



WALLENIUS WILHELMSEN



**STANDING COMMITTEE ON STATE
DEVELOPMENT**

**SUBMISSION TO INQUIRY INTO PORT
INFRASTRUCTURE IN NEW SOUTH WALES**

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Statement

Wallenius Wilhelmsen appreciates the opportunity to participate in the consultative process on the future growth and development of port capacity in NSW, particularly as the Company and our customers have such a vital interest in securing the provision of appropriate and cost effective ports/terminal-logistics infrastructure to cope with the current and future cargo transport needs in the State of NSW.

Achieving an effective framework in which the Government, industry and the community can work to ensure these outcomes for NSW, is a critical theme under-pinning our submission.

Our principal concerns are:

- The process leading to the announcement of the "Ports Growth Plan" did not adequately canvass the views and requirements of the principal users/stakeholders relative to Port Jackson's harbour infrastructure. More concerning in our view is that there has been inadequate consultation with ocean shipping carriers and their clients.
- The consequences of the Government's announcement will be that some of our main customers (comprising automotive, agricultural and industrial machinery, along with various importers of break bulk inputs to manufacturing in the Sydney basin) will be exposed to significant additional cost and inefficiencies in the distribution chain.
- Wallenius Wilhelmsen does not believe that the facilities currently in place at Glebe Island will be able to cope with the increased volumes expected after February 2006. This assertion is based upon today's utilization of the facility and an annual growth rate of 5%. It would be unrealistic to believe that the requirements for Sydney commerce can be catered for by a terminal with the capacity for just over 5000 cars and just over 400 metres of berth length.
- Wallenius Wilhelmsen has a further concern when reference is made to stevedores preferring to relocate their operation, without any consultation with the major cargo owners or shippers. Further, there is great concern over who should make the decision of which shipping line, cargo owner or importer that should move to alternative premises, and by which criteria this decision would be made, without adequate consultation and consideration of the economic impact upon NSW's importers and exporters. A consequence of the Government's announced plan, therefore, is that it does not provide an outcome that equitably addresses the business needs of all Roll on/Roll off operators or those of their customers.

WWL has been servicing the Australian market since 1895, and today's service is very much a result of our responding to customers need in this region. With the proposed closure of Darling Harbor in February 2006 we are facing a serious challenge to ensure that the NSW cargo owners who have come to rely on our services over the years, will continue to receive a reliable and effective service to Port Jackson.

Our main concern in this regard is that cars and other relevant cargos like combine harvesters, trucks and mining/construction machinery will be split between two ports in NSW. This will again lead to a very poor utilization of synergies and alternatives, with the end result being increased cost to the NSW consumer of these items.

Wallenius Wilhelmsen therefore welcomes the statement in the Port Growth Plan that car imports will remain in Sydney Harbour until at least 2012 - the date when the first option on the AAT Glebe Island Terminal lease expires. WWL is a major supplier of vessels with car capacity serving Sydney, with an approximate market share of 25%.

Given the configuration of ships and the scale of Australian trade, it is essential that recognition be given to the fact that Roll On/Roll Off vessels do not just lift cars, but a combination of non-containerised cargoes.

Executive Summary

The main thrust of this submission is summarised in the *Statement* and the *Conclusion* sections. This latter section being preceded by sections on the Government and Wallenius Wilhelmsen's respective positions, comments on the Port Growth Plan, the impact of the Company's services on the environment, the impact of Government policy on Wallenius Wilhelmsen's shipping services to NSW together with our customers, and, lastly, some suggested solutions.

- It is important the Committee understands that Wallenius Wilhelmsen operates in an entirely different market than the port industry. Our market is highly competitive and our customers, in the main, have real choices as to which shipping line they can use. They are the drivers behind which port we use for our services. Car and RoRo importers expect to import through Port Jackson where there is already an established industry and an effective logistics chain in place.
- 25 – 30 % of the total car trade into NSW will be at risk after Darling Harbor closes in 2006, unless all shipping lines are able to operate from another facility/facilities within Sydney Harbor, in reasonably close proximity to our customer base and in a geographic location that does not provide any competitors with an unfair competitive advantage.
- The Glebe Island facility will need a significant injection of additional capital expenditure in order to provide the additional berth and back up area sufficient to cope with the increased traffic and volumes in 2006.
- Alternatively, an overflow facility will need to be provided from an existing facility in an adjacent location such as White Bay, which is currently reserved for "working maritime uses".

Wallenius Wilhelmsen believes that the overflow facility option can be developed with minimal extra expense and will ensure that the car and RoRo industry can remain in Port Jackson at least until the expiry of the Glebe Island leases, which is in line with the cargo owners and importers expectations.

