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30th January 2004

The Hon Tony Burke MLC
Chairman
NSW Legislative Council
Standing Committee on State Development
Parliament House
Macquarie Street
Sydney

Dear Mr Burke

Thank you for your letter of 28 October 2003 advising P&O Ports of the Committee's Inquiry into Port Infrastructure in New South Wales. We welcome the opportunity to provide the following comments, which we hope will benefit the Committee's deliberations.

P&O Ports is a member of the Sydney Ports User Consultative Group (SPUCG). A submission to the Committee is also to be made by SPUCG, which, as submission on behalf of such a group, necessarily may be only broadly representative of our views. Therefore, we wish to emphasize that the views of P&O Ports are carried herein and that, in the event of any apparent contradiction, our views expressed herein should be taken to prevail.

P&O Ports is one of the largest stevedoring companies in the world. A division of the Peninsular & Oriental Steam Navigation Company, P&O Ports has operations in 18 countries, more than any other stevedoring company. P&O has been operating in Australia since the arrival of the P&O steamer Chusun in Albany in 1852. We have been a constant participant on the New South Wales waterfront for over 150 years. P&O Ports operates in over 30 ports around Australia providing container and general stevedoring in all States. We operate container terminals in Sydney, Melbourne, Brisbane and Fremantle. In New South Wales, P&O Ports services Port Botany, Sydney Harbour, Port Kembla and Newcastle. We also operate behind the berth face, providing total logistics and transport solutions through P&O Trans Australia, a division of P&O Ports.

P&O Ports was the first major stevedore to commit at Port Botany. We have operated the P&O Port Botany Terminal, originally C.T.A.L, since the opening of Port Botany in 1982.

P&O Ports offers a full range of stevedoring and transport services in New South Wales, where P&O Ports has approximately 1,000 employees. In addition to container handling, we provide general stevedoring at all three major ports and car handling at the

AAT facility at Glebe Island. AAT is a joint venture facility management company between P&O Ports and the Patrick Group designed to ensure optimum utilization of valuable port land for the benefit of importers and exporters.

P&O Ports makes the following comments regarding the Committee's inquiry into Port Infrastructure in New South Wales:

P&O Ports supports the Government's recently announced Port Growth Plan.

We believe the plan sets out a workable and achievable blueprint for Port development in the state. Before discussing specific elements of the plan, we would like to comment on its general direction.

Any plan for development of infrastructure as important as ports, must be demand focused. We consider the Ports Growth Plan to be a demand driven plan, and welcome its gradual approach and focus on the efficient and appropriate use and development of resources.

NSW is well served by natural harbours and its ports are ideally located from a seagoing viewpoint. The plan recognizes the impact of urban encroachment on some of our Port facilities, most notably in Sydney Harbour and the fact that those berths in particular have passed their optimum use as efficient sites for stevedoring.

It also recognizes the need for improvement of landside facilities and the appropriate processes for determining measured development, which we hope will reach an outcome that balances the totality of community interests.

It also recognizes the potential of the other sites mentioned including Port Botany, Port Kembla and Newcastle. We welcome the certainty provided by the Plan, which will enable P&O Ports to invest in the future growth of our business to the benefit of our employees, customers, shareholders and the economy of New South Wales.

WHITE BAY

The element of the plan that impacts on P&O Ports operation most immediately is the closure of our General Stevedoring Terminal at White Bay, along with the transitional arrangements to share the Darling Harbour facility with Patrick Stevedores. Whilst some commentators mistakenly suggested the Ports Growth Plan had been developed with little consultation, P&O Ports have been aware for more than a year of the policy consideration being undertaken within the Government regarding the future development of the state's ports. This consideration included the Campbell review commissioned by the former Minister for Transport, the Hon Carl Scully, in late 2002. P&O Ports was consulted by the Chairman of the review, the Hon David Campbell MP, in the course of his deliberations.

Following the March election, P&O Ports was concerned to clarify the situation with regard to the future of the Port Jackson terminals and the proposals for development of terminals in Port Kembla and Newcastle as our lease at White Bay was drawing to a close and we sought certainty as to the future of the NSW ports facilities before committing to an extension and to the investment required to upgrade the terminal for future use.

The provision of general and container stevedoring at White Bay had become a marginal activity in all respects. This is due to several factors, which have converged and

intensified in recent times to push the site beyond economic viability. It has become increasingly difficult to accommodate stevedoring activity with the large increase in residential encroachment adjacent to the site. Over the past decade adjacent land has been developed with medium density housing abutting the working port.

The proximity of this greater number of residents has meant that our operations within the terminal have had to be modified at substantial financial and operational cost due to constant and ever increasing complaints from residents. External transport services supporting the terminal have been similarly affected. For instance, residents' complaints regarding noise were a significant contributing factor in the decision to suspend overnight rail operations despite this being the optimum time to access the metropolitan rail system.

At the same time the nature of the trade utilizing White Bay had changed. In part, this is because of the trend towards containerization; where more and more cargos are containerized rather than loaded by general stevedoring. There also has been a shift towards the utilization of larger container vessels leading to fewer calls at Ports. The consistent trend for general stevedoring within Sydney Harbour has been a declining number of visits and a corresponding decrease in berth occupancy levels. At the time P&O Ports ceased operations at White Bay in late November 2003, the terminal was operating at 20% berth occupancy. The industry norm is around 40-60% and terminals, if efficiently operated and designed, can operate at even higher occupancy levels as high as 75%.

