



Port of Newcastle Coal Chain Members' Statements 8 February 2007

Ms GRIERSON (Newcastle) (9.42 am)—The Port of Newcastle sits at the end of the Hunter Valley Coal Chain. In the past two years over 84 million tonnes per annum of coal has been shipped out to our Asian buyers—Japan, Korea, Taiwan and China—but whenever the queue of coal ships builds up off the coast, some interesting but often uninformed assertions are made. The port is inefficient—it must be industrial problems—infrastructure has been neglected; demurrage costs are bringing coal company dividends down. And so the blame game begins. But let us look at the facts. Thirty different coal producers send their coal on the coal chain to the Port Waratah Coal Services loading facility. No other port in Australia has such a big producer base. The coal is stacked in 80 blends to suit customers. The entire stockpile turns over every three days. Managing the movement of coal from mines to the loading facility is done by the industry cooperative, the Hunter Valley Coal Chain Logistics Team. Four vessels a day are loaded for export, with the Newcastle Port Corp constantly meeting its plus or minus five-minute target. The only day that workers were unavailable recently was Christmas Day.

So why has the queue built up to around 50 ships? Many factors can contribute to not reaching 100 per cent of declared capacity and, with so many contributors to the coal chain, these factors can compound very quickly so that unanticipated events can occur. I am sure that most of the serious players in our coal chain think every day: what can't go wrong? It is a major cooperative industrial task. Equipment failure can occur anywhere along the chain—mines, mine heads, locomotives, loaders, rolling stock. Meeting workforce targets in the skills crisis can add to the problem. Infrastructure improvements can necessitate disruption. Maintenance work can exceed the anticipated down time.

But the major reason for these lengthening queues is simple: the number of vessels arriving at the Port of Newcastle has exceeded coal chain capacity. This has been the case since late 2006. It began in the second half of the year, when many of the factors outlined came into play. It was compounded, as reported last year, "when a quirk in the controversial quota system at the port exacerbated the problem by encouraging a late rush by miners in

December to order ships in a bid to fill allocations they were not ready to fill.” Those orders keep on being written every day, even though the coal companies know there will be delays in filling those orders and they know that demurrage costs will keep eating into their profits. But when you operate in a historic industrial revolution, that demand will just keep coming.

Solutions: firstly, let me say that solutions are already being found by the industry. They know the Hunter Valley chain is an efficient one, they know the port is efficient, they know all the players have made or are making major infrastructure improvements. Some of the delay lies squarely with the federal government, which continued to meet its benchmark of doing too little too late about infrastructure. It has to be said that the solutions lie within the market itself. Market forces need to work this out. Covering those demurrage costs is up to the coal producers, and certainly the demand will keep coming.

If demurrage costs are too great then ships will divert to other ports, or coal companies will find another way to offset these accelerating costs. But the demand will keep coming and the coal will keep flowing along the HVCC.