

Rail and Port Infrastructure in Bulk Supply Chains -- A Case for Greater Collaboration

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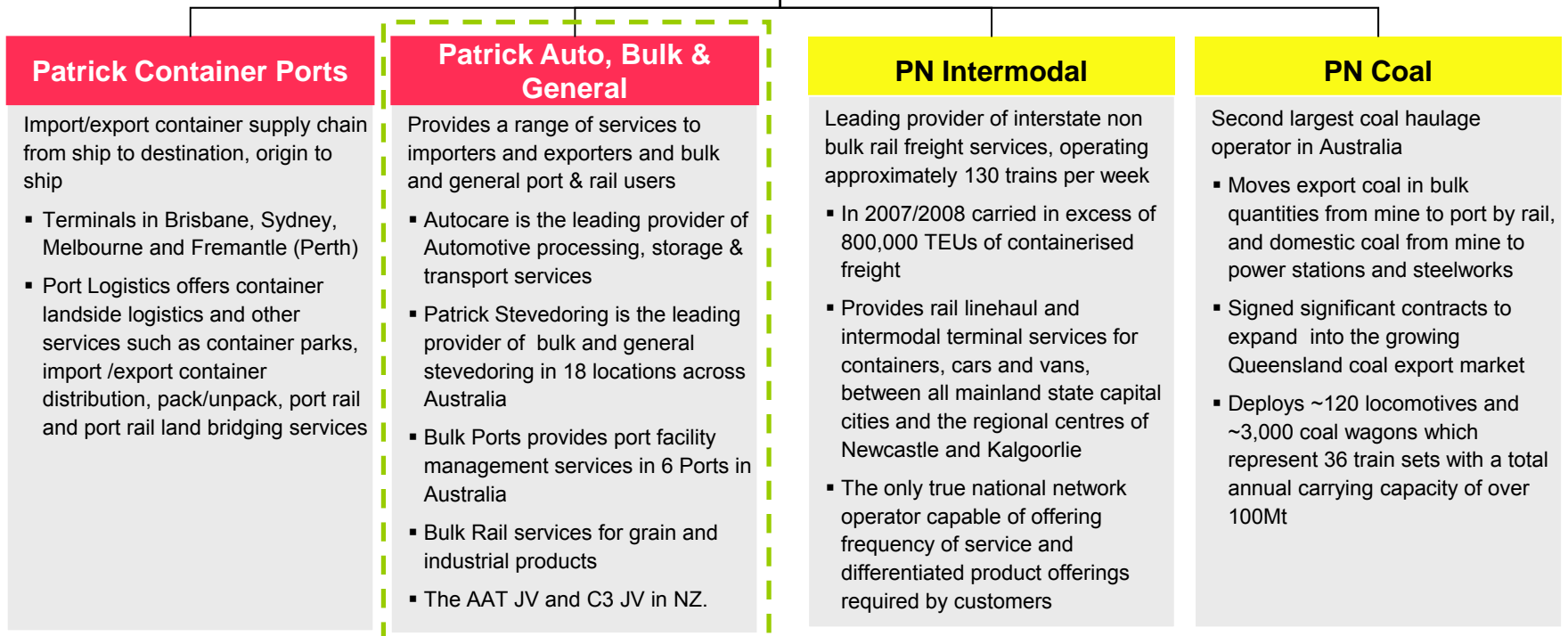


Agenda

- ... What do we do ?
- ... Supply chain management
- ... Where is the chain weak or broken?
- ... Why do we need to fix it?
- ... What is being done to fix it?
- ... What more can we suggest?
- ... Conclusion

