



**NEW SOUTH WALES GOVERNMENT**

**Submission to the Legislative Council  
Standing Committee on State Development**

**Inquiry into Port Infrastructure in NSW**



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# 1 Introduction

The State Government welcomes this opportunity to make a submission to the Inquiry into Port Infrastructure in NSW, currently being undertaken by the Legislative Council Standing Committee on State Development.

This submission follows the announcement of the NSW Ports Growth Plan, by the Premier, the Hon. Bob Carr MP, on 5 October 2003.

The Ports Growth Plan is a concise set of fundamental decisions, made by the NSW Government to provide strategic direction and certainty for port users and service providers, builders of infrastructure and the wider community.

The fundamental decisions made by the Government are as follows:

- a) Maintaining Sydney Harbour as a working port servicing an evolving mix of maritime activities which can be efficiently accommodated;
- b) Commissioning a detailed master plan as part of a process of defining the future use of Darling Harbour East, White Bay and Glebe Island;
- c) Supporting the movement of general cargo stevedoring activity from Darling Harbour East and White Bay and car imports from Glebe Island to Port Kembla as leases expire;
- d) Selecting Newcastle as the long term site for future container port expansion once Port Botany reaches capacity; and
- e) Proceeding with an Independent Commission of Inquiry to investigate Sydney Ports Corporation's proposal to expand the Port Botany container facility.

The Ports Growth Plan is a strategic framework for detailed decision-making with respect to implementation, on the basis of reliable and comprehensive planning and public consultation processes.

## 1.1 The Role of Government

The NSW Ports Growth Plan is the next important phase of a long-standing iterative process, aimed at facilitating decision-making and the delivery of services by the private sector and other stakeholders.

Individual ports corporations are responsible for ensuring the effective use of their assets. They are also responsible for ensuring that there is adequate port capacity available to meet the long term needs of the logistics chains they service.

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The NSW Government plays a major strategic role in the ports sector in two key respects.

As the shareholder of the three ports corporations, the Government ensures that the ports are being managed efficiently in a business sense.

Secondly, the Government oversees strategic decision-making by the ports corporations, to ensure the best economic, social and environmental outcomes are achieved for the State of NSW.

This strategic decision-making requires a broader focus than can be adopted at the port corporation level. For example, it considers how port developments fit within the needs of the State's overall transport supply chains that support the major port trades. This level of decision-making provides certainty for the ports corporations, providers of road and rail infrastructure, and to private providers of facilities and services at the ports and beyond, including transport operators.

With port infrastructure requiring significant levels of investment and long lead times for development, it is essential that proper planning is initiated now, so that there is a timely delivery of new port capacity.

Planning also provides an excellent opportunity to improve environmental outcomes and better manage land use issues.

Previous examples of similar significant strategic port decisions include:

- (a) The decision in the 1970s to establish a new port precinct at Port Botany to facilitate the State's major container facility development (reflecting the lack of available suitable land within Sydney Harbour for the long-term development of this trade); and
- (b) The decision in the mid-1980s to re-locate the State's major bulk grain export facility from Glebe Island to Port Kembla (allowing spare rail capacity to Port Kembla to be better utilized, freeing up capacity in the Sydney region for more essential tasks).

The Government is now at a similar decision-making juncture, with two emerging issues:

- (a) The capacity of existing container facilities at Port Botany is expected to be filled sometime between 2010 and 2015. The lead time associated with bringing additional capacity online, including the need for a full consideration of environmental and social impacts of new developments, requires a strategy to be determined now; and

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- (b) Leases at a number of port facilities in Sydney Harbour will expire in the near future, requiring the Government to consider state-wide demand for port facilities.

## **1.2 Structure of this Submission**

This submission contains three sections: overview of the ports sector in NSW; information on the NSW Ports Growth Plan; and concluding comments.

## **2 Overview of the Ports Sector in NSW**

Port facilities are the gateway through which the majority of Australia's international trade passes. Nationally, sea freight represents more than nine percent of GDP and provides direct employment to more than 420,000 people.

