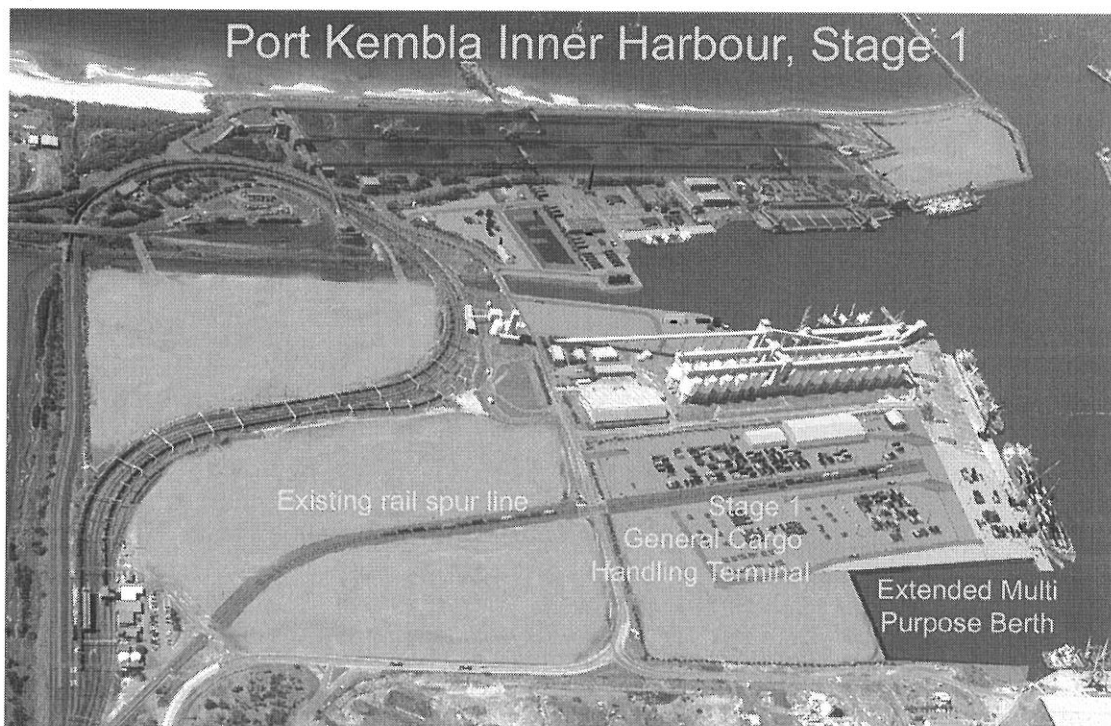


**Submission from the
Australian Industry Group
- Illawarra**

to

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

Inquiry into Port Infrastructure in NSW



Simulated view of Port Kembla Inner Harbour Development - Stage 1.

Terms of Reference

That the Standing Committee on State Development inquire into and report on port infrastructure in New South Wales and in particular:

- (1) the NSW Government Ports Growth Plan, including any planned closure of shipping freight facilities in Sydney Harbour,
- (2) the economic, social and environmental impact on the State, including on the proposed Port Botany upgrade,
- (3) the employment implications for Sydney, the Hunter and the Illawarra regions,
- (4) current and future infrastructure needs and social impacts including with respect to the adequacy of existing road and rail infrastructure, and
- (5) the future of public land at Millers Point, Glebe Island and White Bay on which shipping freight operations are currently located.

Closing date: Wednesday 17 December 2003

Summary

Region united behind opportunity for growth

This submission to the NSW Legislative Council Standing Committee on State Development's Inquiry Into Port Infrastructure in NSW affirms the Australian Industry Group Illawarra membership's support for the State Government's Ports Growth Plan in relation to the expansion of the port of Port Kembla.

In making this submission, we acknowledge the support for expansion of Port Kembla that has been demonstrated right across the Illawarra community. Particularly, we have been a part of an alliance between the Australian Industry Group (Ai Group Illawarra), the Illawarra Business Chamber, Wollongong City Council and the South Coast Labour Council.

While we believe that there are important economic and employment benefits for the Illawarra region and the south-east of the State, the proposed expansion of trade through Port Kembla also has positive economic and environmental implications for Sydney.

We see the Ports Growth Plan as an important strategy to help "share the load" as Sydney increases in population and in trade through its ports. It will help ease the problem of increasing congestion on Sydney's roads, particularly in the inner-city areas that surround the current Sydney Harbour facilities.