Asciano Group

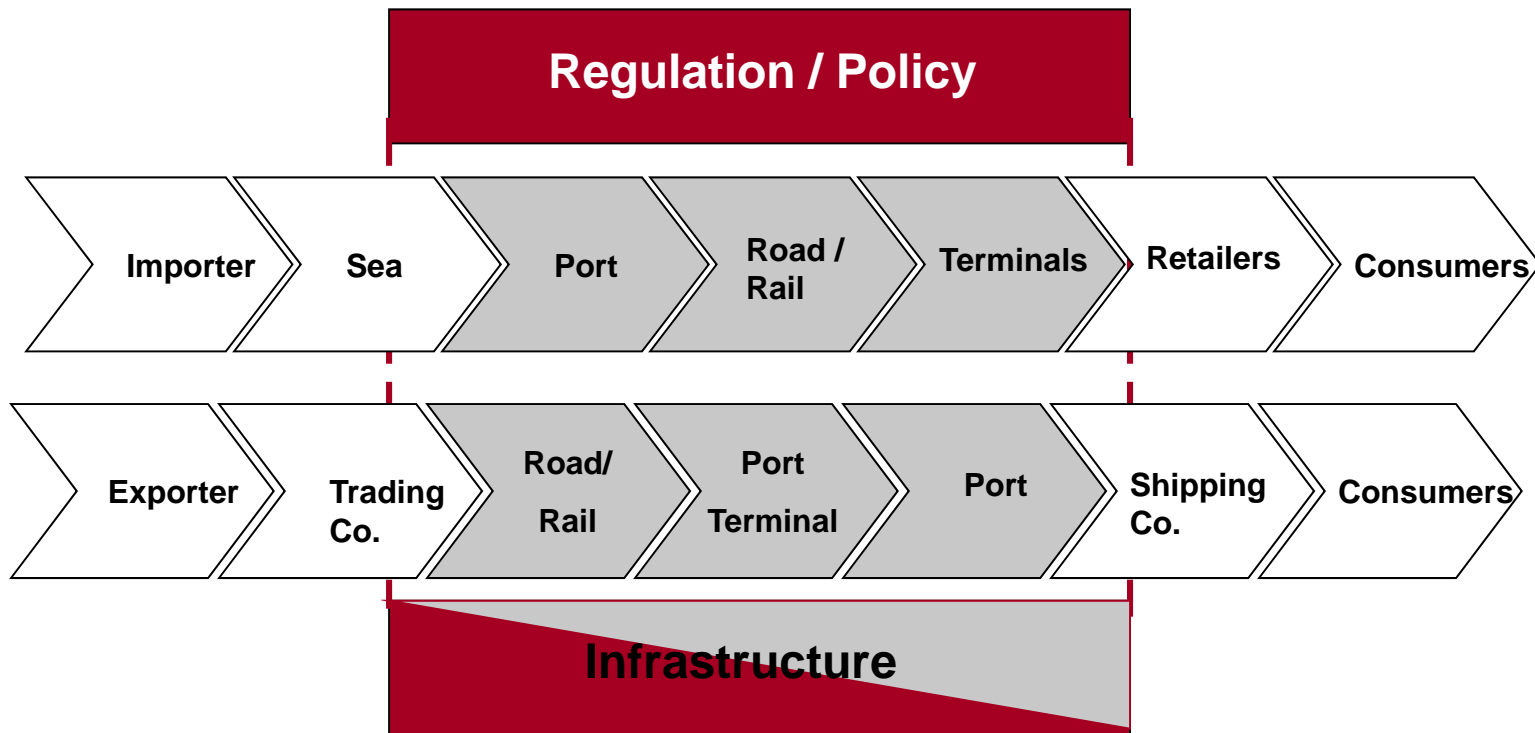
- Asciano is Australia's leading transport infrastructure company and incorporates the Pacific National freight rail operations and the Patrick ports and stevedoring businesses
- Asciano's operations enjoy leading market positions, strategically located assets, significant economies of scale, long term customer relationships, a range of growth opportunities and operate in markets experiencing demand growth at rates consistently above GDP