The value of goods moved through NSW ports exceeds \$50 billion annually. NSW is significantly dependent on international trade for its economic growth.

NSW's ports are important "nodes" within an overall logistics-chain for moving these goods around the State. Transport costs are a key determinant of NSW's global competitiveness. In the medium-to-long term, transport costs can influence business location. If competitively priced transport links and port facilities are not available in NSW, then businesses may relocate to other States.

These factors mean that decisions about the strategic direction of NSW ports need to be made with the continued economic development of NSW as one of the key objectives.

### **2.1 Structure of the ports sector**

Private sector participants in the ports include shipping lines, towage operators, private berth owners and stevedores, who provide services to manage the import and export of cargo. Private participants outside the ports include importing and exporting industries and transport operators.

Three ports corporations operate the State's commercial ports of Sydney (including Port Botany), Newcastle and Port Kembla. However, the land comprising the beds and shores up to the mean high water mark of the commercial ports is vested in the Waterways Authority, on behalf of the people of NSW.

The role of the ports corporations is to promote and facilitate trade. They fulfill this role by leasing common user infrastructure to stevedores and specific sites to private berth owners for the import and/or export of cargo, and by liaising with importers and exporters. They also have a responsibility to promote safe navigation and

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environmental management in the port environs, which includes the operation of pilotage services in the port.

### **2.1.1 Sydney Harbour**

Wet and dry bulk products, “Ro-Ro” (i.e. roll on, roll off cargo), general and containerised cargo are handled at the four Darling Harbour berths.

The four berths at Glebe Island handle motor vehicles and also bulk dry cargo such as cement, bulk refined sugar and bulk soda ash.

Blackwattle Bay is used for bulk concrete aggregate. Shell has a lease at Gore Bay and uses this facility for the import, and storage of oil products.

Each year, the road network carries more than 1.5 million tonnes of dry bulk cargo, 180,000 imported cars and a further 385,000 tonnes of general cargo to and from Sydney Harbour.

There are two dedicated passenger cruise terminals in Sydney Harbour, located at Circular Quay and Darling Harbour.

Sydney is the major cruise ship hub for Australia’s east coast. This has recently been enhanced by the introduction of the Trans-Tasman service, “Spirit of Tasmania III”, which made its maiden voyage from Sydney on 13 January 2004. The “Spirit of Tasmania III” will provide an additional 156 ship visits to Sydney Harbour each year.

Sydney Harbour is not a suitable area to sustain and grow the general cargo trade. It does not have sufficient land for a modern, efficient container facility. Moreover, there is no rail access at Darling Harbour, nor can B-double trucks access the stevedoring terminal. At White Bay, the stevedoring area is immediately adjacent to residential areas, imposing constraints in relation to operational impacts, particularly with regard to noise.

### **2.1.2 Newcastle**

The Port of Newcastle is the world’s largest coal export port, which capitalizes on the predominant commodity in the surrounding hinterland. The efficient operation of the port is a crucial element in the Hunter Valley coal chain.

During 2001-02, approximately 90 percent of all cargo handled at the port was export coal. Coal is loaded at 4 and 5 Dyke berth and also at the Kooragang 4-6 berths, which are owned and operated by Port Waratah Coal Services.

Coal exports currently exceed 71 million tonnes per annum. Newcastle Port Corporation currently has capacity in excess of 100 million tonnes per annum, with the loading facilities having a stated capacity of 89 million tonnes per annum. There are continuing



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issues around the number of bulk ships that are queued off the Port of Newcastle awaiting access to the coal berths, and the associated demurrage costs. Stakeholders in the coal supply chain are continuing to work to resolve these issues.

The port also handles a number of other cargoes. The two berths at the Eastern Basin are utilized for general cargo activity, including containers, break bulk and general cargo such as aluminium, steel and timber products.

There is a dedicated grain handling berth at Western Basin No 3. This berth handles significant export grain cargo.