White Bay, whilst still complying with the usage category of "working maritime uses", could operate as an overflow facility from Glebe, linked by the short private ring road already in existence. It could be integrated with Glebe Island for all users and pure car vessels could be directed there to overcome congestion. It would be seen as an extension of the Glebe Island precinct.

Introduction to Wallenius Wilhelmsen (WWL)

Wallerenius Wilhelmsen was founded in 1999 by Wallenius Lines of Sweden and Wilhelmsen Lines of Norway. Reliability, trust, quality and strong customer focus have always been the driving force behind both companies. Through the partners, services to Australia began in 1856 and have grown over the years. Wallenius Wilhelmsen is recognised as a global leader in RoRo services.

We believe Wallenius Wilhelmsen is a new generation shipping partnership. As a full service transportation and logistics management specialist we combine deep sea and coastal shipping with inland logistic services such as distribution and storage.

The company's critical role in breaking the traditional power structure in the shipping conferences, its agency's success in building links with Australian shippers and its pioneering development of roll-on roll-off services, has made a significant contribution to the NSW economy. Today the total value of imports that Wallenius Wilhelmsen brings to Sydney and NSW is approximately AUD\$2.15 billion each year

Wallerenius Wilhelmsen's trade routes span the world forming a wide network of regular services with fixed arrival and departure times. We operate a worldwide network of deep-sea transportation for vehicles and other RoRo and special cargo including heavy lift machinery and agriculture equipment. The present fleet consists of more than 60 modern purpose-built vessels and the company recognizes that our success in the market place must depend upon the success of our customers. It is through this close association with our customers' needs that we have been able to maintain our focus on service in an increasingly competitive market place.

It is this service that has become an integral part of NSW importers and exporters logistics chain.

Impact of our service on the Environment.

Wallerenius Wilhelmsen is acutely conscious of the pristine beauty of Sydney Harbour and its sensitivity to the environment.

The company led the way in achieving ISO 9002 Quality Accreditation and ISM compliance. Wallenius Lines was one of the first shipping companies in the world to achieve Environmental Certification with ISO 14001.

Wallerenius Wilhelmsen is today certified according to both ISO 9002 and the Environmental Certification ISO 14001. These accomplishments demonstrate its deep commitment to the environment as well as its customers, employees and the transport business.

The company has established the following initiatives and targets:

- Sulphur content in fuel oil is currently reduced to 2% - the target for 2004 is to reduce to 1.5%.
- All WWL sub-contractors must have an environmental commitment.
- We have made significant progress in the reduction of carbon dioxide emissions per transported unit, and are continuing to make progress in this regard.
- Our target is to reduce nitrogen oxides emissions by 25% per transported unit by 2008.
- We use tin-free anti-fouling paint on all vessels
- There are strict limitations on the use of onboard chemicals
- All onboard waste is recycled
- By carrying less ballast water the company is able to make reductions in the use of fuel/bunker oil
- WWL are currently working actively with several large environmental organizations to protect our environment.

Wallenius Wilhelmsen's Understanding of The Government Position

As we understand it the principal elements of the Ports Growth Plan announced by the Government as they affect Wallenius Wilhelmsen and our customers are:

- The leases at Darling Harbour, White Bay and Glebe Island will not be renewed as they terminate in 2006, 2007 and 2012 respectively.
- Stevedores operating at these facilities are being encouraged to move their operations at alternative site in Port Kembla or Newcastle
- Activities defined as "Working Maritime Use" may be undertaken at White Bay going forward.
- In relation to continuing activities at Glebe Island it is anticipated that these will principally relate to RoRo operations focusing on the automotive trades.

Inquiry Terms of Reference.

The Standing Committee on State Development has been asked to inquire into and report on port infrastructure in NSW with particular attention to five issues:

- The Ports Growth Plan
- The economic, social and environmental impact on the State, including the proposed Botany Bay upgrade.
- Employment implications for Sydney and the regions.
- Adequacy of existing road and rail infrastructure and social impacts
- The future of public land at Glebe Island, White Bay and Millers Point

The Government recognizes that NSW is dependant on international trade for future growth

The Ports Growth Plan is intended to provide a framework within which Government, industry and the community will work to ensure balanced future growth and port capacity in NSW

Failure to plan for port growth would lead to uncertainty for industry, employment and regional development with unsustainable pressure building on Sydney Harbor and Botany Bay.

The Port Plan introduces certainty for future port development.

