

CABINET MINUTE

BRISBANE, 21 5 1985

DECISION NO.

46099

SUBJECT: Department of Harbours and Marine - Harbour Facilities -
 Cape Flattery - Export of Silica Sand.

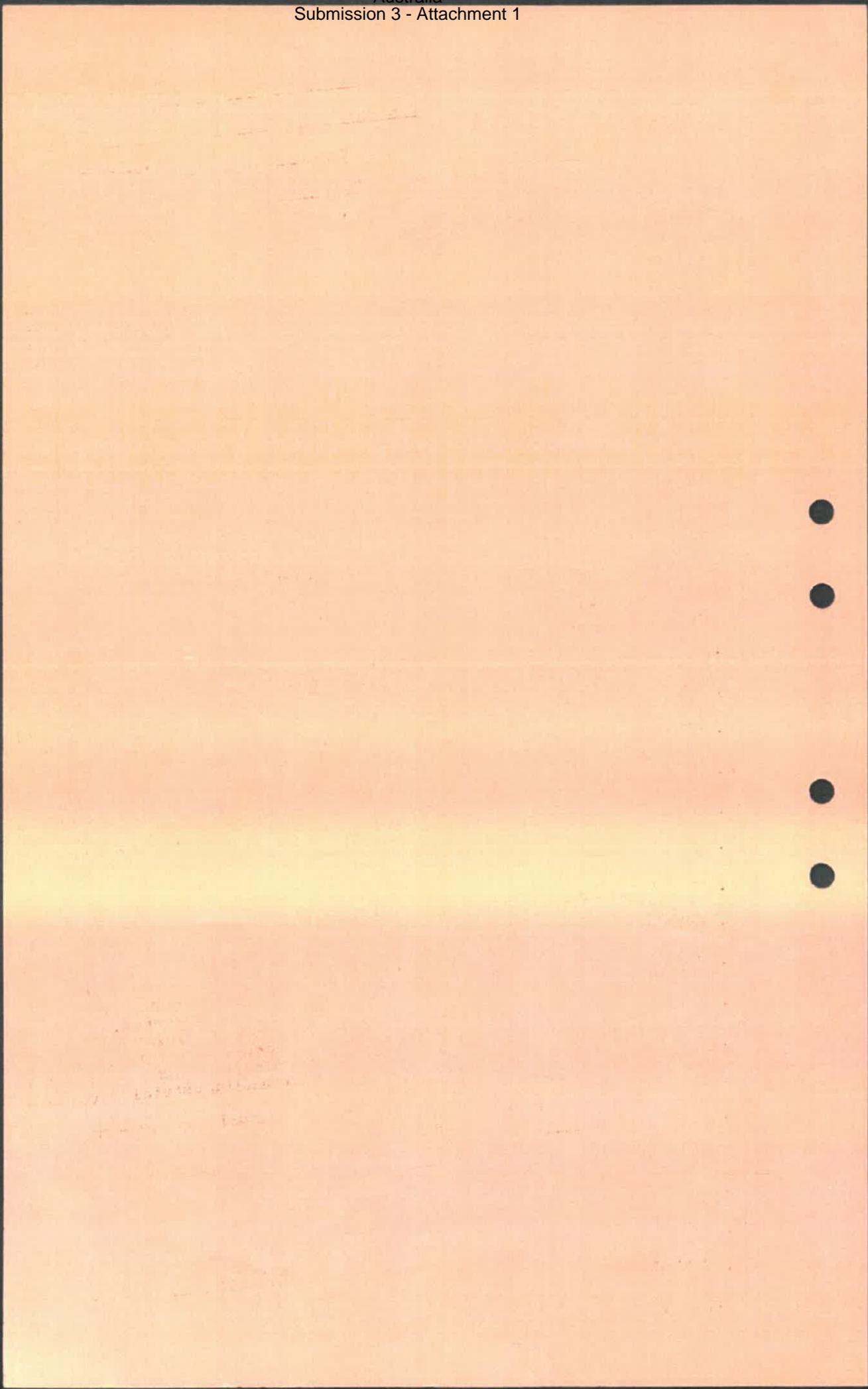
(Submission No. 41500)