The Throsby Basin berths are used for the tie-up of cruise and visiting naval vessels. It also has Forgacs floating dock ship repair facility. The ADI berth is used for vessel construction and repairs.

Bulk ore products are loaded at Dyke Berth number 2, with the number 6 BHP berth used for the loading and discharge of pitch, tar and creosote.

P&O leases number 2 berth at Kooragang, which is used for dry bulk products such as fertilizers, cement, cottonseed, sands and woodchips and also liquid bulks such as vegetable oils.

Following the closure of the BHP steelworks, berths 2-5 are now available for alternative uses. The Government has available to it a site and adjacent available land which can be used in the longer term for the facilitation of container trade growth.

The Port of Newcastle is working with the coal and grain industries to improve the competitiveness of export trade in these key commodities.

### **2.1.3 Port Kembla**

Port Kembla is Australia's leading port for steel exports and the second largest for grain. It is reliant on commodities, with 91 percent of all through-put consisting of the export of coal, iron and steel and grain and the import of iron ore concentrates.

The grain handling facilities at Port Kembla were relocated from Sydney Harbour in the late-1980s, a strategic decision made by the Government designed to make more efficient use of rail capacity within NSW.

Berth facilities at Port Kembla are divided between the Inner and Outer Harbour.

In the Inner Harbour, the multi-purpose berth handles general, bulk and break bulk commodities; the grain berth, with a throughput of 2.3 million tonnes annually; the coal berths; and the privately operated BHP facilities which are used for the import of raw materials and export of steel products.

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Port Kembla Coal Terminal Limited operates the coal berth at the port, servicing the mines located in the southern and western coal fields. Productivity improvements in recent years have ensured the continued operation of this berth. Presently, the Terminal has an export capacity of 16 million tonnes of coal per annum.

In the Outer Harbour, the number 6 Gateway berth is a common user berth which handles bulk and break bulk products and the Bulk Liquids and Oil Berths are used for fuel and other liquid products.

There is currently an opportunity to develop an under-utilized 40 hectare site within the Inner Harbour, which has a rail siding linked to the main railway to Sydney, and access to the major road freeway system. Decline in coal export tonnages over recent years provide capacity for the movement of goods to and from Sydney on the road and rail networks.

#### **2.1.4 Port Botany**

Global containerised trade began in the 1970's. It was quickly realised that Sydney Harbour could not accommodate the growth in this trade, and a strategic decision was made by Government in that decade to build a facility at Port Botany. Construction of the facility began in 1971 and opened in December 1979.

The original plan was to construct at least four terminals at Port Botany, and initially two were constructed at the Brotherson Dock complex, containing a total of 7 berths. Construction of a third runway at Kingsford Smith Airport in 1994 curtailed the ability to achieve the original four terminal complex at Port Botany.

Port Botany is now Australia's leading container import port.

The nine Brotherson Dock container trade berths are leased to P&O Ports Ltd ("P&O") and Patrick Corporation Ltd ("Patrick"). It is through these facilities that more than one million twenty-foot equivalent units (TEU) of containerised cargo are traded annually. A survey by the Sydney Ports Corporation, in 2000, identified that 85 percent of all cargo moved through these facilities is unpacked or packed within 40 kilometres of Port Botany.

The Commonwealth developed a container X-ray facility at Brotherson Dock in 2003. Such ancillary equipment is a core requirement for Australia's participation in international containerised trade and is one of only four facilities in Australia, the others being at Fremantle, Melbourne and Brisbane.

The Bulk Liquids Berth at Port Botany, which adjoins the Brotherson Dock facility, is a common-user facility which services the discharge and loading requirements of the

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petro-chemical industry in NSW. Petro-chemical cargoes are transferred by pipeline to nearby industry storage facilities operated by private companies.

In addition, Caltex operates a crude oil and petro chemical import facility at Kurnell, which, together with the Shell refinery at Clyde, supplies approximately 90 percent of the NSW market for petrol, diesel and aviation fuels.