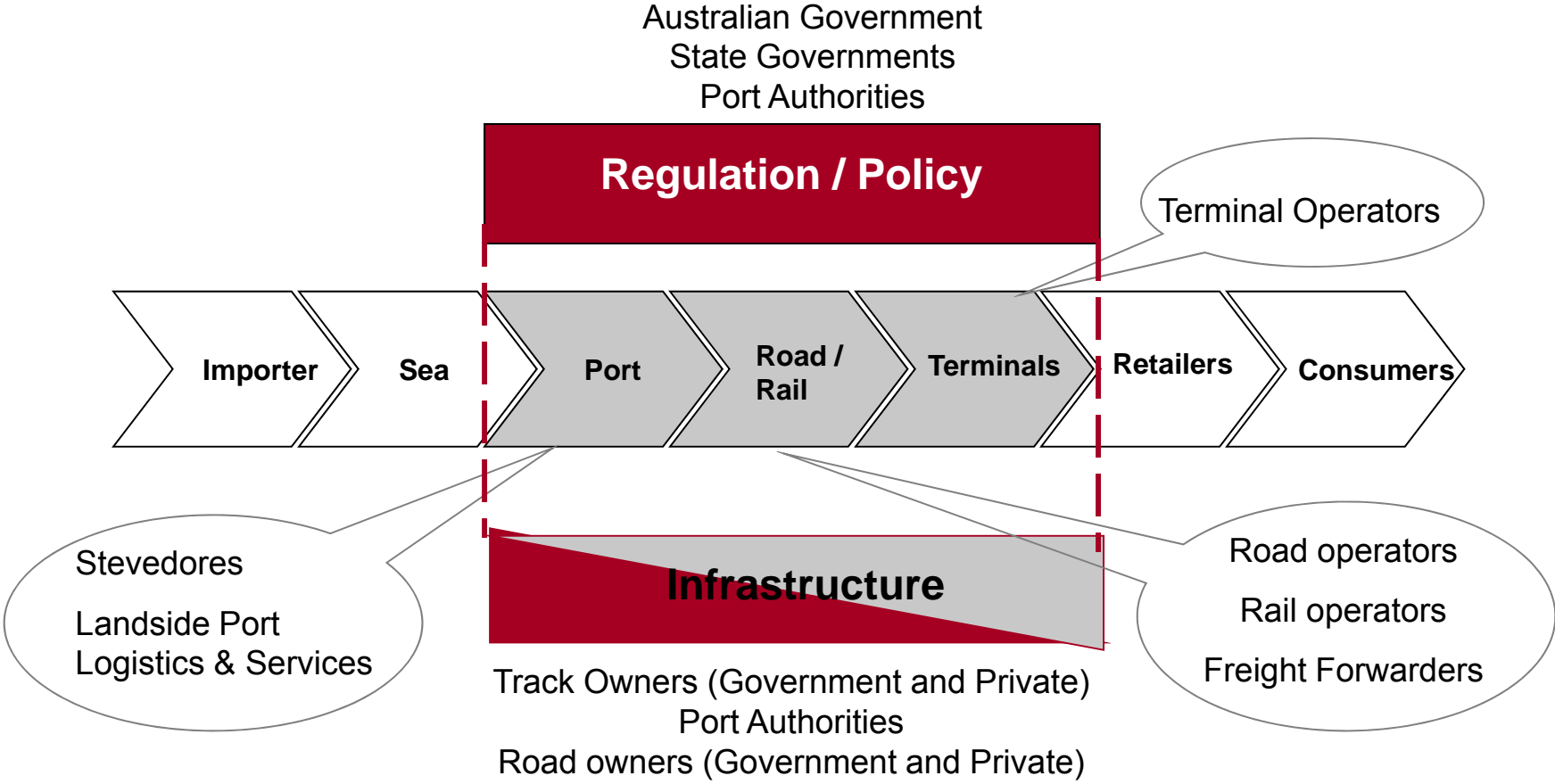
Our Investment in Western Australia

- Current Investment is WA
 - Container Ports - Fremantle
 - Bulk & General Ports - Fremantle, Albany, Geraldton, Dampier, Port Hedland, Esperance
 - Patrick Autocare - Fremantle, Perth
 - Pacific National Intermodal - Kewdale
 - People - approximately 800
- Future Investment
 - Bulk Materials Handling - \$200m
 - Bulk Port & Rail (south west WA) - \$200m
 - Container Terminal development - Fremantle
 - Intermodal Rail Terminal & Freight Forwarding Park development - Kewdale - 60 year lease
 - Auto Facilities - Perth Airport \$5m plus 20 year lease

