

Inside ICHCA

Australia

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About ICHCA – International Cargo Handling Coordination Association

ICHCA's objective is to increase knowledge of ways to improve the efficiency and economy in the handling and movement of goods, from origin to destination by all modes and at all phases of the national and international transport chains.

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To join ICHCA please contact Ian Lovell, Company Secretary of ICHCA Australia Ltd on ian.lovell@bigpond.com or telephone 0400 708 182.

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Finding it is Not the Problem – Getting it to Market is the Problem'

Jason Kuchel, Chief Executive of the SA Chamber of Mines and Energy (SACOME) was the guest speaker at the ICHCA SA Luncheon held in Adelaide in late November where he spoke to the topic – *All I Want for Christmas*.

Jason has been Chief Executive of SACOME for the past 5 ½ years during which time membership has more than doubled and the organisation has grown to a position of unparalleled industry leadership and respect.

SACOME is the peak body for Government/Industry interaction/collaboration in the SA mining industry and is an industry representative body, funded by industry for industry. Key roles for SACOME include influencing Government policy, promoting the industry, assisting industry in its efforts to expand and liaise with governments, and development of a Resources Industry Strategic Plan.

Jason led luncheon delegates through a short history of the recent development of the industry in SA and explained why SA is experiencing an “exploration boom” not a “mining boom”. He spoke of the hype created around the industry by governments and the media and the impact that this has had on community expectations for new jobs and untold wealth.

But the “mining boom” will take time to materialise in SA – and we are not there yet.

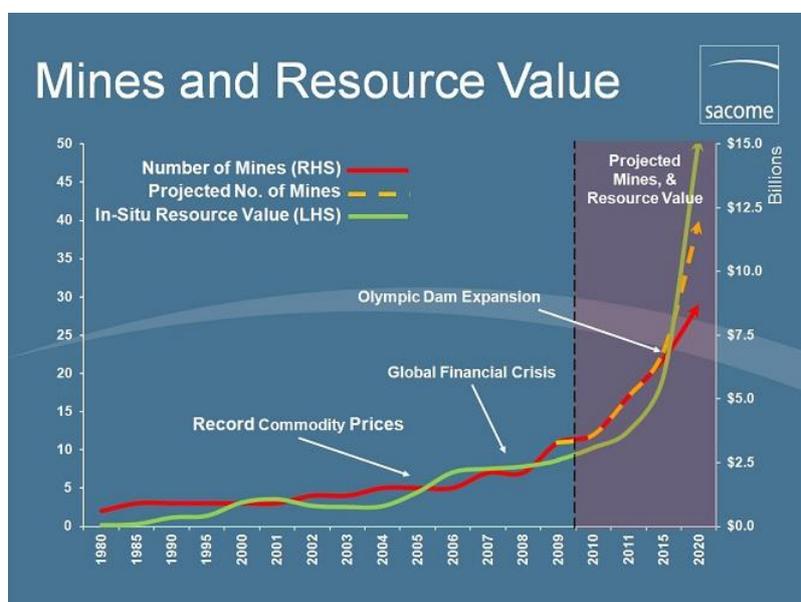
Jason illustrated the ‘good, strong, steady growth’ that has occurred over the past decade including:

- In the Year 2000 the South Australian mining industry had 4 operating mines employing about 2600 people and was not considered to be important to the State economically. Only \$30m was being spent on exploration activity each year.
- In the year 2011 there were 16 mines (now 20) employing some 7,800 persons. Exploration expenditure totalled around \$160m per annum (now over \$300m) and the industry accounts for over \$2.9b in export revenue (around 36% of the State’s total exports by value in 2009/10). There are approximately 185 exploration licensees holding 794 mineral exploration licences covering 368,600 square km, and an additional 204 geothermal exploration licences. Today there are over 30 exciting Mineral and Energy Projects under consideration in this State.

The industry’s development has been impressive but off a low base, and the extensive exploration activity suggests that there is more good news on the horizon. But we are not in the same position as WA, Queensland or NSW where the extensive mining development of previous decades provides a critical mass from which the industry can develop further.

South Australia’s emerging miners are smaller players – they are not BHP Billiton or Rio Tinto, and they have smaller volumes at hand – 1, 2 or 5 million tonnes per annum. This is where the catch 22 becomes apparent – there is not enough product from any single player to justify commitment to a new port, and without a port they have no way of accessing their markets, or have to persevere with effective but inefficient barging operations or containerised loading systems. Not an ideal situation if you are a banker.

