

15 January 2004

NSW Legislative Council  
Standing Committee on State Development  
Parliament House  
Macquarie Street,  
**Sydney NSW 2001**

Dear Committee Members,

The Illawarra Business Chamber (IBC) welcomes the opportunity to make a submission to the NSW Legislative Council's Standing Committee on State Development inquiry into Port Infrastructure in NSW.

The IBC believes Port Kembla is extraordinarily well placed to play a more significant role in NSW's freight task, particularly given its proximity to Sydney, and in particular Sydney's growing South West.

The proposed expansion of Port Kembla has the potential to create a win-win not only for the Illawarra in terms of a substantial boost the regions economy, but also to Sydney in terms of reduced congestion and improved environmental outcomes.

The IBC would also like to highlight the broad ranging support across the community for the development of Port Kembla which is evident through the existence of the Illawarra Alliance, comprising of the IBC, Wollongong Council, the South Coast Trades and Labour Council and the Australian Industry Group (Illawarra Region).

The Alliance has made representations to various local, state & federal elected representatives over the past 12 months, including direct representations to Premier Carr, the Minister for Transport and the Hunter the Hon. Michael Costa and the Minister for Regional Development, Small Business and Illawarra the Hon. David Campbell.

As part of the inquiry process the Illawarra Alliance has invited the Committee to visit Wollongong and in particular the port facilities at Port Kembla.

For any further information please in the first instance please contact Mark Grimson, Policy and Public Affairs Manager at IBC on 42294722.

Yours sincerely,

Terry Wetherall  
**President**

Submission from the Illawarra Business Chamber

to

New South Wales Legislative Council

Standing Committee on State Development

Inquiry into Port Infrastructure in NSW.

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## **Introduction**

The Illawarra Business Chamber is a not for profit membership based organisation covering the five local government areas of Wollongong, Shellharbour, Kiama, Shoalhaven and the Wingecarribee. IBC is affiliated with Australian Business Limited (ABL), an organisation with over 17,000 members across Australia.

Representing over 1000 businesses across the five local government areas that make up the Illawarra, the IBC has been a strong advocate for the expansion of trade through the Port of Port Kembla.

The IBC believes significant economic and employment benefits will flow to Illawarra businesses and the broader community as a result of the expansion of the port. Subsequently, in October 2003, the IBC commended Premier Carr's announcement (Copy of release attached).

Premier Carr's announcement has the potential to create a win-win situation, not only for the Illawarra region, but also for the positive impacts for Sydney in terms of reduced congestion and environmental impacts.

This submission addresses the first four terms of reference as they relate to the Illawarra. It does not attempt to address the fifth term of reference as this is a matter for the Government and the people of Sydney.

### **1. NSW Government's Port Plan, including any planned closure of shipping in Sydney Harbour.**

The IBC sees the Port Growth Plan as an important long term strategy in the future development of NSW, which recognises the future ongoing pressures faced by Sydney in terms of growth in both population and trade, and recognises the potential for the port of Port Kembla to ease some of that burden.

With Sydney's population now over 4 million people, and projected to reach over 5 million by 2020, combined with container trade growing at around 8 per cent or about 100,000 boxes per year, one must question the ongoing sustainability of have NSW's two largest freight ports located in heavily built up areas of Sydney, and particularly as is the case of Sydney Harbour located virtually in the CBD of the city.

In this context, the IBC strongly supports the Ports Growth Plan adoption of a three port policy in NSW which seeks to utilise the facilities at Port Kembla and Newcastle. Currently these two facilities handle only one per cent of NSW's container and general freight trade, and clearly have the capacity to play a much greater role in the States freight task whilst at the same time reducing the burden on Sydney's infrastructure.

The proximity of Port Kembla in particular makes it ideally placed to ease some of Sydney's burden. The reality is that in respect to the growth areas of Sydney's South-west where much of the city's manufacturing, warehousing and population growth is occurring, Port Kembla is closer and more accessible than either Sydney Harbour or Port Botany.

