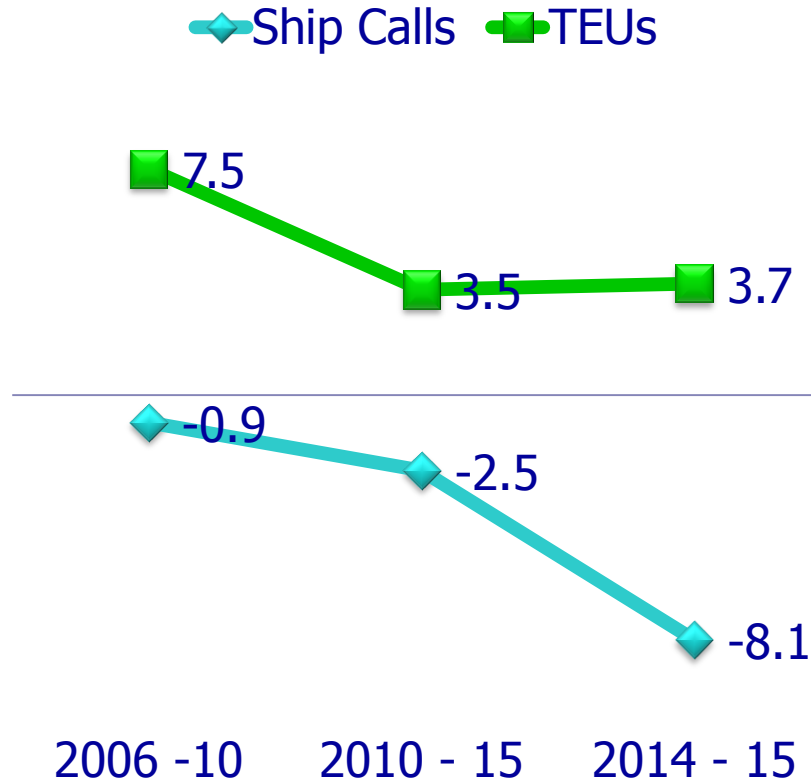


Source: CPB World Trade Monitor, Bloomberg

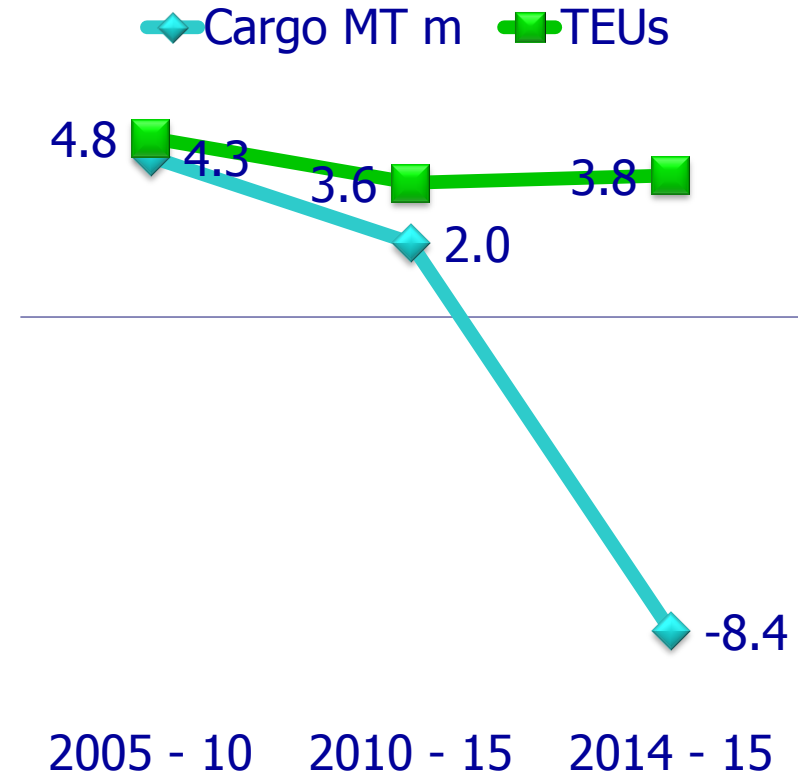


East Coast Container Port CGPA

Port Botany



Brisbane



Past Capital City Port Project Issues

Port Botany

- 3.2m TEUs container cap and Newcastle expansion
- Potential container competition from Port Kembla
- Infrastructure to support 28% rail share of boxes by 2020
- PBLIS strategy & landside access infrastructure development (M5, West Connex) for truck volumes x 2 by 2020
- Inland container depots beyond Cooks River and Enfield
- Return on BLB 2 investment