Nonetheless, by 2020 Jason and SACOME believe that we can expect there to be around 40 operating mines in the State and the much touted “mining boom” will likely follow. An estimated 14,000 new jobs will be created and over \$35b will have been spent on infrastructure.



When a critical mass is achieved, brownfields developments such as those occurring in other States can occur more easily. OzMinerals' Prominent Hill development illustrates the point. Their underground copper-gold development (Ankata) is adjacent to their existing operation in the North of the State and took just a few months to establish, rather than the decade or so that the original mine took to put in place.

But is this industry expansion sustainable? Can the commodities demand boom last long enough for SA to hop on-board? Will prices remain relatively high? What about a Chinese slow down?

The answer is Yes – as the emerging economies such as China, India, Brazil and Russia continue to develop they will continue to demand our minerals and with demand comes price. China is an interesting case in point. Their industrial and social development has only just begun and as the new Chinese leadership establishes its control they will again focus upon economic growth for the people, and they will need our resources if they are to deliver on these promises.

Jason went on to discuss some of the issues confronting the industry as it moves forward:

- **Rising Costs** is a key issue. Australia is in the top quartile of mineral production costs and this reduces our competitiveness in markets. The new taxes – Carbon Tax, Minerals Resource Rent Tax – and changes to existing taxes such as the Diesel Excise Scheme - are key contributors to cost issues
- The tax changes have raised issues of **Sovereign Risk**, as has introduction of Marine Parks. Protecting the environment is important but so is access to resources. Will the government shift the goal posts again?
- The **high Australian Dollar**, which has historically been linked to commodity prices, inflates export prices. Significantly, over the past few months that nexus has been broken as foreigners see the currency as a safe haven (driven in part by the strength of the mining industry) bringing more bad news on the currency front.
- The inability of governments and the community to **Understand the Language of Mining**. Governments love to make announcements and communities love to see opportunities emerge but we must understand that the industry can be highly speculative – we need to understand that the success rate from drilling is less than 1% and that it can take 10 years for a mine to develop to the production stage.

So what is that Jason would like for Christmas? What will get his chestnuts roasting on an open fire?

Mining projects advancing sooner in South Australia!

So what would make that happen?

The development of a Capesize Vessel Bulk Commodity Port!

How do we do that?

The development of suitable deep water ports in SA (and we probably eventually need 3 new ones) is a classic case of market failure. Market failure is justification for Government intervention (Politics 101), and the failure of the market to provide a deep water port is hampering the development of new and existing mines. Some form of Government assistance may be necessary – perhaps underwriting the port operations! With the strong outlook for the industry it may not cost the government anything, but it will reduce the risk associated with establishing the port, and thereby bring some surety into the market and to junior miners developing their projects.

As Jason Kuchel stated – 'Finding it is not the problem – getting it to market is the problem'.

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Anti-Dumping Report Released

Minister for Home Affairs and Minister for Justice, Jason Clare, has released a report into Australia's anti-dumping and countervailing system by former Victorian Premier and Treasurer, John Brumby. The report provides advice on the best structure for administering Australia's anti-dumping system, including consideration of the costs and benefits of a stand-alone anti-dumping agency.

In the course of writing the report, Mr Brumby contacted over 400 stakeholders from industry, unions, consultancy firms and representative bodies, State, Territory and Federal Governments, Federal Senators and Members of Parliament and embassies of trade partner countries.

He consulted 70 individuals or entities from Melbourne, Sydney, Brisbane, Canberra, Adelaide, Newcastle, Wollongong and Perth. The Brumby Review received 43 submissions representing around 90 entities.

The report found that in the last 12 months, prevailing economic circumstances including the strong Australian dollar, surplus product on world markets and increased competition have led to the number of anti-dumping investigations almost tripling. It also found that the number of anti-dumping matters is likely to continue to increase.

The report makes 13 recommendations including:

- that a new anti-dumping authority, agency or commission be established under legislation
- that the new agency be principally located in a major capital city, close to a high concentration of Australian industry
- that an immediate increase in resources be made available to establish the new agency and ensure timely resolution of underlying issues.

The final Brumby report can be found at www.antidumpingreview.gov.au.