Port infrastructure requires significant levels of investment and long lead times. Industry needs to plan for structural adjustments. It is therefore important that Government initiates planning now to ensure timely delivery of new capacity.

The Plan will distribute the benefits of port growth more equitably between Sydney, the Hunter and Illawarra regions of NSW, provide long term capacity for containers, bulk goods and general cargo, and enhance the economic efficiency of NSW ports.

The Wallenius Wilhelmsen Position.

General

WWL agrees with Government's strategy on the issue of transport infrastructure to properly cater for long-term growth in NSW ports in a balanced manner that will maximize the benefit to the State's economy and its people. This important issue needs to be addressed in supply chain terms of which ports are an integral part. We believe that it is essential that consultation does take place with the industry, which includes the stevedores, cargo owners and the shipping lines/operators. WWL understands that the call for submissions, by the Standing Committee on State Development, is the beginning of that consultative process and we congratulate the Committee on taking this initiative. We look forward to the opportunity of addressing the Committee on the issues raised in this paper

WWL currently services Sydney with five modern RoRo ships per month (60 ships each year). All of these vessels operate on strict timetables in accordance with car, agriculture, mining and construction machinery's importers requirements for reliability and frequency. **Appendix A** shows the type, trends and volumes of products landed over the past 4 years in Sydney. The Committee will notice that over 44000 motor vehicles are imported to NSW through our services, over 2500 units of tractors, combine harvesters, construction and mining machinery plus a range of other vital products. Very few containers are carried in our services, and it should be noted that the figures for agricultural machinery is well over 75% of the total number. The estimated value of the products that we discharge in Sydney is AUD\$2.15 billion each year, and Wallenius Wilhelmsen is a major user of the Port of Sydney.

Currently WWL have 2 services into Sydney. One service provides sailings from Europe via South Africa every 10 days. These vessels are mainly Pure Car and Truck Carriers and stay in port for normally 10-12 hours, and port rotation in Australia is Fremantle, Melbourne, Sydney and Brisbane. The other service is a dedicated RoRo service that caters for all types of cargos including cars and agricultural equipment. This service is sailing from Europe via the US east coast every 14 days. Each of these vessels stay in port for 30 – 36 hours, and port rotation in Australia is Brisbane, Sydney, Melbourne and Fremantle.

The end destinations for our imports are in close proximity to the CBD area, as most cars are pre-sold. Other cargo usually goes to the Western Suburbs, all in close proximity to the CBD areas and within the 40-45 Km radius.

Agricultural/mining machinery etc is generally transported to the North, West or South of Sydney. Therefore, by enforcing the movement of RoRo cargo to ports to the North or South of Sydney, the transport logistics will change and bring into

account the question of whether shipment through Brisbane or Melbourne represents a better logistics solution for NSW importers.

The Committee should also note that all of our customers are located in the City of Sydney and all similar shipping lines use either Darling Harbour, in conjunction with us, or the Glebe Island facility.

Currently the only clear timeline that we have is that the Darling Harbor berths, which we currently use, will close in February 2006. This provides us with very little planning time to relocate to a new berth/facility without causing unnecessary disruption to the needs of our customers. This relates to the time lag between a decision being made and to the completed construction of facilities at Glebe Island or other alternatives (current estimates indicate well over 12 months). In addition to this, all customers and other users of our services must be given ample time to review alternatives and prepare in a proper way.

Port Growth Plan

The plan indicates the intention to facilitate wide consultation, and it is essential that this take place. The Plan refers to the term "industry" in a number of places, however the definition of this word must include shipping companies, shippers, ancillary services such as towage ship repairs, marine contractors as well as the stevedores.

The Plan states in the General Cargo Section that the stevedores have indicated a preference to relocate their existing general cargo stevedoring trade to Port Kembla by 2006. As far as we know, they will not consult their customers before stating that preference and, with respect, it is not their decision to make.

In anything approaching a normal market it is the ship-owner who decides which port he uses and his customers, the shippers, guide him in that decision. The stevedore is then engaged by the ship-owner to discharge/load the cargo that is available. The ship-owner is the customer of the stevedore, not the reverse.

The Plan also states that car imports will remain in Sydney Harbour until at least 2012, the date when the first option on the AAT Glebe Island Terminal lease expires. It is therefore paramount to the industry that the trade as a whole can stay, and not as current scenario indicates that a certain percentage will have to move to another port.

We have great concern over the capacity of the Glebe Island facility to handle the future car and roro trade into NSW, taking into consideration an annual growth of 5%, and the fact that the terminal is already, at times, reaching capacity. On an average week up to 4 vessels can call consecutively and discharge over 4000 units, which today puts the capacity to almost 75%.