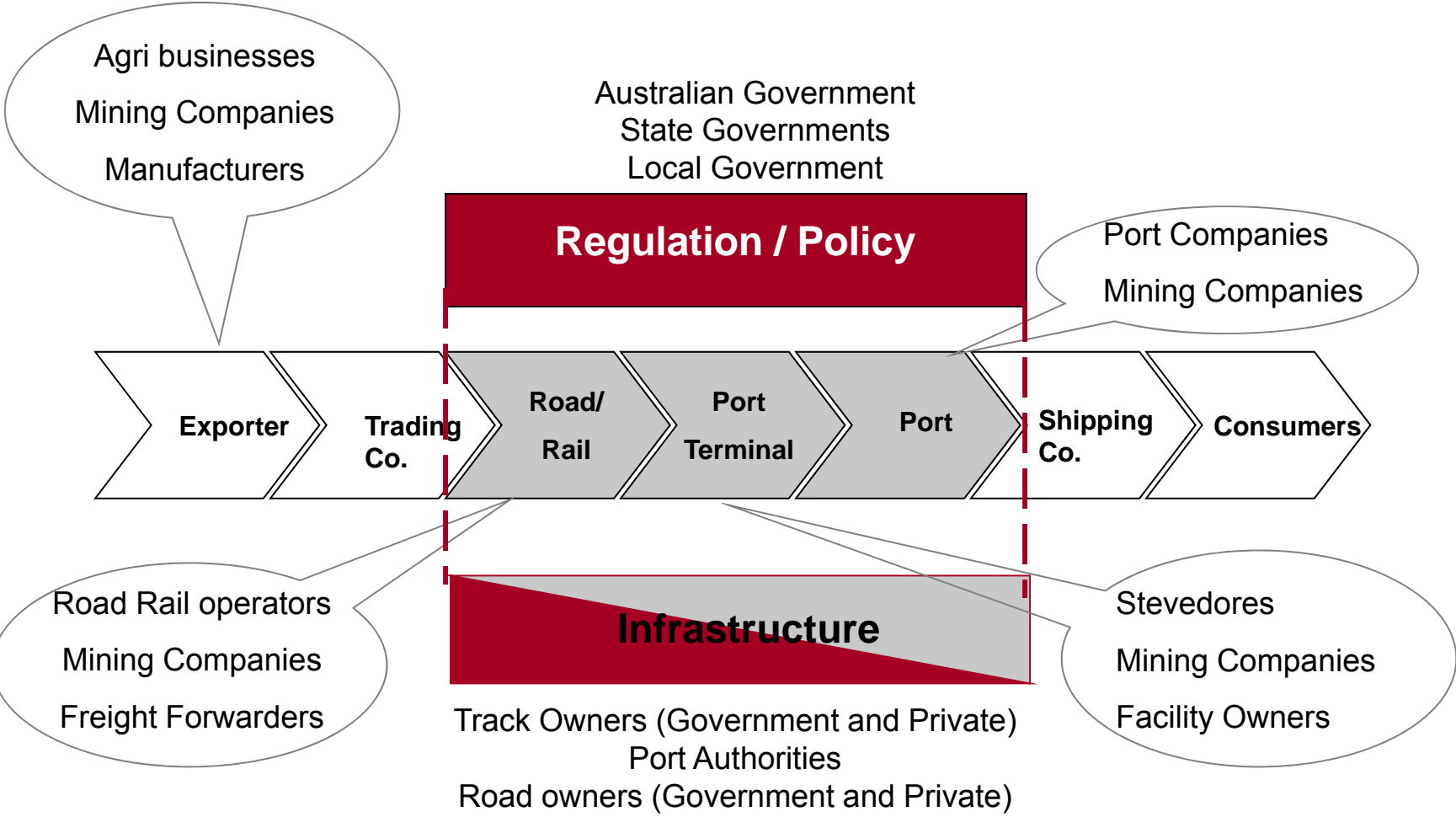
The Australian Supply Chains



Key Players in Import Supply Chain



Key Players in the Export Supply Chain



Issues in the Supply Chains – where are they weak or broken?