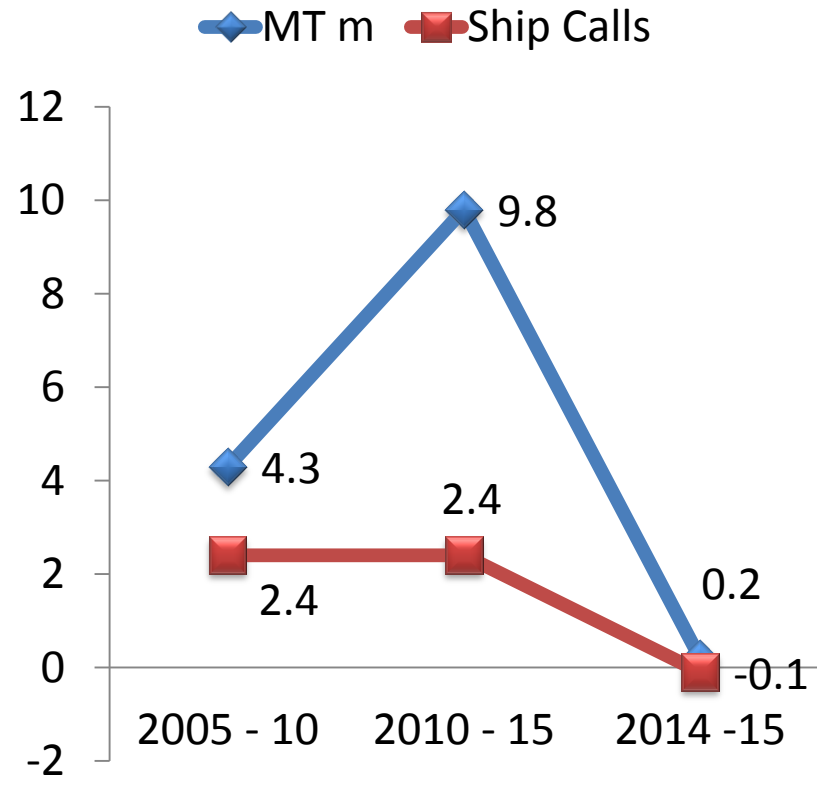
Brisbane

- Maintenance dredging of Brisbane River – 2 flood events in recent years
- Port Motorway landside access commitment by State Government v. \$200m bidder fee
- Rail access for bulk cargoes particularly coal from Surat Basin west of Dividing Range
- Original Government price expectations as high as \$3m
- Adequacy of Hamilton Cruise Terminal