What is demonstratively clear is that 20% berth occupancy is an inefficient and unsustainable use of resources. The previous underutilization of both White Bay and Darling Harbour is demonstrated by fact that the combined interim general stevedoring operations of Patrick and P&O Ports at Darling Harbour have proceeded smoothly since our recent transfer. Furthermore, our major customer at White Bay has changed its container vessel service from an irregular call that visited White Bay to a fixed weekly call that suits the superior facilities at Port Botany. That vessel call has therefore transferred to Port Botany.

P&O Ports have already stated publicly that we do not believe there will be any redundancies arising from the transfer of our general stevedoring operations to Darling Harbour in the interim or to Port Kembla in the longer term. Our Enterprise Agreement already requires our staff to work where directed at any of our facilities in Sydney allowing the deployment of staff to Glebe Island, Port Botany or Darling Harbour as needed.

GLEBE ISLAND

P&O Ports developed the automotive terminal at Glebe Island over a ten year period from 1992. In 2002, P&O Ports and Patrick entered into a joint venture called Australian Amalgamated Terminals (AAT) and successfully tendered for the lease of the Glebe Island Automotive Terminal. Glebe Island is the premier car handling terminal in Australia. It receives more cars than any other terminal and offers a full range of detailing and pre sale services to automotive importers and retailers. The terminal has excellent road access with direct connection to the City West Link which links to Parramatta Road and is close to the principal retail Sydney markets between the inner west and Parramatta.

The terminal has strong support from the automotive industry. The AAT lease is for ten years from 2002, with an option for a further five years, and it is AAT's understanding

that the option should be exercisable in the companies favour provided lease conditions and throughput targets are met, as seems very likely.

We note the Ports Growth Plan announcement calls for the closing of the terminal in 2012 at the expiry of the lease but given the strong arguments in favour of retaining the automotive terminal we believe cars should remain at Glebe Island, at least until 2017 and preferably beyond 2017.

PORT KEMBLA

The development of a general stevedoring terminal at Port Kembla is a great opportunity for the Port, the Illawarra region, the operators and their customers. General stevedoring and smaller irregularly calling container vessels will be serviced by a purpose built terminal in a more suitable and functional location and with transport links at least on a par with those at present.

The Port Kembla Terminal will create significant direct employment opportunities. This would be so even without the transfer of car trade as a general stevedoring and irregular container trade will grow.

Logistically, Port Kembla has rail access and is conveniently accessible to the principal market of South Eastern Sydney by road direct via Campbelltown. The centre of cargo destination for greater Sydney definitely appears to be headed towards Port Kembla. The site of the new Port Kembla terminal has the advantage of being remote from urban encroachment – including direct access by road and rail to major arterials, thus minimizing environmental impacts. This should provide the platform for efficient round the clock operations.

We believe the healthy general growth in trade will provide a platform for business growth in Sydney that will absorb our Sydney based workforce concurrently with our relocation to Port Kembla. Where appropriate, those workers wishing to relocate to Port Kembla could do so but we expect at this stage the future majority of employees in Port Kembla will be new entrants.

PORT BOTANY

P&O Ports were the first stevedore to commit to Port Botany in the late 1960's. We remain strongly supportive of developing its capacity.

P&O Ports have steadily improved our container handling performance at our Port Botany Terminal through improved productivity and berth utilization.

Port Botany is the second busiest container port in Australia (behind Melbourne). The terminals are well situated logistically both from sea and land transport viewpoints. Brotherson Dock has a short pilotage time and sufficient draft for the most modern container ships which are visiting Australia today or are likely to visit in the medium to long term.

Our terminal at Port Botany is well served by a skilled and trained workforce. While changes to yard management practices and the potential for more off site storage and handling through the provision of inland terminals will lead to increased terminal capacity, as with all resources, this is finite and it is essential to the state that planning for extra capacity is well advanced.

Port Botany in Sydney is and will remain the premier container terminal in NSW. International container shipping continues to undergo consolidation. The trend is towards larger container ships and fewer calls. Larger, fuller ships can take advantage of greater economies of scale.

To maximize the benefits of scale, shipping companies will visit fewer ports and carry out greater container exchanges at each call. This trend will only increase the demand for capacity at the major ports – Sydney, Melbourne, Brisbane and Fremantle. Australia's economic competitiveness will be impacted by a less than optimum utilization of the capacity of these ports. This is already an issue in Melbourne due to the lack of draft depth in the channel.

P&O Ports supports the Port Growth Plan's support for additional capacity at Port Botany subject to findings by the Commission of Inquiry being established by the Minister of Planning and Infrastructure.

Our support for the full utilization of the economic capacity of Port Botany leads us to subsequently support the Port Growth Plan's proposition for the development of container handling facilities at Newcastle once the capacity of Port Botany is reached. The development of a container terminal in Newcastle should also be demand driven.

RAIL

P&O Ports supports the upgrade of rail and road connections with all NSW major ports. We believe these upgrades need to be prioritized to meet existing and future demand. We support the improvement of rail access to Port Botany and remain supportive of the inland terminal proposal of Sydney Port Corporation.

In summary, P&O Ports supports the proposed Masterplanning process for the former berths in Sydney Harbour. As stated above, we believe the car terminal at Glebe Island should remain for the medium term, however, both White Bay and Darling Harbour terminals once vacated should be put to uses other than stevedoring. To allow reversion to stevedoring uses would jeopardize the viability of the new terminal in Port Kembla and defeat the purpose of the relocation from what have become unsuitable locations for stevedoring.

Thank you for the opportunity to make these comments to the Committee.

Yours sincerely



TIM BLOOD
Managing Director
P&O Ports, Australia and New Zealand