Port Botany is well serviced by a dedicated rail freight line, which currently has the capacity to handle 500,000 TEU per annum. In addition, the road network currently handles more than 750,000 TEU each year to and from the Port.

Port Botany also has facilities which enable the storage, handling, cleaning and repair of empty containers, quarantine inspections and other services such as fumigation.

## **2.2 Growth in Containerised Trade**

Since 1970, containerised trade through NSW ports has grown at an average rate of seven percent per annum, achieving throughput of one million TEU in 2000.

The containerised trade through Port Botany alone now exceeds one million TEU per annum. In 2002-03, containerised trade through Sydney Ports grew by 15 percent to 1.16 million TEU. It is expected to grow by eight percent or close to 100,000 containers per year.

NSW containerised trade is dominated by the import of consumer goods to service (predominantly) Sydney's population of 4.15 million people. Sydney's population is projected to grow by some one million in the next twenty years.

The international containerised shipping trade is characterized by economies of scale based on increasingly large ships, which require minimal ports of call and high investment in stevedoring capability to ensure fast cargo exchange at port.

## **2.3 General Cargo Stevedoring in Sydney Harbour**

The existing Sydney Harbour leases at Darling Harbour and White Bay are due to expire in the next two years.

The two major stevedores, Patrick and P&O, operated general cargo terminals at Darling Harbour and White Bay, respectively. P&O Stevedores has, in the interim, shifted operations to Darling Harbour East, operating the terminal jointly with Patrick. The lease at Darling Harbour expires in 2006.

Currently, vessels calling to Darling Harbour and White Bay predominantly have mixed cargoes of containers and break-bulk cargo. This type of cargo cannot be cost effectively

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stevedored at the major Port Botany container berths due to a combination of irregular shipping timetables, and specific equipment and storage requirements.

Port Kembla Port Corporation advises new facilities, suitable for general cargo stevedoring, will be completed at Port Kembla prior to 2006. Patrick and P&O have advised the Government of their preference not to renew the lease at Darling Harbour East and to re-locate this trade to the new facilities at Port Kembla, subject to satisfactory commercial negotiations being completed.

The leases at Glebe Island are for a range of terms and uses, extending out to 2020. These include leases for car import terminals which run to 2012, but with a five-year option to renew. As each of these leases expire, there will be an opportunity for Government and the private sector to consider the potential for the relocation of trades in the context of the evolving maritime needs of the City Centre and of the Harbour generally.

### **3 NSW Ports Growth Plan**

The NSW Government has addressed the important strategic issues in relation to the future of port development in NSW in the coming 20 years.

The Government has prepared a framework for how NSW will provide, in a timely manner, adequate port capacity to meet the projected growth in container stevedoring requirements to 2025, subject to proper review of environmental and community impacts.

The NSW Ports Growth Plan provides strategic direction to allow the private sector to commence planning for the next tranche of major container trade growth through NSW ports. It also allows the public sector providers of road and rail infrastructure to settle on their long term development plans.

The Plan provides for the relocation of general cargo stevedoring from Sydney Harbour to Port Kembla, and, in the future, for the relocation of car imports. This new direction recognises the potential efficiencies that can be achieved by relocating these important trades away to sites where they have greater potential to grow.

Importantly, the Ports Growth Plan aims to not only distribute the benefits of growth more equitably between Sydney, the Hunter and Illawarra regions, but to also provide the necessary long term capacity for containers, bulk goods and general cargo. This is needed to enhance the economic efficiency of the ports and associated logistics chain to the long term benefit of NSW.

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## 3.1 Elements of the ports growth plan

### 3.1.1 Sydney Harbour

Sydney Harbour is and will remain a working port, retaining import of materials to support the construction industry (e.g. cement, gypsum and soda ash), cruise shipping, long-term oil imports and maritime construction, maintenance and repairs. Car imports will remain in the port until at least 2012.