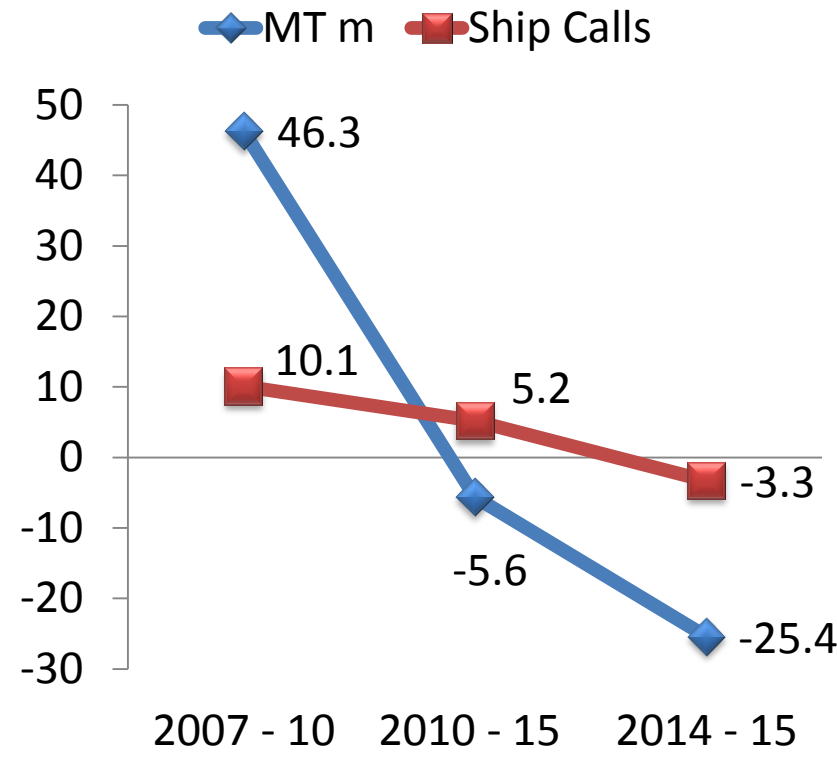


Bulk Ports CGPA

Newcastle



Darwin





Past Bulk Port Issues

Newcastle

- Maintenance dredging of Hunter River given major flood events (2015 and 2016)
- Ongoing optimisation of Hunter Valley Coal Chain for dominant coal commodity (98%)
- Port Pricing Regulation – Federal Competition and Consumer Act 2010 Part 111A applicable to critical maritime supply chain?
- Demand for 4th coal terminal
