



10 February 2004

Hon Tony Burke MLC
Chairman, Inquiry into Port Infrastructure in NSW
Standing Committee on State Development
NSW Legislative Council
Parliament House
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Sydney NSW 2000

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Dear Chairman

INQUIRY INTO PORT INFRASTRUCTURE IN NEW SOUTH WALES

I write in response to your invitation, dated 30 October 2003, to make a submission to the Inquiry into Port Infrastructure in NSW.

As Australia's largest steel producer and a major Australian exporter via ports in New South Wales, BlueScope Steel welcomes the opportunity to comment on the New South Wales Government's Ports Growth Plan.

The majority of BlueScope Steel's inbound and outbound freight by sea in New South Wales is moved via the port of Port Kembla. Approximately 85 per cent of the company's steel exports from Australia and all of the sea-borne raw materials (largely iron ore) are shipped via Port Kembla. BlueScope Steel also ships a smaller amount of containerised freight – generally value-added painted and coated steel products - via Port Botany. In 2002/03 the company shipped approximately 5,300 twenty-foot equivalent units (teu) in this manner.

We have limited our comments in this submission, therefore, to matters relating specifically to the proposed expansion of Port Kembla and Port Botany.

BlueScope Steel Limited

BlueScope Steel (formerly known as BHP Steel) is the leading steel producer in Australia and New Zealand, supplying the majority of flat steel products sold in these markets. BlueScope Steel's principal customers are in the building and construction, automotive, packaging and general manufacturing industries, and are located across the Asia Pacific region.

The Company's steelworks at Port Kembla is Australia's largest and one of the world's lowest cost producers of hot rolled coil.

Steel rolling, coating and painting plants are located in Australia, New Zealand, Thailand, Malaysia and Indonesia, and the Company has a network of rollforming facilities across the Asia Pacific region. BlueScope Steel also has a 50 per cent interest in a steel mini-mill in Delta, Ohio, USA.

A key feature of BlueScope Steel's value proposition is the reliable and flexible delivery of our products, in line with the service expectations of our customers. BlueScope Steel has an in-house professional logistics management capability. It is one of Australia's largest transporters of break-bulk and non-bulk products by rail and a significant user of intra and interstate road transport, as well as intermodal hubs, including ports.

BlueScope Steel is a major Australian exporter, with exports of finished and semi-finished steel products from Australia – principally shipped from ports in New South Wales - exceeding A\$1 billion per annum.

Port Kembla

The Port Kembla Steelworks produces some 5 million tonnes of steel products per year. Steel products from the plant are handled via established road, rail and marine networks through strategic alliances with major service providers throughout Australia, New Zealand and Asia.

BlueScope Steel is the single largest user of the port at Port Kembla; making up approximately 355 of the vessel calls at the port in 2002/03 and 50 per cent of tonnes through the port. This usage is based on shipping approximately nine million tonnes of raw materials, two million tonnes of finished steel products and 350,000 tonnes of export coke (processed metallurgical coal).