Geelong Grain Loop Upgrade

The Geelong Grain Rail Loop is set to be upgraded enabling up to 30% more grain per train. The \$5.6 million upgrade was announced at the Port of Geelong by the Minister for Ports and Regional Cities, Denis Napthine.

Dr Napthine said the Victorian Government, GrainCorp and the Australian Rail Track Corporation (ARTC) would jointly fund the project to provide important productivity and efficiency improvements for exporting grain.

“The Port of Geelong has posted two consecutive years of record trade and current projections show a strong resurgence for the grain trade,” Dr Napthine said. “The Victorian Government is pleased to provide \$3.78 million towards this project to ensure that our regional producers have access to an efficient port and freight system to grow their markets and export their products.

“This upgrade will increase axle load at the Port of Geelong Grain Loop from 19 to 23 tonnes, enabling more grain to be delivered to the port by rail and reducing the number of trucks on the road.” Dr Napthine said the announcement coincided with the release of the Victorian Government Response to Grain Logistics Taskforce Report which addressed grain supply chain recommendations raised by the Grain Logistics Taskforce.

“The Coalition Government listened to concerns from the grain and freight industry and this upgrade is a great example of government and industry working together to deliver on the Taskforce’s recommendations,” Dr Napthine said. “Since being established in 2011, the Taskforce has proven to be an extremely successful initiative and a great mechanism for industry and government to work towards common objectives,” Dr Napthine said.

“The Coalition Government will continue to work with the Grain Logistics Taskforce to deliver cost effective solutions for improving our grain transport networks.”

The Victorian Government Response to Grain Logistics Taskforce Report is available for download at www.transport.vic.gov.au.

Browse LNG Proposal Gets Environmental Go-Ahead

WA Environment Minister, Bill Marmion, has provided environmental approval for the Department of State Development’s proposed Browse Liquefied Natural Gas Precinct at James Price Point, north of Broome. Mr Marmion said his decision followed consultation with other decision-making authorities.

The conditions will:

- improve knowledge and strengthen protection of whales, dolphins, dugongs, turtles and sawfish, including from the impacts of noise and pile driving
- reduce impacts on the monsoon vine thickets
- enhance protection of dinosaur tracks
- better address the risk of pollution from oil spills and air emissions, and invasive marine species.

“I have also strengthened conditions for the involvement of traditional owners and native title claimants and the requirements for stakeholder and community consultation in the development of a range of environmental management plans,” the Minister said.

“I am satisfied the strictest environmental approvals process has been followed to ensure all possible issues have been addressed.

“On top of a four-year investigation by the Environmental Protection Authority (EPA), I appointed an independent Appeals Committee to investigate the 244 appeals lodged against the EPA’s recommendations. This resulted in a comprehensive review of the EPA’s report, which allowed me to strengthen the final conditions so the environment will be properly protected if the precinct is developed.”

Final conditions: <http://www.epa.wa.gov.au/peia/approvalstatements/Pages/0917.aspx>.



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Bromelton State Development Area Approved

The Queensland Government has announced the approval of the Bromelton State Development Area (SDA) development scheme.

Deputy Premier and Minister for State Development, Infrastructure and Planning, Jeff Seeney, said there had been significant public consultation on the scheme resulting in changes from the draft. “This development scheme allows the Coordinator-General to coordinate land use within the Bromelton SDA to ensure we maximise the economic potential of the area,” Mr Seeney said.

The Bromelton SDA is unique because it is the only area available for industrial development in South East Queensland with direct access to the national standard-gauge rail network. The Bromelton SDA is located seven kilometres west of Beaudesert and was declared in 2008.

Mr Seeney said about 1,800 hectares of the 15,000 hectare Bromelton SDA was earmarked for industrial development. Industries that could be housed in the Bromelton SDA include freight and logistics operations, medium and large-scale manufacturing and warehousing activities with road and/or rail requirements, industry support services, freight and logistics servicing depots.

The Bromelton SDA development scheme has been prepared in conjunction with the Scenic Rim Regional Council’s Bromelton Structure Plan which has now been finalised through associated amendments to the *Beaudesert Shire Planning Scheme 2007*.

“Approval of the Development Scheme for the Bromelton SDA allows development proponents to lodge applications for material change of use with the Coordinator-General,” Mr Seeney said. “The Scenic Rim Regional Council’s planning scheme will regulate development other than material change of use within the Bromelton SDA.”