- Use of major port land bank

Darwin

- FIRB approval for selected Landbridge Consortium (PRC owned)
- Security issues given defence commitments to USA based on NT facilities
- Impact on cargo volumes of lower mineral commodity prices
- Demands on marine access infrastructure with Inpex LNG startup
- Viability of new Marine Base

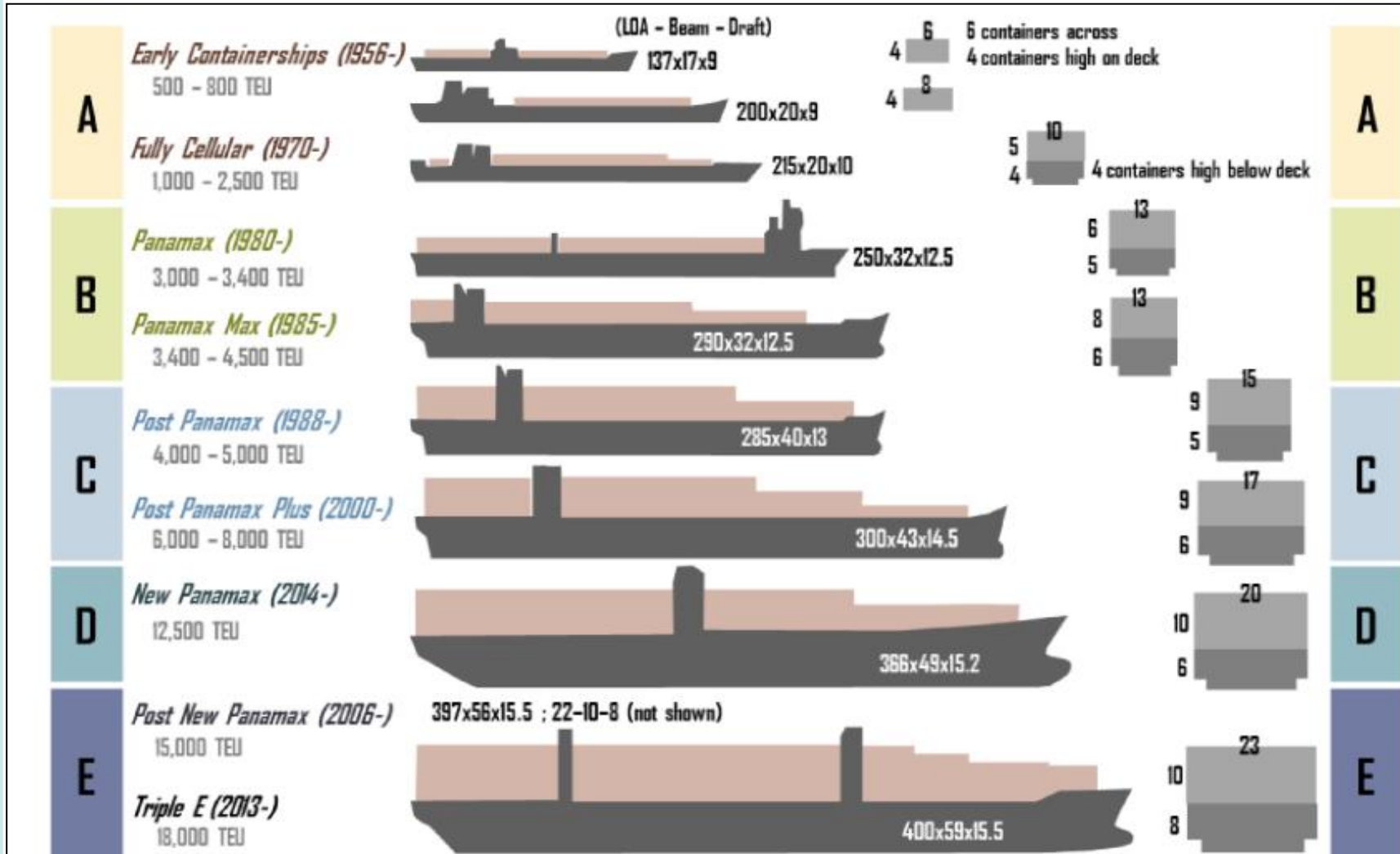
Where Now: Additional Privatisation Projects