With the cargo owners desire to stay in Port Jackson and the Government's statement maintain car imports in this port, the numbers for this facility do not stack up. WWL believe that the only cost effective solution to this is to include White Bay No.5 and 6 as back-up berths.

The cargo owners and commercial entities importing this type of cargo into Port Jackson will be severely disadvantaged by a split port operation (the only one in Australia). This again will lead to increased cost, inefficient transport networks, and a poor logistics chain. With such a scenario in place for one of the largest cities in Oceania, it will cause shippers to look at more cost effective solutions in other ports. It should also be noted that such a scenario would also discourage any future and developing trades into NSW for these types of commodities.

Further it is important for the Committee members to understand that any shipping company is solely driven by its customer's requirements and needs. The drivers in the trade that are at stake are the need for synergies, which, if successful, will stimulate further trade again. There will be no such synergies if trade into NSW is split between two ports, and, in this highly competitive market, it will certainly make any company/ importer moving out of Port Jackson less competitive in the short to medium term, unless substantial financial incentives are provided.

WWL have, as mentioned earlier, built up our relationships over 100 years and have, as such, a vested interest to remain in Port Jackson.

All shipping lines specializing in the RoRo trade currently use either the Darling Harbor facility or the Glebe Island Terminal. Therefore, no product importer or shipping line enjoys an unfair competitive advantage in terms of land transport costs.

Impact of implementation of Government policy on WWL vessels and customers

Currently the car/vehicle and breakbulk/unitised trade in NSW is catered for at either the Darling Harbor facility or the Glebe Island Terminal, which is operated by an AAT - a joint venture between Patrick and P&O. WWL vessels are handled at the Darling Harbor facility by our contracted stevedore Patrick's. The White Bay Terminal has recently been vacated by the stevedore [P&O] and the work transferred to Darling Harbor.

We understand that the Darling Harbor Berths are scheduled to close in February 2006 and by that date the WWL services will need to be relocated to another facility.

We have previously stated that it is our customers who dictate which ports we use and the normal process is that Port Authorities provide for the needs of

commerce within their geographic scope. Car and RoRo importers want to import through Port Jackson for the following reasons:

- Close to their Sydney market
- Established industry infrastructure in Sydney
- Close to the industry drivers in Sydney and established expertise
- Established direct dealership delivery procedures that are designed to significantly reduce road transport and double handling.
- Established on-wharf Pre Delivery Installation facilities (PDI) in the one port.
- A well-established cost picture/ structure.
- Already established logistics network regardless of port of origin for cargo or shipping company.
- The most cost-efficient solution

Adequacy of existing road and rail infrastructure, and social impact

WWL are not adverse to changes and progress, but it needs to be approached in a proper manner and with stakeholders and interested parties. There is little doubt that, with the growth of Sydney, the demographic centre is moving west and is no longer within a short radius of the CBD. We do, however, have some serious concerns with regards to road and rail access for the alternative NSW port.

- Rail freight for cars, agriculture, mining and construction machinery is not be practical due to the short distance and extra moves involved.
- Trucking companies specialising in the more heavy types of cargos will face serious delays travelling via Bulli Pass on the way north to Sydney.
- The need for empty truck moves would increase by 100%, as there currently are no cargos moving from the Sydney area to Port Kembla – thus Sydney importers will be disadvantaged.
- Increased trucking on the existing roads from Port Kembla to Sydney will no doubt lead to increased pollution and road wear & tear.
- Industry groups have expressed concern over the pollution issues in Port Kembla, and no proper study is available in this regard.

Summary

- The Port Growth Plan indicates the intention to facilitate wide consultation. It is essential that this take place. The Plan refers to the term "industry" in a number of places, and the definition of this word should include shipping companies, shippers, ancillary services such as towage ship repairs, marine contractors as well as stevedores.
- It is important that the Committee understands that shipping lines operate in an entirely different market to the port industry. Our market is highly competitive and our customers have real choices as to which shipping line they can use. They are the drivers behind which port we use for our services. Since Car and RoRo importers expect to import through Port Jackson, it is totally unacceptable to deny access to this market for certain shipping lines or importers.
- The Plan also states that car imports will remain in Sydney Harbor until at least 2012, the date the first option on the AAT Glebe Island Terminal lease expires. WWL is a major car carrier serving Sydney. There has been no consultation undertaken or plans presented on how our clients and/or business will be handled in this scenario. This represents a significant percentage of the total cargo volumes in this trade.
- Currently all car importers are currently utilising either the Darling Harbour facility or the AAT facility at Glebe Island. Consequently, no group enjoys an unfair competitive advantage in terms of land transport cost. Any scenario where parts of this group will have to move out of Port Jackson will severely disrupt this balance.
- 25% of the NSW car trade will be at risk unless, after Darling Harbor closes, we are able to operate from another facility in Sydney Harbor in reasonably close proximity to our customer base, and in a geographic location which does not disadvantage any importer or shipping line.
- The government needs to be clear in its view on the definition of "Working Maritime Uses". Furthermore, there also needs clarification around what type of shipping will be acceptable at White Bay.
- Both Glebe Island and White Bay have been the subject of very substantial investments in recent years in order to efficiently cater for growing levels of imports. Today, both facilities represent significant commercial and strategic assets that remain capable of making a major contribution to the social and economic welfare of this State.