30 Copies Received at 4.00 a.m. 16 1 5 19 85 Mr. Goleby
 p.m.

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CIRCULATION DETAILS

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8	MR. LANE		28	<i>2011</i>	Copy of relevant Submission attached
9	MR. GLASSON	<i>af</i>	29	<i>180</i>	
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C O N F I D E N T I A L

C A B I N E T M I N U T E Copy No. 20

Brisbane, 21st May, 1985

Decision No. 46099

Submission No. 41500

TITLE: Department of Harbours and Marine
- Harbour Facilities - Cape
Flattery - Export of Silica Sand.

CABINET decided:-

1. That the Harbours Corporation of Queensland negotiate with Cape Flattery Silica Mines Pty. Ltd. for the provision of harbour facilities at Cape Flattery.
2. That such negotiations proceed on the basis of the company making a capital contribution to the value of the jetty, wharf and outloading facilities.
3. That the harbour dues be set at the minimal viable level to the Harbours Corporation then rising as additional tonnage is exported.
4. That the Harbours Corporation negotiate with the Hope Vale Community and the Department of Community Services for the excision from the Reserve of adequate lands for the port developments.
5. That the "Principles for Agreement" between the parties be referred by the Department of Harbours and Marine to the Treasurer for approval having regard to the above items.

CIRCULATION: Department of Harbours and Marine and copy to Minister.
Premier's Department and copy to Premier and Treasurer.
Treasury Department and copy to Deputy Premier and Minister Assisting the Treasurer.
Department of Mines and copy to Minister.
Department of Lands and copy to Minister.
Department of Community Services and copy to Minister.
Department of Commercial and Industrial Development and copy to Minister.
All other ministers for perusal and return.

Certified True Copy



Robert
Secretary to Cabinet.

SECURITY CLASSIFICATION "C"

Submission No. 41500

CONFIDENTIAL

Copy No. 21

FOR CABINET

DEPARTMENT OF HARBOURS AND MARINE

HARBOUR FACILITIES - CAPE FLATTERY

EXPORT OF SILICA SAND

1. Cape Flattery Silica Mines Pty Ltd have for many years exported silica sands from its mining operations at Cape Flattery. The Company is now at a stage that to hold its export position and world markets it must expand its operations. To cater for such expanded production it will be necessary to construct an offshore wharf and shiploader to load vessels to panamax (70,000 d.w.t.) size. Present loading arrangement has been by barge to ships at anchor and by using ships gear to load. This method is most inefficient and time consuming.

2. The Company has mining leases current for 21 years and has a lease from the Hope Vale Community on which the company mine and stockpile is situated.

The Hope Vale Community by letter dated May 13, 1985 to the Company has indicated its full support to the Company in its endeavours to build a jetty and offshore wharf and facilities.

It is also pertinent to note that the Company has trained and provided employment for a number of the Hope Vale people.

3. The environmental impact of this proposed development will generally be one of improvement and the following more important aspects are advised.

- . Use of the Hope Vale Reserve Lands is encouraged by the local community.
- . The stockpile area is over 3 kilometres from the proposed jetty site and is situated inland behind the coastal sand dunes.
- . There will be no interference with the coastal sand dunes.
- . The piling of the jetty provides shelter and food for marine biota thus improving the marine environment.
- . Some flora in the vicinity of the conveyor belts will be affected from the shading provided by the conveyors and from possible minor sand spillage.
- . The site for the offshore wharf is outside the boundaries of the Great Barrier Reef Marine Park.

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4. It would be proposed that the Harbours Corporation of Queensland negotiate with Cape Flattery Silica Mines Pty Ltd for the construction of the offshore facilities from the last land based transfer tower, as a public or multi-user harbour facility.