Port	Ship Calls 2014/15	Tonnes 2014/15	TEUs '000s 2014/15	Timing	Price Range A\$
Melbourne	2,994	86.9m MT	2,579	2016 H1?	\$6b?
Fremantle	1,804	35.7m RT	744	2016 H2?	\$2b?
Utah Point	?	19.5m MT	N/A	2016 H1?	\$200m?

- Enabling legislation yet to be passed in relevant State Parliaments
- In Dec 2015 Victorian Senate Inquiry recommended 15 changes to the draft Bill
- Funding/timetable for Perth Freight Link (PFL) to Fremantle Inner Harbour not agreed by WA & Feds
- Environmental Approval for PFL overturned in WA High Court
- Trends in ship size (particularly container) >300m LOA , 40m beam & 14m draft
- 66% drop in iron ore prices from US\$120 to under \$40 per tonne a key WA issue



Container Ship Sizes



Source: Alphaliner

Melbourne Issues

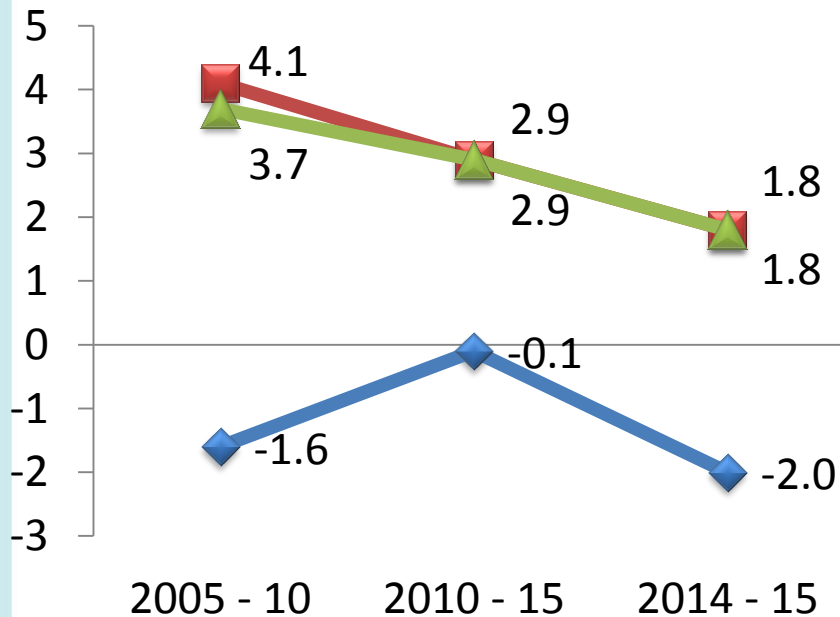
1. Significant amendments to draft legislation recommended by Upper House Commission of Inquiry at end of 2015, in particular:
 - Lease to be 50 years (as opposed to 70 or 99)
 - No warranties over or compensation for development of new ports (Hastings/Bay West)
 - Port Operator and Stevedoring operations to remain separated
 - “Fair & reasonable” pricing including terminal rents, subject to ESC?
2. Future vessel size growth, particularly container given current limit in Swanson without special HM clearance of vessels >300m LOA and >40m Beam plus air draft restriction of 50.1m (Westgate Bridge) and draft alongside of 14m
3. Capacity of Webb Dock East/VICT (ship sizes, call numbers and rail access)
4. Future cargo growth rates