- The Glebe Island facility will need an injection of additional capital expenditure (approximately AUD\$25m) in order to provide an additional berth and back up area sufficient to cope with the increased traffic in 2006. Alternatively, an overflow facility which can be provided from an existing facility in an adjacent location such as White Bay (currently reserved for “working maritime uses”).
- The majority of the importers/exporters that are using our services want to have their products delivered to Sydney. Any significant change in the location of our berthing facilities would place additional costs and inefficiencies across a well established logistics chain.
- White Bay, whilst still complying with the usage category of “Working Maritime Uses”, could operate as an overflow facility from Glebe, linked by the short private ring road already in existence. It could be integrated with Glebe Island for all users, and pure car vessels could be directed there to overcome congestion. It would be seen as an extension of the Glebe Island precinct.

Solutions

The majority of the companies that are importing cars and agricultural/construction/mining machinery want to have their product delivered to Sydney. Any significant change in the location of available berthing facilities would place importers at a competitive disadvantage compared with the companies that will be given the option of staying.

The solution outlined below would meet the subject industry requirement that all operators and importers can stay in the same or adjacent areas.

The whole industry needs to stay in Sydney, but the limits of Glebe Island need to be recognised by all stakeholders.

Industry port calls to Port Jackson in 2002 were:

General cargo/break-bulk vessels	155
RoRo vessels	65
Car carriers or Pure Car and Truck Carriers	232

Wharfs and berths available today (Darling Harbor, White Bay, Glebe Island):

Total berth length in Port Jackson	2290 meters
Total berth length available after 2006 (without extension of Glebe Island and use of White Bay)	461 meters
Total back up areas available after 2006	95,000 m ² (5-5500 cars only)
Area for under storage	NIL

If White Bay (berth nos. 5 and 6 only) were to be retained then the above figures would increase significantly. This would remove the need for any significant capital expenditure at Glebe Island:

Total berth length available after 2006 (without extension of Glebe Island but use of White Bay)	1,438 meters
Total back up areas available after 2006	145,000 m ² (7500-8000 cars only)
Area for under storage	11,280 m ²

White Bay, whilst still complying with the usage category of "Working Maritime Uses", could operate as an overflow facility from Glebe, linked by the short private ring road already in existence. It could be integrated with Glebe Island for all users and pure car vessels could be directed there to overcome congestion.

Although the facility could equally operate separately as a multi user terminal, it would be a reasonable solution if the facility were seen as an extension of the Glebe Island precinct, rather than a stand-alone facility. The use of this high standard working facility in the above manner should be allowed to extend at least until the end of the leases on Glebe Island.

WWL do not use containers, and their vessels are currently undertaking noise tests to ensure that noise levels are kept to a minimum. (It should be kept in mind that the Glebe Island berth is only a few metres further away from houses occupying White Bay).

The arrangement would also meet the need for proximity to a Pre Delivery Installation facility, which is an essential requirement of the car business - double handling is a problem.

Conclusion

To maintain and promote the competitiveness of any NSW port it is important to put the customer's need and requirements in focus. The customers want to import all subject cargos through one terminal or port (which is in line with all other major ports in Australia, and established practice world wide). Only this will ensure a truly competitive, cost effective and healthy logistic chain that will eventually benefit the end consumer. In a uniform and open industry one cannot deny one part of the market to certain players and give access to others. It is only through an even playing field the end consumer will benefit.

We have outlined what we believe is in the best interests of the commerce of NSW. If the Government's desire is to transfer all shipping out of Port Jackson over a period of time, then the alternative in order to protect the interests of NSW commerce and to maintain the competitiveness of NSW Ports is to ensure that appropriate financial incentives are in place which will ensure that the affected parties are not disadvantaged.

Appendix 1

SYDNEY CARGO VOLUMES 2000 TO 2003