Containers, general cargo and motor vehicle stevedoring from Port Jackson will be encouraged to progressively relocate to Port Kembla as existing leases expire. Any relocation is subject to satisfactory commercial negotiations being completed between the lessees and the Port Kembla Port Corporation.

The Minister for Infrastructure, Planning and Natural Resources will develop a masterplan to:

- (a) Retain White Bay for working maritime uses;
- (b) Create an unbroken run of public access to the foreshore of the harbour between Woolloomooloo and the Anzac Bridge; and
- (c) Preserve Millers Point for a future iconic development.

The Minister for Infrastructure, Planning and Natural Resources has established a taskforce, chaired by the Director-General of the Department of Infrastructure, Planning and Natural Resources (DIPNR), to plan the future use of Darling Harbour East (wharves 3 – 8) and Glebe Island/White Bay. The taskforce will draw on the skills of independent experts, where necessary.

The removal of general cargo from Sydney Harbour in no way indicates that the NSW Government has moved away from its working harbour philosophy. Instead it reflects another stage in the Harbour's evolving role in serving NSW's trade requirements.

Sydney Harbour has been a fundamental part of Sydney's trade environment since the first settlement. However, Sydney Harbour, due to its physical constraints, could not accommodate the introduction and growth of containerised trade in the 1970's. As a result, trade through Sydney Harbour has become comparatively less significant.

By the 1990s, port activity in many areas of the Harbour – notably Cockle Bay, Walsh Bay, and Woolloomooloo – had ceased.

The centre of industrial activity has now moved away from Sydney Harbour. By 2003, freight activity was largely confined to Darling Harbour East (berths 3-8), Glebe Island, White Bay, and a smaller facility at Blackwattle Bay.

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These remaining port facilities have, in some instances, become isolated from their traditional users and increasingly reliant on shared local infrastructure, such as the local road network for Darling Harbour, which has no rail access.

### **3.1.2 Newcastle**

Newcastle is well-positioned to be the State's next major container facility, when Port Botany reaches full capacity. It is proposed that an additional large scale container facility, handling in excess of one million TEU, will be required to be developed from 2020 to meet trade growth.

The Government will therefore need to reserve land at the former BHP steelworks site at Newcastle for the development of future container capacity growth, thus requiring reservation of this site in the Newcastle Ports Environs Concept Plan.

Newcastle Port Corporation is also being encouraged to maximise its relative advantage in bulk trades, particularly coal and grain, and to pursue new industrial developments for which it is also well-suited. For example, Expressions of Interest for new developments on portside sites on Kooragang Island have recently been sought.

In the short term, there is a significant opportunity for Newcastle to develop a niche facility to manage regional containerised trade.

The Newcastle Port Corporation has been pursuing, through an Expression of Interest process, the identification of private sector participants that might take the first steps towards developing capacity at a Multi-Purpose Terminal. This process will continue, in light of the other components of the Ports Growth Plan, to determine if a viable Multi-Purpose Terminal can be initiated in the short term.

This development, initially serving regional demand, has the potential for incremental development of infrastructure and building of custom, providing a platform for future growth.

Development of the Multi-Purpose Terminal will proceed with the private sector financing the development opportunity on appropriate commercial terms, including risks being borne by the private sector.

### **3.1.3 Port Kembla**

The Port Kembla Taskforce, established in November 2002 by the then Minister for Transport, examined in detail the future role of Port Kembla.

The Taskforce was chaired by the State Member for Keira, David Campbell MP (now the Minister for the Illawarra), and included representatives from the Illawarra Business

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Chamber, the South Coast Labor Council, the Maritime Union of Australia, the shipping industry, and the road transport industry.

The State Government agreed in-principle with the Taskforce's recommendation to transfer the current general cargo stevedoring operations of Patrick and P&O to Port Kembla from their current leased sites at Darling Harbour.