Whilst the Ports Growth Plan suggests that in the first instance Port Kembla would handle 50,000 containers and a hundred thousand tonnes of general bulk cargo per year, the Port Kembla Container Terminal Taskforce concluded in February 2003 that with a relatively small investment the port could develop an initial capability to manage an operation of 100,000 containers per annum.

## **2. The Economic, Social, and Environmental impacts on the State, including the proposed Port Botany upgrade.**

The IBC believes the NSW Port Plan has the potential to deliver substantial economic and social benefits, particularly for the Illawarra and the Hunter, as well as major environment benefits for Sydney.

The expansion of the Port of Port Kembla will provide a major boost to the Illawarra economy, not only from the terminal itself, but also from the associated infrastructure and services that go to support such a facility.

An Economic Impact study by Dr Brian of the National Institute of Economic and Industry Research (National Economics) found the proposed terminal could potentially contribute an additional \$400 million to the Illawarra economy.

This boost will come about not only from the terminal itself but all the accompanying infrastructure and services that go to support such a facility. Additional and increased business would flow from supporting facilities and services such as trucking, rail operations, maintenance and repair, IT systems, cleaning, equipment hire, construction, freight forwarding, customs brokering, marine surveying, ship providers and so on.

The terminal and associated services could also expect to attract to the region a wide range of manufacturing, distribution, and warehousing operations.

Clearly the development of the container terminal may also attract other industries involved in import/export operations to consider relocating to the region, particularly in light of the lower cost structures associated with operating in the Illawarra in terms of land, wages and salary costs etc.

To this end the IBC along with a number of other key stakeholders have joined with the Illawarra Regional Development Board to establish a working group tasked with the role to identify and target potential new port related industries that may be interested in relocating to the Illawarra.

In addition to the opportunities that the port expansion provides in terms of attracting new industries, the advent of container handling facilities at Port Kembla will result in significant cost savings for many local businesses who either import or export containerised cargo.

Currently all of this trade has to be transported through Sydney's ports, with Sydney having the highest freight distribution cost of any Australian Capital city, due to its high congestion levels. At present such costs are passed on to industry which in turn makes these businesses less competitive.

This in turn places a large cost disadvantage on not only businesses in the Illawarra, but the far south coast including Bega, Eden etc and businesses in Western and South Western Sydney.

The advent of a container terminal at Port Kembla and associated industries will therefore not only improve the profitability of businesses in the above mentioned regions, but will also act as a catalyst for other companies to pursue import and export opportunities that may not currently be viable due to the high transport costs associated with operating out of a Sydney port.

### **3. Employment Implications for Sydney, the Hunter and the Illawarra regions.**

The IBC believes the State Government has an important role to play in terms of regional economic development, ensuring that the entire state of NSW benefits from the current strong national economy, not just Sydney.

The importance of a significant boost to the region's employment prospects should not be underestimated, particularly when one considers the significant challenge faced by Wollongong and the wider Illawarra region in terms of our unemployment levels, and particularly the loss of jobs in the regions traditional "blue collar" industries.

Whilst the NSW economy and in particular Sydney has been performing strongly, resulting in an unemployment rate of around 5.6%, the Illawarra's unemployment level continue to hover at around 9.5%, with Wollongong at 10.5% according to the latest ABS statistics.

Some of the explanation of this continued high level of unemployment can be attributed to the substantial decline in the blue collar employment opportunities over the past two decades within the region.

A Study by the Illawarra Regional Information Service titled Labour Market Conditions in the Wollongong Statistical District and NSW highlighted that between 1986 and 1996, 6,500 jobs were lost in the manufacturing sector, equating to 31 per cent of the States total decline in manufacturing jobs over that period.

A report commissioned by Wollongong City Council in October 2003, titled the "Wollongong Economic Development Roadmap" further highlighted the extent of the challenge faced by the region with employment data showing a net decline of 172 jobs in the 5 years to 2001.

