

**Submission from
Illawarra Area Consultative Committee
(IACC)**

to

**The New South Wales Legislative Council
Standing Committee on State Development**

Inquiry into Port Infrastructure in NSW

17 December 2003

Introduction

Support by the *Illawarra Area Consultative Committee* for this important opportunity for economic growth.

The *Illawarra Area Consultative Committee (IACC)* is comprised of business and community leaders chosen for their capacity to advise the Commonwealth Government on key issues relating to regional economic development and employment growth. The IACC works in close partnership with other key stakeholders including NSW and Local Government organisations, the Illawarra Business Chamber, the Australian Industry Group, University of Wollongong, The Illawarra Institute of TAFE and the Illawarra Regional Development Board. The IACC assists regional stakeholders to establish partnerships aimed at growing the Illawarra economy.

The IACC strongly supports the proposed changes to Port Infrastructure in New South Wales.

The Port Growth Plan calls for container trade to be moved from Darling Harbour and White Bay to Port Kembla by 2006 and, eventually, the motor vehicle importing facility to be moved from Glebe Island to Port Kembla, probably by 2012.

These two operations will significantly broaden Port Kembla's traditional trade base of coal, iron ore and grain. Importantly, Port Kembla has proven it can successfully manage both container and vehicle handling operations (it took over the vehicle importation trade during the 2000 Sydney Olympics to ease Sydney's traffic load during the Games period). It has key road and rail infrastructure already in place to handle this increase in trade. There is underutilised rail and road capacity due to a decline in the coal trade in recent years. In addition, there is flat land available in the harbour precinct to construct the necessary support buildings, warehouses and related infrastructure.

The following submission to the NSW Legislative Council Standing Committee on State Development's Inquiry into Port Infrastructure in NSW will clearly state the IACC's support for the State Government's Ports Growth Plan in relation to the expansion of the port of Port Kembla.

The IACC believes that there are important economic and employment benefits for the Illawarra region and the south-east of the State, through the proposed expansion of trade through Port Kembla.

Addressing the Terms of Reference

Given the expertise of IACC in the fields of economic development and employment growth our committee seeks only to address two Terms of Reference in its submission, these being:

b) The economic, social and environmental impact on the State, including the proposed Port Botany upgrade.

The Illawarra Region is composed of a number of vibrant communities that are keenly seeking a viable future for their young people. While many of these communities have suffered significant set-backs as a result the drastic reductions in the steel industry labour force through the 1980s and early 1990s, they have worked hard to help themselves.

The Illawarra Region has traditionally been one of the industrial powerhouses of NSW, with a large proportion of the workforce engaged in "blue-collar" occupations. However, technological advances in the steel industry and a decline in the region's coal industry have caused a dramatic decline in such employment opportunities in the region. Up to 20,000 Illawarra residents now travel to Sydney each day to work, and the region also has one of the highest youth unemployment rates in the nation (over 30 percent).

Despite their self-reliant attitudes our communities still live in Sydney's economic 'shadow'. Proximity to the nation's most powerful economic centre can be both a blessing and a curse.

High levels of unemployment create significant social problems for many of our communities. Across the Illawarra region Long-term unemployment and Youth unemployment are both substantially higher than Sydney. A large number of our young people leave full-time education each year only to find that there are no job opportunities for them within the Illawarra.

A media report released today listed Illawarra's two federal electorates (Throsby and Cunningham) in "the top ten of Australia's worst unemployment hot spots" (*Illawarra Mercury* 17 December 2003).

Income statistics released by the ATO on 15 December 2003 reveal that *Mean Taxable Incomes* in the Illawarra are 30% lower than in Sydney.

There exist pockets of real poverty within the Illawarra region. A study (released by Anglicare on 16 December), showed that some suburbs, in the Illawarra region housed families that are among the poorest in NSW. Many of these families are already being helped by welfare agencies but the report's preliminary findings show that almost 8 per cent of children from these families are going without food for days.

The solution to poverty in the Illawarra region is a style of economic growth that is inclusive of traditional working class families. The IACC

sees the Port Growth Plan as an important strategy to help share the wealth as well as to share the load as Sydney increases in population and, indeed, in trade through its ports.

The principal concern of this submission is the economic, social and environmental impact of the Port Growth Plan on the Illawarra Region. However, we are mindful of the effect that expansion of trade through Port Kembla would have on other parts of the state, particularly Sydney. The IACC believes it would provide a "win-win" situation for both the Illawarra and Sydney. Sydney stands to benefit from the removal of a significant number of daily truck movements from some of the most congested and densely-populated areas of the city. This will have positive outcomes for inner Sydney in terms of reducing congestion, noise and air pollution, Traffic delays will be reduced, as will the safety risks of transporting hazardous materials through residential areas.

Termination of the stevedoring leases on the Sydney Harbour foreshore will also return to public usage some of the most spectacular waterfront land in Sydney.

Sydney has the highest freight distribution cost of any Australian capital city, largely because of the congestion factor. This will be eased by moving some trade through Port Kembla. There will be a direct economic benefit to Sydney companies, particularly those in the south-western zone (Liverpool-Campbelltown). A port travel time study conducted for the Port Kembla Port Corporation by Sinclair Knight Merz in 1997 concluded that Port Kembla had significant travel time and cost advantages over Port Botany and Sydney Harbour for a proportion of south-western Sydney which is an area of significant manufacturing growth. In addition, the transport routes to and from Port Kembla are considered more reliable and not prone to significant delays.