As the land based facilities are removed some kilometres from the abutment of the jetty it is considered that those facilities are not essential to the harbour operation particularly as the risk of contamination of product has to be minimised.

It would be required however that the Company agrees to the excision from its leases of a corridor which would allow other mines (if developed) access to the wharf facility.

5. Two financial options for the construction of the harbour facilities are available:-

- (a) The Company at its cost to construct the facilities and on completion of construction deed the harbour facilities to the Harbours Corporation, or
- (b) The Harbours Corporation to raise loan funds to construct the facilities and then to recover such investment by way of harbour dues.

It is considered that the first option is the more desirable scheme.

World market price is \$10-\$12 per tonne of silica and that such market is very competitive. Accordingly in the circumstance that the Company raises the finance and fails after the construction of the facilities the Harbours Corporation has a facility free of debt available for other users should they appear. Conversely if the Harbours Corporation raises the funds and the Company subsequently fails, in addition to the facility to maintain the Harbours Corporation could have a substantial debt without a revenue lease and the risk of obtaining another user.

It would be proposed that the Harbours Corporation would in consideration of the capital contribution lease the offshore facilities to the Company pending the admission of a second User and which lease would require the Company to operate and fully maintain the facility, and conditions under which second or subsequent Users may be introduced as approved by the Harbours Corporation.

A further consideration is that for the first option the Harbours Corporation dues will be low thus presenting a more attractive marketing position.

- 3 -

6. In view of the low value of the proposed export commodity namely \$10-\$12 per tonne it would be proposed that harbour dues be scaled at an amount and tonnage which would be "break even" with the Harbours Corporation administration costs then rising in steps in accordance with tonnage in excess of the break even amount which should reflect the increased profitability of the Company's operations.
7. It will be necessary that as these negotiations may be interpreted as a financial arrangement for the approval of the Treasurer to be obtained to the "Principles for Agreement" between the Harbours Corporation of Queensland and Cape Flattery Silica Mines Pty Ltd.