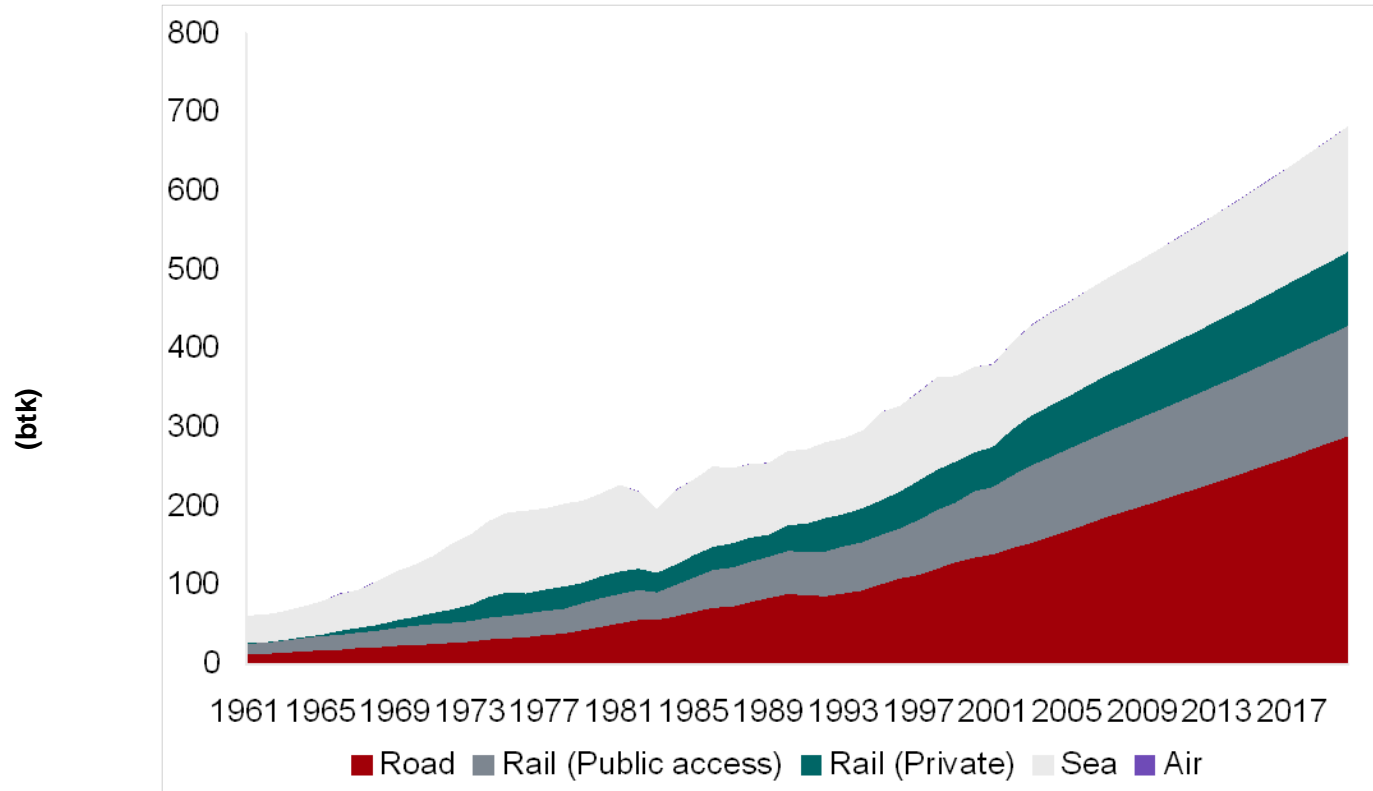
- Federal, State and local jurisdictions across elements of the supply chain
- Varying levels of Government ownership and involvement in port and rail operations
- Continuing “silo” thinking with each party in the chain
- Mismatch in infrastructure pricing mechanism for road and rail

Issues in the Supply Chains – where are they weak or broken?