So while moving stevedoring operations from Sydney Harbour to Port Kembla will help ease congestion on the city's roads and help ease freight costs for companies in Sydney's west, at the same time it will have an extremely positive economic and social impact on the Illawarra by generating thousands of jobs in a region of high unemployment, and by adding hundreds of millions of dollars annually to the regional economy. This will of course have a positive flow-on for the economy of the state as a whole.

A study by the National Institute for Economic and Industry Research (National Economics) on Port Kembla harbour's impact on the region concluded a container terminal at the port could potentially contribute \$400 million to the regional economy.

In addition, having access to both container and general cargo facilities will provide companies in the Illawarra and further south along the coast with an incentive to pursue export opportunities that may not currently be cost-effective because of transport costs involved with exporting out of Sydney.

There are also significant potential transport savings for existing Illawarra-based manufacturers. For example, BlueScope Steel's exports of coated steel products (such as Colorbond) are currently sent by train from the Port Kembla Steelworks to Villawood in Sydney's western suburbs, where they are packed into containers before being transported to Port Botany and loaded onto ships. The advantage of being able to load the Colorbond into containers on site at the Steelworks and transport them literally a few hundred metres to ships is self-evident.

Expansion of the port will have negligible negative environmental or social impact on the Illawarra because the port is in an established industrial precinct. The area proposed for the container terminal is well removed from residential areas, with direct transport access. The region's road and rail infrastructure is already in place and more than capable of handling this increased trade.

c) The employment implications for Sydney, the Hunter and Illawarra regions.

Recent statistics provided by the Department of Employment & Workplace Relations demonstrate the disparities between the Sydney and Illawarra labour markets:

September 2003 Unemployment rates

Wollongong	9.8 % = 8,197 of a labour force of 83,428
Shellharbour	9.6 % = 2,525 of a labour force of 26,185

Botany Bay	3.7%
South Sydney	6.0%

Sydney average	5.2%
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Youth unemployment rates in the Illawarra average greater than 30%.

The IACC is excited about the potential it holds for our region because it will reverse two decades of "blue-collar" job losses in the steel, coal and manufacturing industries in the region. The most spectacular decline has been in the steel industry, which went from 23,000 in the early 1980s to less than 6000 workers in 2003.

According to Illawarra Regional Information Service figures, the region lost 6,500 jobs in the manufacturing sector between 1986 and 1996, constituting 31 percent of the State's decline. This was exacerbated by a similar decline in coal mining jobs, and the pattern has continued in the seven years since then with the closure of a number of coal mines and small to medium-sized manufacturing companies.

Many of the communities within the Illawarra region are former "dormitory" suburbs for the steel and coal industries. Unemployment rates in these communities is much higher, even than the Illawarra average. The skill-base of working-age people in these communities still relates to "blue collar" jobs.

The Illawarra community recognises the need to embrace change in order to diversify the region's economic base and to provide new employment opportunities. The impetus created by the University of Wollongong and development of Information and Communication Technology industries are considered of critical importance. However, there remains a pressing need to develop "blue-collar" employment opportunities.

The expansion and diversification of Port Kembla's trade will not only create hundreds of such jobs but it will deliver a flow-on employment dividend of thousands more jobs as companies establish support facilities in the region. Therefore, it is clear that this is a unique opportunity to provide an enormous economic and employment boost to the people of Wollongong and the Illawarra (and therefore to NSW and the nation).

A container-handling facility at Port Kembla is seen as a major opportunity to regain a significant number of "blue-collar" jobs for the region. It has the potential to generate thousands of direct and indirect jobs – many times the number that might be lost in Sydney by moving the Sydney Harbour facilities.

The reason for this is simple, and lies at the heart of why the region and indeed the State will receive such a high employment dividend from the decision to locate a 50,000 per year container facility in Port Kembla.

The Port Kembla Port Corporation has estimated that during the construction phase there will be an estimated 60 direct jobs. Once fully operational the terminal will support up to 300 jobs. Indirect effects will take this up to almost 1000 jobs. In the long term, with all cargoes, PKPC estimates 2000 jobs will be sustained.

By contrast, it is possible that adding 50,000 containers per year to Port Botany's through-put may not add a single job to that facility as the increase could be absorbed by existing resources.

Therefore, introducing this new dimension to Port Kembla's operation will generate large numbers of new jobs for the Illawarra, and therefore NSW. Container and related industries have a high multiplier effect, because they attract a range of service industries. Introducing a container terminal to Port Kembla would generate jobs through:

- The construction of both harbour facilities and associated land-based infrastructure
- Direct employment of workers for stevedoring and other harbour-related activities such as crews for pilot boats and tugs, maintenance and administration.
- Expenditure on goods and services by visiting ships

- Transport jobs for truck drivers and train drivers to bring cargoes to and from the port
- The establishment of a range of service industries such as bonded warehouses, distribution centres, container-packing operations, container repair yards, cold stores and "pre-tripping" facilities for refrigerated containers.

In addition, the hundreds of millions of dollars generated by increased trade through Port Kembla would provide a major multiplier effect that would be felt across the region.

Conclusion

The *Illawarra Area Consultative Committee* thanks the State Development Committee's for its consideration of this submission, and recommends the adoption of the Ports Growth Plan as a valuable contribution to the future economic and social development of the Illawarra region.



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References:

ATO Taxation Statistics 2000-01

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Australian Bureau of Statistics, "Australian Social Trends 2000"