QR National Invests in WA Growth

The \$125 million upgrade of facilities and rollingstock in Esperance highlighted QR National’s commitment to invest in Western Australia where it sees continuing and significant growth opportunities, Managing Director and CEO, Lance Hockridge, has said.

Mr Hockridge was speaking at the official opening of the upgraded Esperance Depot which supports QR National's local operations including the maintenance of the rail fleet and future growth for iron ore haulage from the Yilgarn. The significant upgrade of the depot features state-of-the-art improvements, including a new wagon maintenance facility, new locomotive maintenance facility, the installation of a turntable for locomotives, new and upgraded track, a new warehouse and new shunting facilities.

Mr Hockridge said the opening of the upgraded depot indicates rapid and exciting growth for QR National and its principal customer in the region, Cliffs Natural Resources. "We remain on track to take total iron ore haulage volumes in Western Australia to 30 million tonnes per year by 2014. This will represent a trebling of tonnages since 2010," he said.

"We're the largest haulier of iron ore outside the Pilbara region and see the Yilgarn and Mid West regions as great growth opportunities. "The \$125 million commitment in new facilities and rollingstock in Esperance is part of almost \$400 million in investment underway or recently completed by QR National in Western Australia.

"Iron ore is a critical part of QR National's diversification and growth strategy by building on our large-scale coal business in the eastern states." Mr Hockridge said QR National remained confident in the long-term of sustained growth in the Australian resources sector including iron ore. "QR National's long-term view extends beyond the market volatility impacting short-term demand and commodity pricing," he said.

"Our optimism also extends from WA's Yilgarn and Mid West to the Pilbara, where we're continuing to explore a proposal for new export rail infrastructure into Port Hedland. Our work with Atlas Iron and Brockman is progressing on the concept study for an independent multi-party railway in the East Pilbara. We continue to believe this area offers outstanding growth opportunities for all three companies and other independent miners who wish to participate," he said.

"QR National has been constructing and operating multi-user heavy-haul railways in Queensland for decades and we're aiming to leverage that capability in building our presence in WA."

Mr Hockridge said the Esperance upgrade was delivered on time and on budget, allowing QR National to start improved operations ahead of schedule. "The project was about growing with our customer Cliffs to support their exports of iron ore through the Port of Esperance and on minimising impacts on the local community," he said.

"Cliffs and QR National have worked hard to improve supply chain performance. The upgrade was designed to support an increase in production by increasing the capacity of each train not the number of trains. This was key to ensuring impacts on the community were minimised."

New Episode of Award-Winning Video Series Now Playing

The latest instalment of the Port of Long beach's award-winning Pulse of the Port video series takes a look at the different ways the operation is moving into the future.

In a statement on the video the port says:

To show the public the importance of rail operations and rail expansion as we move into the future, the port welcomed nearly 3,000 people to tour the port by train recently. Attendees got an opportunity for a rare insider's look at shipping terminals and other facilities from Metrolink trains. Another way the port looks toward the future is by boosting the role of women in international trade, a role celebrated by nearly 200 women - from students to logistics industry veterans - at a recent lunch event presented by the port.

Finally, the Port of Long Beach helps drive the economy both at home and abroad. One way the Port helps local businesses improve their economic circumstances is through education. The port regularly sponsors seminars to teach local companies to expand their markets through exports. A recent seminar and business forum both focused on free trade agreements and how to take advantage of their benefits.

You can find the Pulse of the Port video archive at www.polb.com/pulse.

Aurukun Bauxite Opened for Development

The Queensland Government has opened an Expressions of Interest process for the development rights to the Aurukun bauxite resource on Cape York. Deputy Premier and Minister for State Development, Infrastructure and Planning, Jeff Seeney, said the government was going to the open market to find proponents with the capability, capacity and experience to develop a bauxite mine and associated infrastructure.

“The Government’s key objective is to maximise the benefits and returns from the project to the Aurukun community and native title holders, as well as maximising the financial returns to the State. We’ll also ensure the project is delivered in a timely manner at no cost and no risk to the State. Our decision to revisit the development of the Aurukun bauxite resource has the backing of the Aurukun community and traditional owners and has drawn strong corporate interest from Australia and overseas.”