The IBC is strongly of the view that the State Government has a responsibility to the people of this region to be actively working to address this problem.

For this reason the IBC applauded the Premier's announcement regarding the future direction of NSW's Ports Policy as a clear example of the State Government recognising amongst other things, the role it can play in encouraging major employment generating projects in regional NSW.

The expansion, including a container facility at Port Kembla is seen as a major one-off opportunity to regain some of the blue collar jobs that have been lost to the region over recent times.

It is widely acknowledged that ports are important generators of economic activity in terms of goods, services and people required to operate the stevedoring, terminal, storage and ship control infrastructure all adding to local income and employment. However, in terms of the total increase in economic activity generated from an expansion of such a facility, the port services component is relatively small. The vast majority of additional activity, output and subsequent jobs come from wholesaling and distribution, road and rail transport, freight forwarding, custom services and other transport services.

Analysis undertaken by Dr Brian of the National Institute of Economic and Industrial Research (National Economics) concluded it would not be unreasonable to suggest that over the longer term up to 2000 indirect jobs could be created.

Additionally the types of jobs that have been lost in the Illawarra over recent decades are similar to the skills that would be needed in this new port industry. Plant and machine operators and drivers, trades persons and labourers are traditional "blue collar" type occupations that have declined in the region and are just the type of skills needed in a container terminal operation and the associated industries.

#### **4. Current and future infrastructure needs and social impacts including with respect to the adequacy of existing road and rail infrastructure.**

The IBC believes that Port Kembla is extraordinarily well positioned to take on an expanded role in terms of the State's Port Infrastructure.

Obviously Port Kembla is already a well established port, handling some of the world's largest bulk cargo ships. However, the main opportunity underpinning the development of the facility at Port Kembla relates the 'Greenfield' nature of the site.

The Port has 40 hectares of flat, serviced land with immediate wharf access, serviced by existing roads and rail infrastructure. This land was created as a result of filling in the casting basin used during amongst other things construction of sections for the Sydney Harbour Tunnel.

In addition, the Port's Infrastructure advantages include;

- Current spare capacity in port infrastructure, such as berth space and shipping slots
- The Port of Port Kembla is a deep water port with a short 3km entrance channel of 15.25m deep and alongside berth depth of 16.0m.
- Port Kembla is free of problems traced by other ports. There are no curfew problems; no urban encroachment problems; no B-Double restrictions and so forth.

As a sign of further commitment to the expansion of Port Kembla, the NSW Government announced in October 2003, that the multi purpose berth will be extended from its existing 300m in length to 430m, at a cost of \$14 Million. This will ensure that the multi purpose berth is capable of handling two large vessels at the same time.

On the specific issue of the adequacy of the regions road and rail infrastructure, it is important to understand that in 1995, the region's road and rail network was handling 15 million tonnes of coal transported down the escarpment to the harbour for export. Today that figure is nine million tonnes.

In relation to the proposed expansion of Port Kembla, the initial 50,000 containers (equating to approximately 500,000 tonnes) and the one million tonnes of general cargo per year represents only a quarter of the coal trade that has been lost to Port Kembla since 1995.

In recent years Mt Ousley has also been significantly upgraded with an additional lane being added in both directions.

As a further indication of the regions ability to handle additional capacity, was the transfer of 9000 cars imported through Port Kembla instead of Port Jackson during the 2000 Sydney Olympics, in an effort to reduce congestion in Sydney.

Finally, unlike many of Sydney's port facilities, the proposed expansion on the inner harbour precinct at Port Kembla will not impact on any future urban development as it is located well away from residential areas.

**References:**

Port Kembla Container Terminal Taskforce report, February 2003.

Regional Infrastructure: New Economic Development Opportunities for the Hunter, Illawarra and Western Sydney – Australian Business Foundation, May 2003.

Labour Market Conditions in the Wollongong Statistical District and NSW - Illawarra Regional Information Service, 1998.

Wollongong Economic Development Road Map – Buchan Consulting for Wollongong City Council, October 2003.