- Mismatch of CPRS policy for road and rail
- Maintenance deficit on rail track versus road network spending
- Inadequate port – land interface infrastructure
- Inconsistent signalling and communications for rail
- Increasing rents for port land

Why do we need to fix this?

1. The domestic freight task is growing....



Source: BTRE

2. The port task is growing....

FIGURE 4.18 CONTAINERISED TRADE, 1993-94 TO 2024-25: ALL PORTS

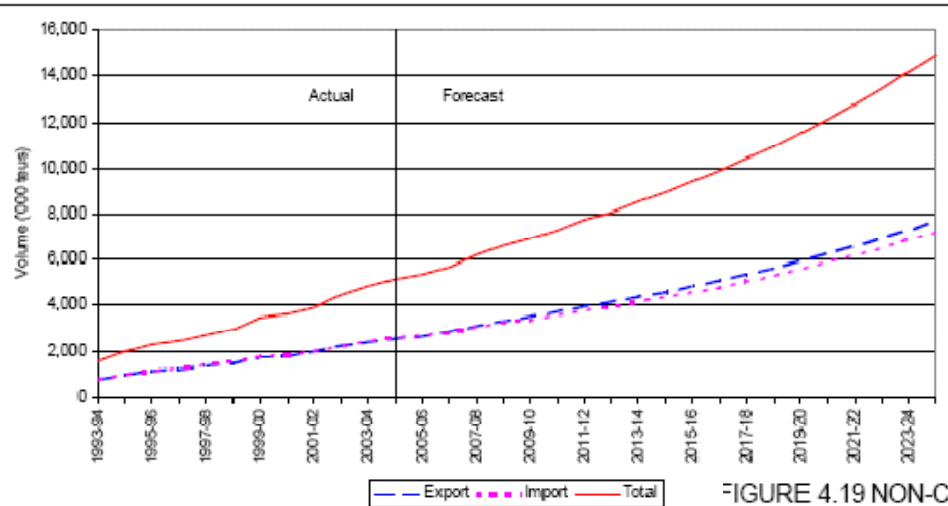
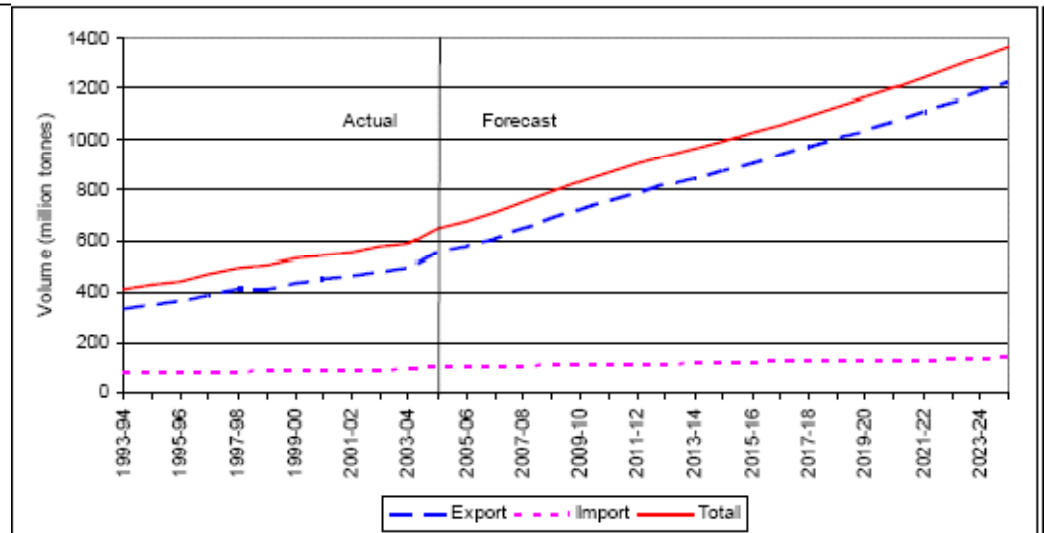