The stevedores are currently negotiating to relocate their existing general cargo stevedoring trade from Sydney Harbour to Port Kembla by the end of 2006. This decision is subject to completion of an agreement between the two stevedores and the Port Kembla Port Corporation on commercial terms acceptable to all parties.

Port Kembla's available berth space and back up land, road and rail network connections and proximity to the Sydney market provide a solid base for this trade to grow. It is anticipated that the relocation will have a significant positive impact on employment in the Illawarra.

The leases in Sydney Harbour expire in 2006, allowing time for the shippers, stevedores and supporting land-side industry to plan for an orderly relocation of these trades.

The Port Kembla Port Corporation has received funding approval to extend the multi-purpose berth at a cost of \$14 million. The original multi-purpose terminal is currently 300 metres long and can accommodate a single ship operation. The addition of 130 metres to the berth will comfortably accommodate a two-ship operation.

In anticipation of the closure of stevedoring operations at Darling Harbour and White Bay, the Port Kembla Port Corporation has commenced negotiations with shipping companies and stevedores to facilitate the process of systematically relocating general cargo trade to Port Kembla over the next two to three years.

### **3.1.4 Port Botany**

The State Government has established an Independent Commission of Inquiry, under the provisions of the *Environmental Planning and Assessment Act 1979*, to examine Sydney Ports Corporation's Development Application and Environmental Impact Statement to expand container facilities at Port Botany.

On 2 December 2003, the Minister for Infrastructure, Planning and Natural Resources announced the terms of reference of the Commission of Inquiry, which will be conducted during 2004. The Commission of Inquiry will be open to community submissions.

On 29 January 2004, the Minister for Infrastructure, Planning and Natural Resources announces that Commissioner Kevin Cleland had been appointed to oversee the Commission of Inquiry.

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Commissioner Cleland will be assisted by two independent experts to ensure the Inquiry outcomes are as comprehensive and transparent as possible.

The Commission of Inquiry will commence in May 2004.

The Sydney Ports Corporation is the proponent for this development, not the State Government.

On 26 November 2003, with consent from the Waterways Authority as land owner, the Sydney Ports Corporation lodged its Development Application and Environmental Impact Statement (EIS) for the development of a third container terminal at Port Botany (the EIS was put on public exhibition on 27 January 2004). The proposal involves a new container terminal on the north eastern edge of Port Botany on 57 hectares of land to be reclaimed from the Bay. The proposal provides additional wharves to allow for berthing, and dedicated road and rail access and support infrastructure.

The expansion of Port Botany is the most efficient next step towards the goal of enhancing the State's major container capacity. The relevant part of Botany Bay has been earmarked for future port growth purposes since the 1970s.

However, the Government has indicated that any proposal to expand Port Botany must first be subject to detailed environmental scrutiny through the Commission of Inquiry process.

### **3.15 Inter-Modal Road and Freight**

Concurrently with the Commission of Inquiry, the Minister for Infrastructure, Planning and Natural Resources has convened an Inter-Modal Freight Planning Group to examine how to increase the proportion of containers moved by rail to and from the ports to inter-modal terminals in both the Sydney metropolitan area and regional NSW. This work is taking place within the broader context of developing a Metropolitan Strategy.

DIPNR is chairing the Inter-Modal Freight Planning Group. The Group includes representatives from various agencies, including the Ministry of Transport, the RTA and Rail Corporation NSW (formerly State Rail). In developing advice for the Minister, the Group will liaise with representatives of key industry participants within the supply chain.



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## 4 Concluding Comments

The NSW Government is committed to working cooperatively with all stakeholders to ensure the best outcomes are achieved for NSW including certainty for the port sector.

As stated earlier, the NSW Ports Growth Plan is the next step in a long-standing iterative process. The decisions contained in the Plan reflect the importance the Government has placed on providing a strategic direction.

The decisions in the Plan are designed to facilitate further rigorous analysis and public consultation processes.

By developing the NSW Growth Plan, the Government has provided the framework to ensure a strong and vibrant NSW Port Sector and NSW economy into the future.