RECOMMENDATION

It is recommended that:-

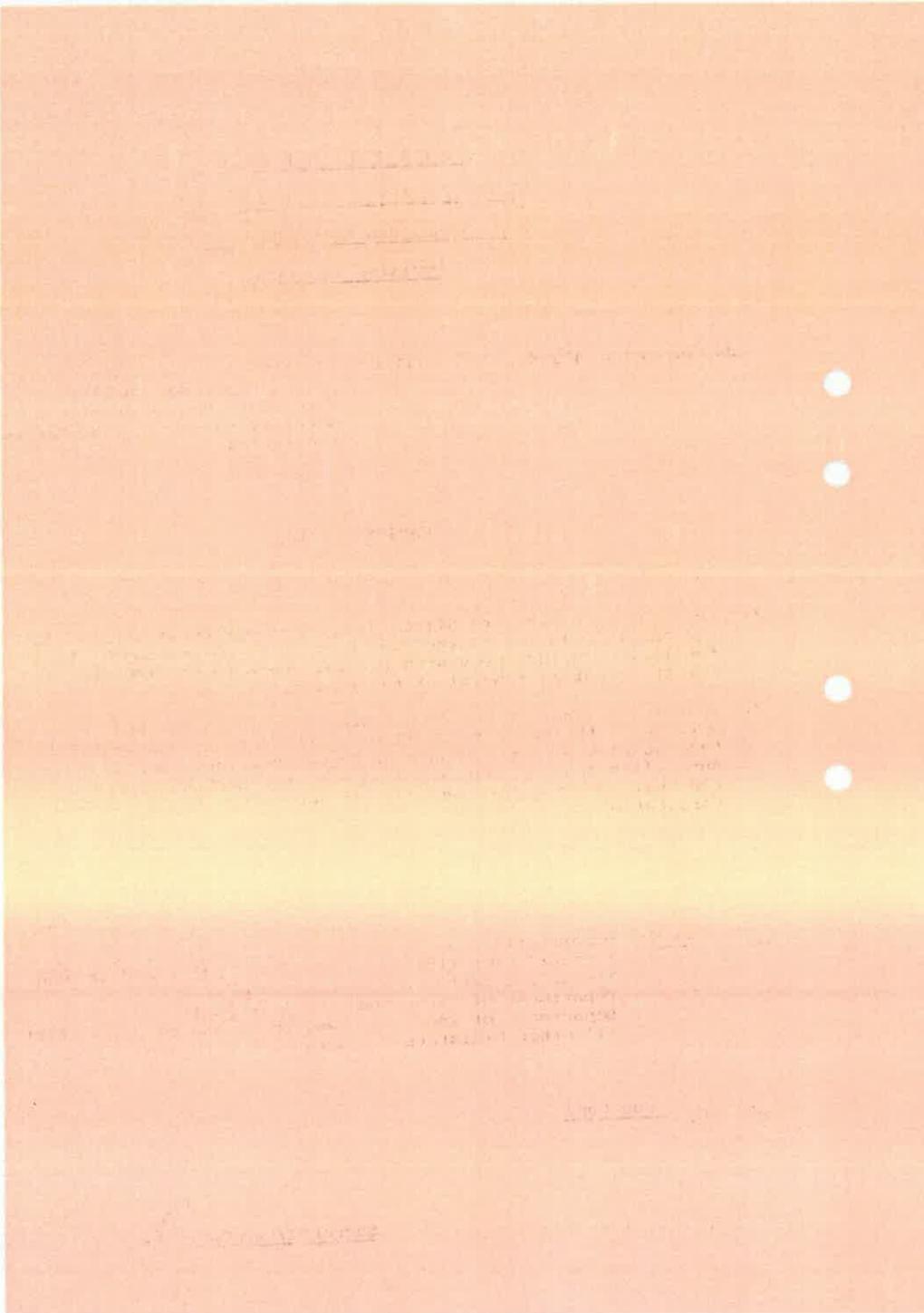
1. The Harbours Corporation of Queensland negotiate with Cape Flattery Silica Mines Pty Ltd for the provision of harbour facilities at Cape Flattery.
2. Such negotiations proceed on the basis of the company making a capital contribution to the value of the jetty, wharf and outloading facilities.
3. The harbour dues be set at the minimal viable level to the Harbours Corporation then rising as additional tonnage is exported.
4. The Harbours Corporation negotiate with the Hope Vale Community and the Department of Community Services for the excision from the Reserve of adequate lands for the port developments.
5. The "Principles for Agreement" between the parties be referred by the Department of Harbours and Marine to the Treasurer for approval having regard to the above items.

John Goleby
Minister for Water Resources
and Maritime Services

Department of Harbours and Marine
Brisbane 16th May, 1985.

CABINET MINUTE		DECISION NO. 11
BRISBANE, <i>8 12 1988</i>		<i>53482</i>
SUBJECT:		
Department of Harbours and Marine - Harbour Facilities - Cape Flattery - Provision of Security for Removal of Harbour Facilities.		
(Submission No. <i>48208</i>)		
<i>30</i> Copies Received at <i>3.30</i>	8. PM p.m.	<i>4 12 1988 Mr. Neal</i>
Copies Made <i>31</i>		
CIRCULATION DETAILS		
1	GOVERNOR	21 Decision File
2	MR. AHERN	22 <i>AM</i>
3	MR. GUNN	23 <i>Present 30</i>
4	MR. GIBBS	24 <i>Travis 29</i>
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Copy No. 20

C O N F I D E N T I A L
C A B I N E T M I N U T E

Brisbane, 8th February, 1988

Decision No. 53482

Submission No. 48248

TITLE: Department of Harbours and
Marine - Harbour Facilities -
Cape Flattery - Provision of
Security for Removal of Harbour
Facilities.