FIGURE 4.19 NON-CONTAINERISED TRADE, 1993-94 TO 2024-25: ALL PORTS



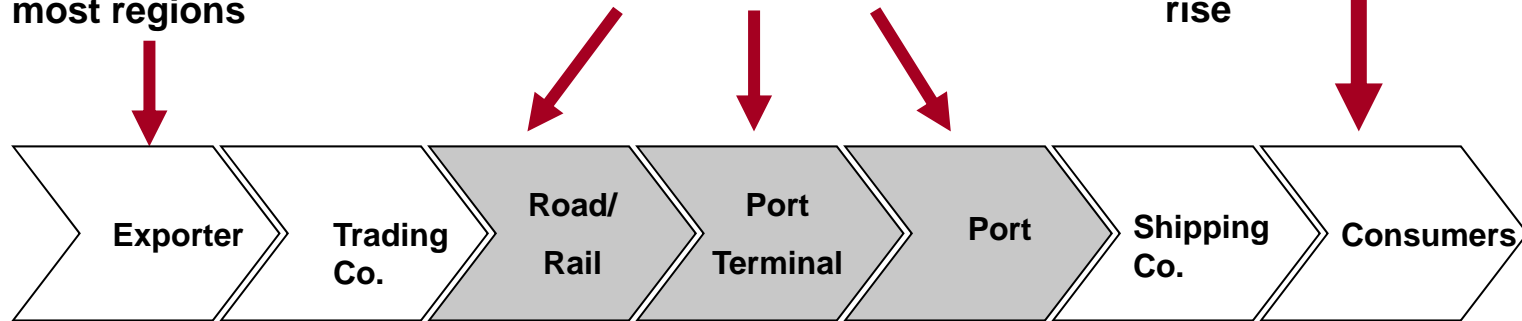
Source: BTRE Container Forecasts 2007

3. Participants' demands are changing...

- ✓ High levels of exploration
- ✓ High demand
- ✓ Consolidation
- ✓ Drought ended in most regions

- ✓ Capacity certainty needed
- ✓ More investment needed

- ✓ Increasing demand
- ✓ Commodity prices will rise



- ✓ Role Changing
- ✓ Investments in Supply Chains

- ✓ Quicker supply chains
- ✓ Lower unit costs
- ✓ Lower freight rates

Environmental sustainability is expected

The Political and Policy Environment has changed

- Federal Government and State Governments (ex. WA) Labor Govt.'s
- Port of Brisbane awarded a third stevedore terminal capacity in Brisbane – April 07
- The Sydney and Melbourne Ports Corporations have significant infrastructure hurdles to overcome and both ports seem intent on bringing in new players to provide port capacity rather than driving increased capacity through existing industry participants.
- Creation of Infrastructure Australia – Mar 08
- Announcement of National Port Policy development - May 09
- Federal and State investment in Oakajee announced – May 09
- Development of a multi-modal Victoria Transport Plan - May 09
- Sale of Queensland freight rail and port infrastructure and operations announced – June 09
- Potential development of a private Fremantle Outer Harbour