Historic CGPA in Upcoming Projects

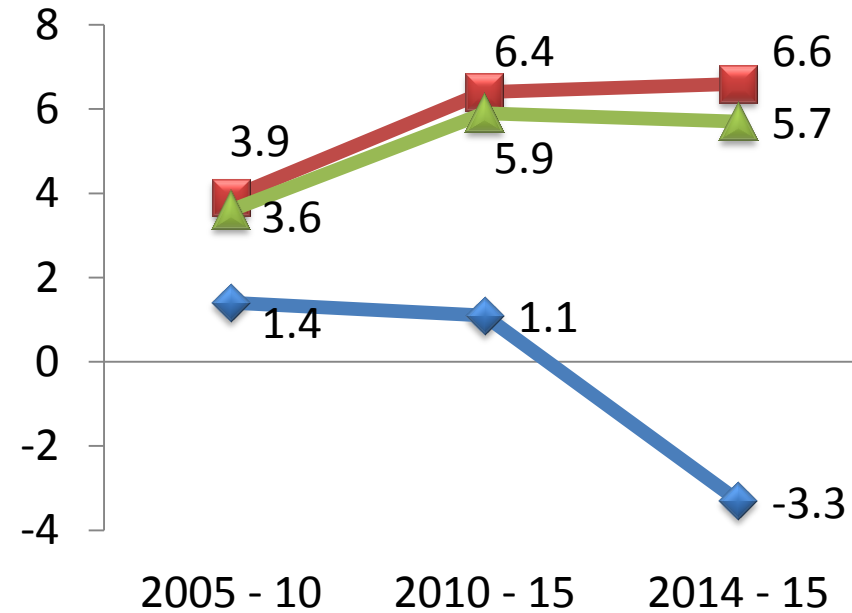
Melbourne

◆ Ship Calls ■ Cargo R/T ▲ TEUs

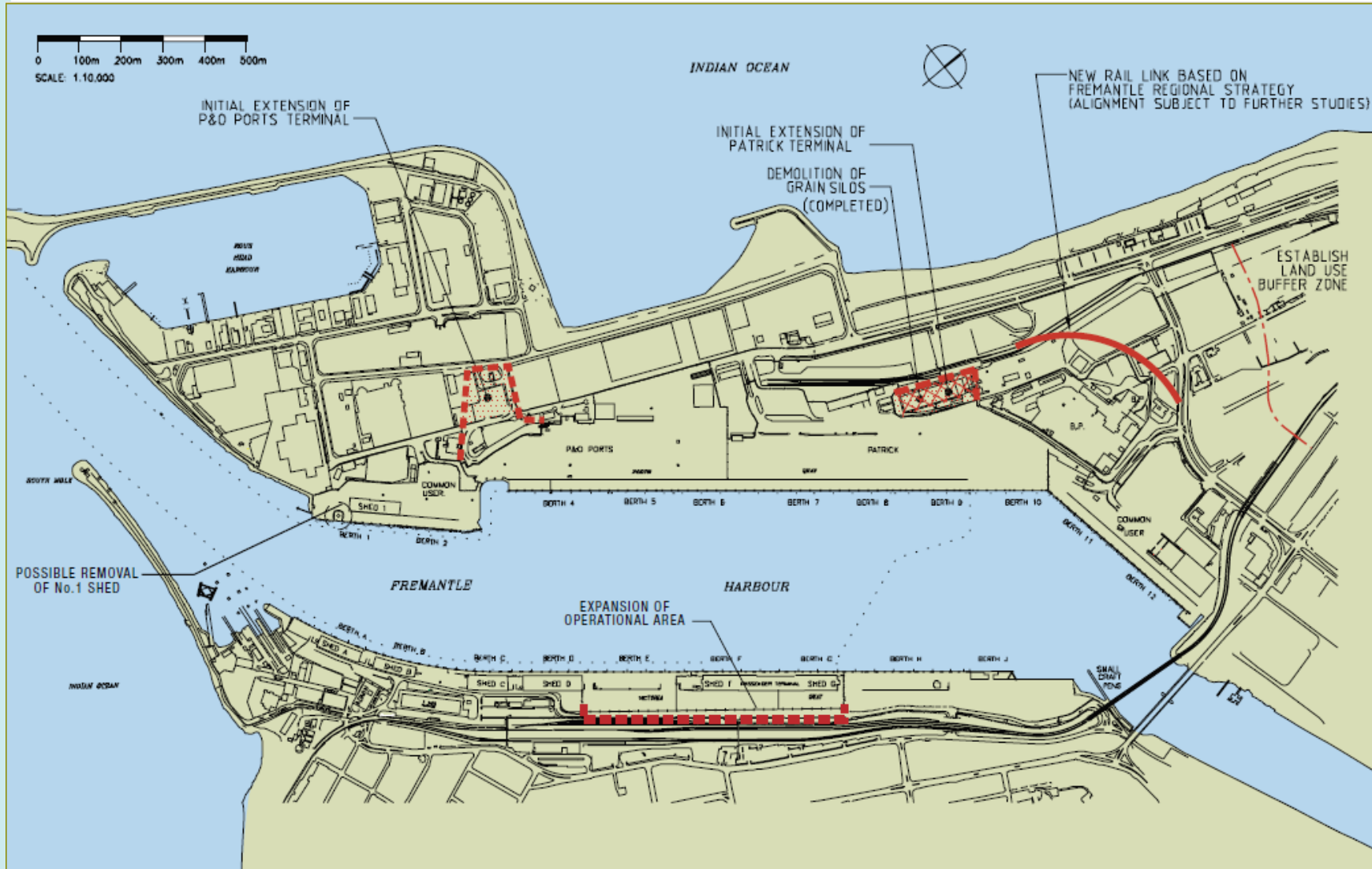


Fremantle

◆ Ship Calls ■ Cargo MT ▲ TEUs



Fremantle Inner Harbour



Perth Freight Link



Fremantle Issues

1. Inner Harbour Constraints v. Vessel sizes (>LOA 265m/Beam 40m need HM clearance) & numbers
2. Landside ability to service Inner Harbour – need for Perth Freight Link (PFL) as 85% containers on road and funding A\$1.6b (primarily Federal)
3. Route & Environmental Approval for PFL, Sections 1 & 2 a potential issue in the WA State Election in March 2017
4. Future role, scale, development timing and investment required for Outer Harbour
5. Container Growth -6% in first half 2015/16 after at >+5% CGPA for previous 5 years



