

RECORD OF MEETING

GeelongPort Pty Ltd

20 March 2007

Location: Geelong Port
Corio Quay Road
North Geelong

Time: 1pm

GeelongPort Pty Ltd: Lindsay Ward (General Manager)
Noel Kimberly (GeelongPort Manager)
Ken Stanley (Operations Manager)
Paul Gribble (Clayton Utz)

ACCC: David Hatfield (Director, Adjudication)
Jaime Martin (Assistant Director, Adjudication)

The ACCC requested a meeting with GeelongPort Pty Ltd (GeelongPort) to discuss issues raised in public submissions received from interested parties and the notified conduct generally.

On 16 March 2007 GeelongPort provided a written submission to the ACCC in response to issues raised by interested parties. A copy of GeelongPort's submission is available from the ACCC website.

Following the meeting, ACCC representatives also viewed the facilities located at Lascelles Wharf.

A summary of the issues discussed during the meeting follows:

The port is located 75 km from Melbourne. The travel time from Port Phillip Bay Heads to either Geelong Port or the Port of Melbourne is roughly the same – approximately four hours.

GeelongPort contends that business readily moves between the ports of Geelong and Melbourne. GeelongPort submits that it is aware of fertiliser being transported out of Geelong as far away as southern New South Wales, the western districts of Victoria and Gippsland.

GeelongPort submits that port customers typically transport fertiliser by back filling grain trucks. It noted that some of its customers have facilities at both Melbourne and Geelong ports.

Geelong Port handles 12 million tonnes of cargo per annum. Approximately 550 ships visit the port per annum.

The landside facilities are owned by three shareholders – Hastings Funds Management (35 per cent), Reef Infrastructure (35 per cent) and Toll Holdings Ltd (30 per cent). The port is operated by GeelongPort, a division of Toll Holdings Ltd on behalf of the three shareholders.

Geelong Port is a common user facility and the Port of Melbourne also has common user facilities. GeelongPort advises that there are no cargo restrictions imposed by government at either port.

The port was privatised in 1996. The Victorian Regional Channels Authority (VRCA) manages the commercial navigation of the channels in Geelong Port.

Lascelles Wharf consists of three berths and has two shore-based figee cranes, which operate at berths two and three only. Lascelles No. 1 berth is not capacity rated to accommodate the figee cranes and it is too narrow for safe operation and turning of trucks for bulk unloading. It is used for discharging sulphuric acid.

Lascelles Wharf is one of only two common user facilities in Australia that have shore based cranes for unloading bulk cargoes; the other being K2 Terminal in Newcastle.

The two storage sheds at Lascelles Wharf are owned by Ports Pty Ltd and leased to Incitec Pivot Limited and Huntergrain under contract.

GeelongPort supplies hoppers and grabs only in conjunction with its figee cranes. There are currently three other businesses that supply hoppers at Lascelles Wharf – Incitec Pivot Limited; Bruce Stevens Bulk Commodities and Bulk Cargo Services. There are three other suppliers of grabs at the wharf – Bruce Stevens Bulk Commodities; Bulk Cargo Services and the ship itself.

GeelongPort submits that the notified conduct was introduced as a result of the increasing volumes being discharged using ships' gear by certain fertiliser customers. In particular, GeelongPort advises that in 2004/05 the total volume of cargo discharged using ships' cranes was 2 to 3 per cent. This year, this volume has increased to 7 per cent. Based on customer forecasts, GeelongPort expects this volume to increase to 20 per cent next year.

GeelongPort noted that a number of port users support the notified conduct.

GeelongPort contends that if it is not able to engage in the notified conduct, the use of ships' gear may continue to increase to such an extent that it could no longer justify the cost of maintenance of the figee cranes and would decommission them. This would substantially reduce the efficiency of the port and lead to queues of vessels waiting to berth. It is likely that investment of \$25m in a fourth berth would then be required.

Around 120 000 tonnes of cargo are discharged at Lascelles Wharf by self discharging vessels. GeelongPort expects this volume to remain fairly constant in the future. This method of discharge does not require the use of cranes and is therefore unaffected by the notified conduct.

GeelongPort estimates that 82 per cent of cargo through third party hoppers at Lascelles Wharf is from self discharging vessels. It submits that this core business will be unaffected by the notified conduct. This leaves 18 per cent of hopper and grab

suppliers' business that will be potentially affected by the notified conduct. GeelongPort notes, however, that under the notified conduct customers will still be required to hire mobile grabs and hoppers from time to time when figee cranes are unavailable.

GeelongPort considers the volume of cargo that has been unloaded by ships' gear over the last number of years (around 2-3%) is appropriate and is likely to continue under the notified conduct. GeelongPort believes that this volume is sufficient to ensure third party providers of hoppers and grabs have a viable business - particularly given it was the self-discharge loads that attracted them to commence providing services in the first place.

GeelongPort advises that a whole of port approach is required to ensure the efficient operation of the port. This involves requiring customers to use GeelongPort's figee cranes (and hoppers and grabs) when they are available, as well as allowing the use of ships' gear in certain circumstances. GeelongPort submits that it will consider requests to use a ship's cranes on a case by case basis.

GeelongPort considers individual customer decisions to use ship's gear are based on minimising costs, rather than maximising the overall efficiency of Lascelles Wharf. GeelongPort's focus is to maximise the efficiency of Lascelles Wharf and believes that ensuring the figee cranes are used where they are available is the best way to do that.

GeelongPort considers it is not appropriate for it to deliver port services at a level driven by lower shed receival rates. For customers with lower shed receival rates, GeelongPort advises that figee cranes can be run to match truck supply. Alternatively, those customers could put on additional crew and equipment to receive the product at the sheds or modify the shed receival system to manage the higher discharge rates of the figee cranes.

GeelongPort advises that on average ships' cranes unload cargo at a rate of 100 - 120 tonnes per hour, compared to 200 - 400 tonnes per hour for figee cranes. Figee cranes are 2 - 3 times larger than ships' cranes and also swing faster in the unloading process. Both figee cranes and ships' cranes are operated by the same size crew.

GeelongPort's figee cranes and associated hoppers are able to weigh loads going into trucks, making each load much more precise and avoiding the potential overloading of trucks and resultant 'tip offs' of product and reweighing of the truck prior to it leaving the port. This makes the process more efficient and more environmentally effective.

The figee cranes also have a protective screen that is lowered against the side of the vessel to prevent any spillage from the grab from falling into the sea.

GeelongPort outlined that there are three categories of charges incurred by customers at Lascelles Wharf, namely:

- berth hire (about \$200 per hour)
- figee crane hire (sliding scale)
- wharfage, per tonne (or Facility Hire).

Figees cranes have a high fixed cost (maintenance) that is recovered as a charge per tonne. So any reduction in the use of the figee cranes will result in an increase in the cost of using them for the remaining users.

To encourage customers to share cargoes on larger vessels, thereby increasing the efficiency of the wharf, GeelongPort calculates the per tonne figee crane hire charge based on the total tonnes discharged from a vessel, rather than on each customer's individual tonnage. GeelongPort believes this also helps to minimise customer costs.

The figee cranes have been operating at Lascelles Wharf for approximately 12 years. During that time, GeelongPort believes it has demonstrated a sensible approach to pricing. In particular, in the last 10 years GeelongPort has increased figee crane charges by the CPI only. In its latest report, the Essential Service Commission, which has a price monitoring role at the port, noted that port charges increased by around 2 per cent from 1 July 2005, representing a decrease of approximately 0.4 per cent in real terms and charges applying from 1 July 2006 represent an average increase of approximately 2.6% or approximately minus 0.4% in real terms.