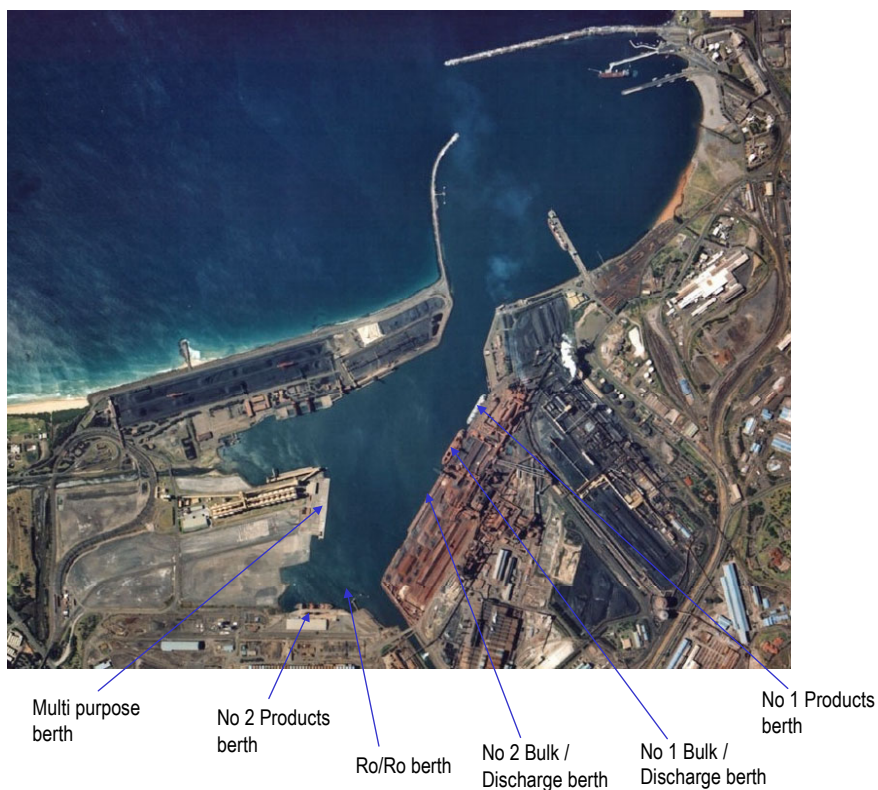
The majority of products leaving the Port Kembla site by ship are loaded at the No. 2 Products Berth, including hot rolled coil. It is occasionally necessary to load significant quantities of export slabs at the No. 1 Products Berth. We also use the Multi-Purpose Berth either on ships dedicated to our requirements or as common carriers.

The break down of vessel calls by berth is:

| Berth | No. of vessel calls |
|-------------------------------|--------------------------|
| Bulk Discharge Berths | 146 (46 Cape; 100 Handy) |
| No.1 Products Berth | 27 |
| No.2 Products Berth | 43 |
| Ro/Ro (<i>Iron Monarch</i>) | 70 |
| Multi Purpose Berth | 69 |

Please see berth plan below:

Pt Kembla – Berth Layout



The quantity of steel products by tonnage exported through the port during the period from February 2002 to March 2003 is given in the following table:

| Steel Product | Source | Steel Exported by Berth (tonnes) | | |
|--------------------------------|------------------|----------------------------------|----------------------|---------------------|
| | | No. 2 Products Berth | No. 1 Products Berth | Multi Purpose Berth |
| Cold Rolled Coil | Springhill Works | 9,033 | 0 | 77,162 |
| Coated – painted or galvanised | Springhill Works | 16,500 | 16,600 | 35,023 |
| Hot Rolled Coil | Steelworks | 265,051 | 2,000 | 40,725 |
| Plate | Steelworks | 18,050 | 14,500 | 7,003 |
| Tinplate | Steelworks | 49,770 | 6,700 | 73,129 |
| Slab | Steelworks | 60,500 | 878,000 | n/a |

The Port Kembla Port Corporation has recently announced its intention to extend the Multi Purpose berth and develop a container berth.

Port activity in Port Kembla has declined in the last ten years, as shown in the following table:

| | 1992/93 | 2002/03 |
|-----------------------|----------------|----------------|
| Volume (Mt) | 26 | 22 |
| Traffic (Vessel Nos.) | 680 | 500 |

The New South Wales Government's recent announcement that freight facilities in Sydney Harbour will be progressively closed would appear to support the case for the expansion of alternative port facilities, such as Port Kembla.

Expansion of Port Kembla

BlueScope Steel supports the expansion of Port Kembla. We believe expansion of the port has the potential to contribute to the economic development of the Illawarra region, attract additional industries to the area, ensure the long-term sustainability of the port and port services, and provide additional service options for our customers.