Changes in Market Structures are Occurring

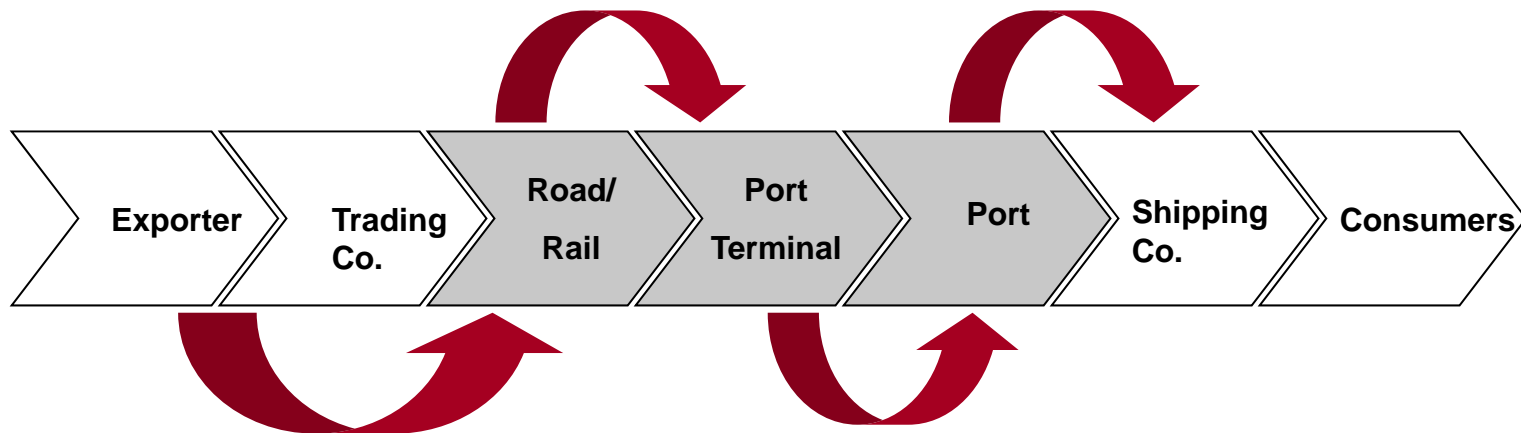
- Sale of P&O Ports to DP World – March 06
- WestNet Rail and QR buy below and above rail assets and operations - April 06
- Asciano formed – only national Port and Rail developer and operator – June 07
- The Hunter Valley Coal Chain
 - First to establish HVCCT, for supply chain optimisation - 2003
 - Now leading charge with 10 year take or pay port and rail (above and below) agreements to align capacity along the chain and provide certainty for mine development and investment - 2009
- Grain Supply Chains
 - In NSW, Grain handlers moved to take or pay arrangements in May 08, effectively underwriting rail capacity in poor year to ensure capacity for good years
 - Branch line agreements reached with NSW Government to retain rail services on branch lines for another five years - Jun 09
 - In WA, grain handlers take control of overall supply chain for grain from up country silo to port - Sept 08

The Role Of Ports

- Increasingly ports are being seen as part of value driven supply chains
- Rapid restructuring of supply chains means historical paradigms are being challenged
- Port management must as adapt to the new business environment and manage the port as part of the supply chain.
- The capacity to adapt and move quickly can be impeded by the political process.
- Port management may struggle in defining the “core business” of the port and identifying an appropriate and robust set of strategies to position the port to exploit this change
- Collaboration and co-ordination with service providers needs to improve

What can we do to fix it? – Investment and Collaboration

- Joint management of the supply chain
- Matching Capacity from exporter to ship
- Investment before capacity constraints
- IT Investment to provide product movement visibility



Conclusion

- The issues with infrastructure are critical for economic growth and have been around for some time
- We are starting to see the “green shoots” of positive change
- Both the government and private sector have roles to play in resolving the issues
 - Governments need to plan, invest and make policy decisions beyond the political cycle when dealing with Infrastructure issues
 - The private sector, once they have certainty of the “rules”, must invest along side government
- Infrastructure development and investment is a global business and global competitiveness will drive a strong Australian economy
- Collaboration will be critical to success –
 - we can act independently and things will improve
 - If we collaborate across current divides we can revolutionise the game