CABINET decided:-

1. That the Cape Flattery Silica Mines port agreement and all future agreements relating to the construction of use of major wharf facilities include provision for the users to provide security for the eventual removal of the facilities.
2. That in the case of the Cape Flattery Silica Mines Pty Ltd agreement, the security shall be in the form of an unconditional bank guarantee in the amount of \$2,000,000 issued by an Australian Trading Bank acceptable to the Harbours Corporation and shall be in a form and content acceptable to the Harbours Corporation.

CIRCULATION: Department of Harbours and Marine and copy to Minister.
Premier's Department and copy to Premier and Treasurer.
Treasury Department and copy to Minister.
Department of Mines and copy to Minister.
Department of Industry Development and copy to Minister.
All other Ministers for perusal and return.

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J. Hancock
Secretary to Cabinet.

SECURITY CLASSIFICATION "C"

48240
Submission No. :.....

CONFIDENTIAL

Copy No.

21

FOR CABINET

DEPARTMENT OF HARBOURS AND MARINE

HARBOUR FACILITIES - CAPE FLATTERY
PROVISION OF SECURITY FOR REMOVAL OF HARBOUR FACILITIES

1. A Lease over wharf facilities at Cape Flattery is currently being negotiated between The Harbours Corporation of Queensland and Cape Flattery Silica Mines Pty. Ltd., a wholly owned subsidiary of Mitsubishi Corporation. The wharf facilities have been constructed, for the export of silica sand, by way of capital contribution by the company equivalent to the value of the facilities constructed, in accordance with Cabinet Decision 46099 of May 21, 1985.
2. One of the conditions proposed in the Lease is that Cape Flattery Silica Mines provide security for the future demolition of the wharf either by way of a bank guarantee, a sinking fund to be accumulated from Harbour Dues, or a combination of these options.

Past experience has demonstrated that wharves eventually outlive their usefulness, and, if provision is not made for demolition, the State can be left with a large residual debt. In recent years, major jetties at both Urangan and Bowen have become redundant without the relevant harbour fund having sufficient funds to remove the structures. In Urangan, demolition of the jetty head and outer stem was funded through a special Treasury grant of \$200,000.00 in addition to \$75,000.00 from the Harbours Corporation Fund. The remaining portion of the jetty has been leased to the Hervey Bay Town Council for restoration as a community facility.

In Bowen, no funds were available after abolition of the Bowen Harbour Board, and it was necessary to raise funds through a levy on all Queensland Harbours under Section 168A of the Harbours Act. Executive Council approval has now been granted to expend approximately \$344,000.00 of these levied funds on demolition of derelict sections of the Bowen Wharves.

. 2 .

4. The situation which has arisen in both Bowen and Maryborough would not have occurred if the relevant harbour authorities had provided funds for the removal of the structures throughout the lives of the wharves. It is therefore proposed that all future major wharf projects allow for some form of security for demolition to be provided by the users of the facility throughout its operating life.
5. Cape Flattery Silica Mines Pty Ltd have indicated that they are prepared to agree to provide security for the removal of the facilities at Cape Flattery, if required on termination of the lease, if the Government will state that this policy will apply equally to future leasing of major wharf facilities. The proposed security will be made up of a \$2,000,000.00 bank guarantee plus a sinking fund to be accumulated from Harbour Dues.

RECOMMENDATION

It is recommended that -

- (i) the Cape Flattery Silica Mines port agreement and all future agreements relating to the construction or use of major wharf facilities include provision for the users to provide security for the eventual removal of the facilities; and
- (ii) in the case of the Cape Flattery Silica Mines Pty Ltd agreement, the security shall be in the form of an unconditional bank guarantee in the amount of \$2,000,000 issued by an Australian Trading Bank acceptable to the Harbours Corporation and shall be in a form and content acceptable to the Harbours Corporation.

D. Mc.C. Neal
MINISTER FOR WATER RESOURCES
AND MARITIME SERVICES

Department of Harbours and Marine,
Brisbane February 4, 1988.