In particular, the development of berth infrastructure adjacent to BlueScope Steel's berths at Port Kembla may provide the company with the ability to ship containerised high value painted and coated products direct from Port Kembla, thereby eliminating the need to transport these products by road or rail to Port Botany. This would lower the company's shipping costs and provide an enhanced service for our customers. The above would be dependent, however, on the capacity of the port to attract shipping lines to call in addition to, or instead of, Port Botany. It should be noted that, in our opinion, it is more likely that niche shipping lines will be attracted to call at Port Kembla, rather than larger lines organised in conferences, who would need to negotiate an additional port call with conference partners.

Our support for the expansion of Port Kembla is premised on the cost of such development being undertaken on a 'user pays' basis, including those users attracted to the region, or directly benefiting from, such an upgrade. We do not believe current port users should be asked to underwrite development costs for the port – for example, in the form of higher port charges. Any increase in costs through higher port charges would undermine the competitiveness of BlueScope Steel's market offer.

In the longer term, we believe that greater vessel throughput in an expanded port should help ensure the sustainability of port services (such as the current four tug operation) and reduce costs for individual users (such as port charges, channel and light costs) through economies of scale.

Port Botany

Regardless of developments at Port Kembla, Port Botany will remain a significant freight hub for BlueScope Steel. Growth in the number of container movements means Port Botany is close to reaching its maximum capacity and further development of infrastructure will clearly be required in order to meet growing freight demand.

Given the economic and strategic importance of ports in Sydney to Australia's foreign trade, we believe consideration for access to reserve port capacity for Sydney is also an important consideration of port

development to assist in minimising any disruption to trade that might take place as a result of unforeseen operational difficulties at Port Botany.

Current and Future Infrastructure Needs

In order to ensure the success of port upgrades at both Port Botany and Port Kembla, BlueScope Steel believes there are a number of critical infrastructure upgrades that will be required.

Access by rail and road from Port Kembla and Port Botany to Western Sydney – Australia’s largest housing growth corridor and a rapidly developing industrial region – will be critical to the success of port expansion plans. BlueScope Steel has recently announced the establishment of an in-market COLORBOND® steel production facility in Western Sydney. Efficient transport links between Western Sydney and Port Botany, and Western Sydney and Port Kembla, will be important for the success of this facility and for the broader economic and industrial development of these regions.

Additionally, in relation to Port Kembla, there is a need to improve rail infrastructure to and from Port Botany and freight access to that infrastructure as well as creating options for associated port logistics services, eg: warehouses, etc. Enhanced rail infrastructure will help facilitate the success of the ports strategy by improving the movement of freight between the two ports, as well as by facilitating operational reserve capacity for Port Botany. There is also an ongoing requirement to continue to improve road infrastructure based on incremental increases in volume.

Conclusion

In conclusion, the key points of our submission to the Inquiry are:

- Expansion of Port Kembla has the potential to deliver benefits to the Illawarra region and New South Wales, including an expansion of economic activity in the Illawarra.
- Expansion in economic and port activity is likely to contribute to the sustainability of port operations and should, over time, make the port more cost effective for users.
- It is important that existing port users at Port Kembla do not disproportionately bear the costs of any port expansion – infrastructure development should be on a ‘user pays’ basis with those directly using the upgraded facilities bearing the costs.
- Expansion of Port Botany is important because that port is close to reaching capacity. Given the economic and strategic importance of Sydney’s ports, the Government should also give consideration to the maintenance of reserve port capacity in the Sydney metropolitan area.
- In order to maximise the effectiveness of expansion plans for Port Kembla and Port Botany, concurrent road and rail infrastructure upgrades will also need to take place.

Further information

We would welcome the opportunity to provide more information to the Inquiry in support of our submission, either in writing or in person. Should you require a presentation in person, BlueScope

Steel's representatives would be myself and Mr Ross Murray, President Iron and Slab, a senior executive at the Port Kembla Steelworks.

Should you require further information, please do not hesitate to contact me on tel: 03 9666 4133.

Yours sincerely

Simon Linge
MANAGER MARINE LOGISTICS