The Member for Cook, David Kempton, applauded the announcement saying it heralded a new era of consulting with and involving indigenous communities in the economic development of Cape York.

Mr Kempton said the communities interests would be taken into account in the development of this exciting opportunity. “The eventual development of this mine will bring enormous benefits to the people of Aurukun,” Mr Kempton said. “I know the mine is something that the local people and traditional owners in the area are keen to see go ahead and I fully support their enthusiasm.”

The Department of State Development, Infrastructure and Planning would manage the competitive bid process and the evaluation of EOIs would be conducted within an established probity framework. “Proponents must be able to demonstrate experience in development and management of mines and associated infrastructure, experience in working with indigenous communities and traditional owners to negotiate outcomes, and the financial capacity to take on this scale of project,” Mr Seeney said.

Interested companies are required to lodge their response to the EOI by 15 February, 2013. The Government intends to short-list up to five proponents to develop detailed proposals for the resource.

Though the scope and configuration of proposals will be a matter for each proponent, it is not a requirement of this Government that proposals include an alumina refinery.

“Ultimately we’d like to see a preferred proponent selected by the end of next year,” Mr Seeney said.

The invitation for expressions of interest can be viewed at the Queensland Government website - <http://www.dsdip.qld.gov.au/development-planning/aurukun-project.html>



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Frederickton/Eungai Pacific Highway Upgrade

Thiess and McMahon Contractors have been selected to design and deliver the upgrade of the Pacific Highway between Frederickton and Eungai, with construction expected to begin in the middle of next year.

Federal Infrastructure and Transport Minister, Anthony Albanese, said the project was part of the ongoing upgrade and full duplication of the highway, the most expensive and complex road project ever undertaken in Australia. "More than two decades since the horrific Clybucca bus crash and after three years of planning and community consultations, I'm extremely pleased work on fixing this notorious 26.5 kilometre section will finally be underway by this time next year," Mr Albanese said.

On completion in 2016, this new, fully duplicated section will link with the Kempsey Bypass which is currently under-construction and on track to be completed before Easter 2013. The \$762 million project will be funded on a 50-50 basis by the Federal and NSW Governments, with the new section to be built to the west of the highway's existing alignment.

NSW Roads and Ports Minister, Duncan Gay, said the Frederickton to Eungai upgrade will save lives and further reduce journey times. "The project will also build a major new interchange at Stuarts Point Road, install additional rest areas on both sides of the Highway south of Barraganyatti near Cooks Lane and ensure local farmers can move equipment and livestock into and out of their properties," said Mr Gay.

As at 30 June 2012, 346 kilometres - or almost 52% - of the Pacific Highway had been upgraded to 'motorway standard'. Compared to the mid-90s, the duplication that's already been completed has reduced the time it takes to drive from Sydney to Brisbane by up to 90 minutes. Annual fatalities have been cut in half.

ICHCA Contacts

ICHCA Australia Chairman:

Tony Grant
Shipping Information Agency
PO Box 234, Campbelltown, SA 5074
Tel: (08) 8337 7452 Fax: (08) 8337 6945
Mobile: 0412 843 892
Email: tgrant@sia.au.com

State Chairs

New South Wales:

Ken Fitzpatrick
Asiaworld Shipping Services Pty Ltd
Level 2, 403 Pacific Highway,
Artarmon NSW 2064
Tel: (02) 9906 6372 Fax: (02) 9906 1874
Email: kfitzpatrick@asiaworld.com.au

Queensland:

Steve Kanowski
GHD
201 Charlotte Street,
Brisbane
Queensland 4000
Tel: (07) 3316 3151
Mobile: 0405 533 420
Email: steve.kanowski@ghd.com

South Australia:

Neil Murphy
SA Freight Council, c/o Flinders Ports
296 St Vincent Street
Port Adelaide SA 5015
Tel: 08 8447 0688
Email: murphy.neil@safreightcouncil.com.au

Victoria:

Austin Kennedy
AECOM
Level 9, 8 Exhibition Street,
Melbourne VIC 3000
Tel: (03) 9653 1234 Fax: (03) 9654 7117
Email : austin.kennedy@aecom.com

National Secretary:

Ian Lovell
9 Durham St, Henley Beach SA 5022
Tel: 0400 708 182
E-mail ian.lovell@bigpond.com

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