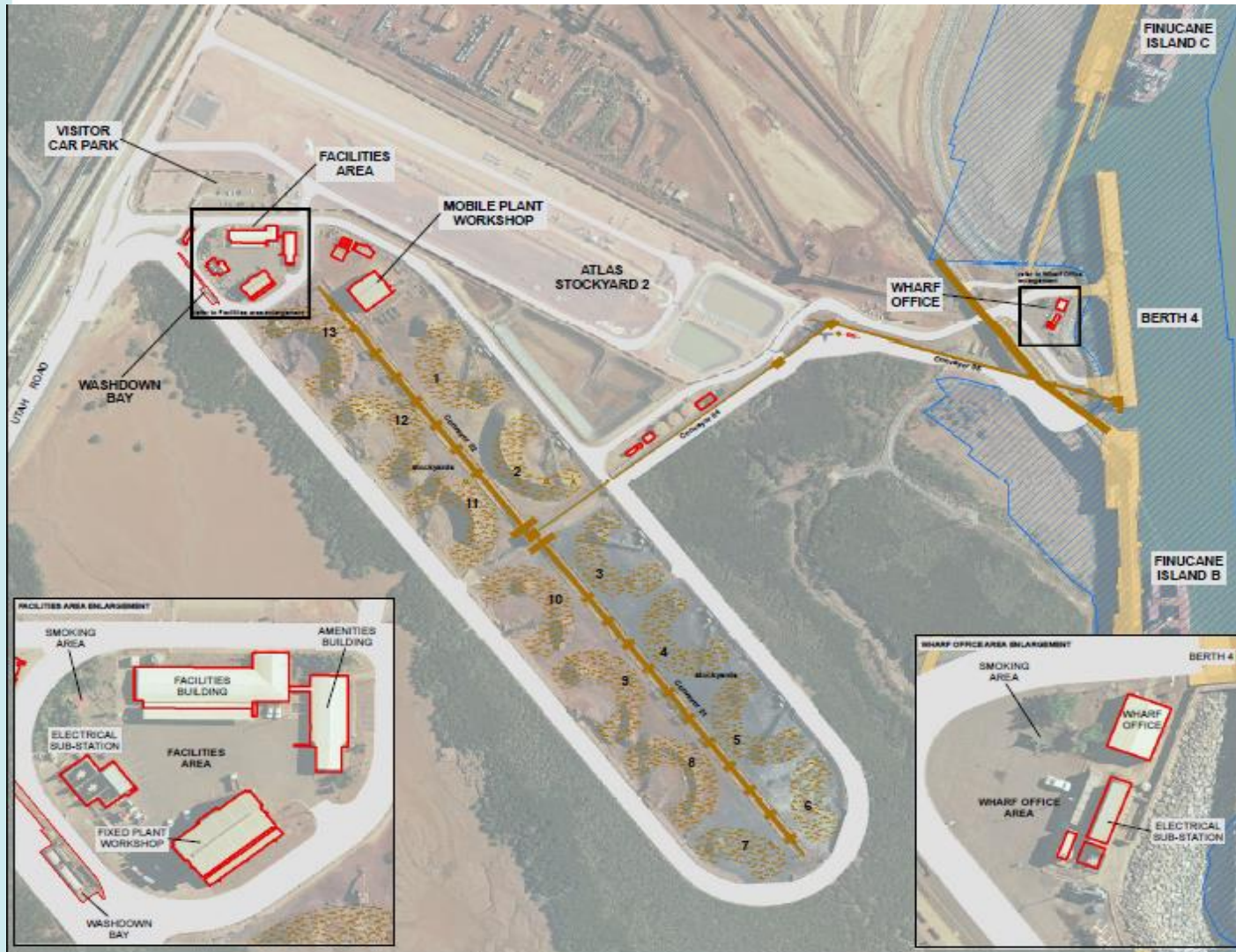


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Specialist Maritime Expertise

Utah Point Terminal, Port Hedland

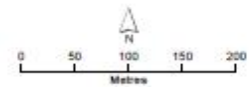
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PILBARA PORTS AUTHORITY
PORT HEDLAND
UTAH POINT

18 June 2014

- Atlas stockyard 2
- Maritime Security Identification Card (MSIC) areas**
 - Landside Restricted Zone (LRZ) - MSIC required to enter/work in this area
 - Waterside Restricted Zone (WRZ) - entry prohibited to unauthorised craft



The Pilbara Ports Authority make no representations or warranties about the accuracy, reliability, currency, completeness or suitability of this plan and accepts no liability or responsibility of any kind for any expenses, losses, damages and/or costs which are or may be incurred by any party from the use of this plan.

Approval: Project Coordinator (DPA)
Approval date: 18 June 2014; Revision: 2
Ref: PPA_375_01_01_production_map_1288



Utah Point

1. Specifications: Length 272m Depth 14.5m
Air Draft 25.7m Apron 22m
Shiploader 7,500 tph
Mooring Cavotec Moormaster 200
2. Max Ship Size: LOA 279m, Beam 45m, DWT 120,000
3. Market Segment: Smaller miners – Atlas Iron, Mineral Resources, Consolidated Minerals: iron ore, manganese, chromite, Ilmenite, titanomagnetite
4. Sector under substantial pressure due commodity price downturn (2/3 from peak) & limit on ship size
5. Government development cost in 2010 A\$300m

And now for Q & A!

Thank you!