Port Kembla is in fact closer and more accessible to the vast growth areas of Sydney's south-west than Sydney Harbour and Port Botany, so there are a variety of economic, social and environmental benefits in not having to transport goods through heavily congested urban areas. In fact, the Port Kembla Port Corporation has for some years been marketing itself as Sydney's "Port of Opportunity" because it sees itself as effectively a third port for the state capital with advantages in both time and distance to the

manufacturing and warehousing operations that are increasingly concentrating in Sydney's south-west, particularly the Liverpool-Campbelltown area.

The Ports 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 under-utilised 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 the like.

The Illawarra Region has traditionally been the state's industrial powerhouse, 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. An estimated 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).

The expansion and diversification of Port Kembla's trade will not only create hundreds of 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 one-off golden opportunity to provide an enormous economic and employment boost to the people of Wollongong and the Illawarra (and therefore to NSW and the nation) – while also easing the growing congestion on Sydney's roads.

The alliance of Australian Industry Group (Illawarra), Illawarra Business Chamber, Wollongong City Council and the South Coast Labour Council has come together to work towards this outcome. The alliance has been supported by a range of other organisations committed to developing the region's economic base and employment opportunities, including the Illawarra Regional Development Board.

The submission addresses the first four Terms of Reference, with particular reference to how the Ports Growth Plan affects the Illawarra. It does not, however, address the fifth Term of Reference which deals with the future of public land at Millers Point, Glebe Island and White Bay. That is a matter for the people of Sydney.

Terms of Reference

(1) The NSW Government Ports Growth Plan, including any planned closure of shipping freight in Sydney Harbour

The Ports Growth Plan is a strategy designed to provide solutions to the transport and logistics challenges caused by the continuing growth of shipping trade through the ports of Sydney Harbour and Port Botany. This growth is causing unsustainable pressure on Sydney's urban road network.

The Ports Growth Plan proposes utilising port facilities at Port Kembla to Sydney's south and Newcastle to the north to ease some of the pressure that is building on Port Botany and Sydney Harbour. Port Kembla and Newcastle currently handle only one per cent of the State's containerised and general freight, and clearly have the capacity to take a more significant role in easing the burden on Sydney.

Port Kembla is well placed because of its proximity to southern and south-western Sydney where much of the city's manufacturing, warehousing and population growth is taking place.

Under the Ports Growth Plan, Port Kembla would handle 50,000 containers and hundreds of thousands of tonnes of general bulk cargo per year when Sydney Harbour leases expire. The motor vehicle trade would eventually see around 300,000 cars per year enter Australia through Port Kembla.

It is significant to note that these 50,000 containers represent only half of the annual growth in the container movements through Sydney's ports, so moving that trade to Port Kembla would only "flatten the growth graph" for six months without affecting current operations at Port Botany. However, it is also significant to note that the Port Kembla Container Terminal Taskforce Report concluded that the port could easily handle 100,000 containers per year. In other words, the port definitely has the capacity to contribute even more to the

task of moving freight in and out of NSW than the Ports Growth Plan proposes.

Ai Group (Illawarra) believes that there is potential for Port Kembla to relieve the pressure on Sydney ports to an even greater extent than the Plan proposes.

**(2) The economic, social and environmental impact on the State,
including the proposed Port Botany upgrade**

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. Many current Illawarra exporters transport goods via road to Sydney, adding to the road congestion issues. This is also an additional transportation cost that could be minimised if exporting through the port of Port Kembla.

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 capable of handling this increased trade.

The positive social impact will come from the availability of more jobs in a region of relatively high unemployment.

(3) The employment implications for Sydney, the Hunter and Illawarra regions

The 2001 Census showed that the Wollongong local government area had a total unemployment rate of 9.1 percent (7,337 persons) while the Illawarra Region as a whole had 8.9 percent (14,545 persons) unemployed. While this figure decreased by 2.4 percent from the previous census in 1996, it still is almost two percent above the NSW average and represents a major cause for concern for the entire community.

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.

A container-handling facility at Port Kembla is seen as a major opportunity to regain a significant number of jobs for the region. It has the potential to generate thousands of direct and indirect jobs as well as provide growth opportunities for existing and new businesses.

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, the National Institute of Economic and Industry study estimates 2000 jobs will be sustained.

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
- 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.

The service industries have virtually unlimited potential for generating employment opportunities. The Illawarra Regional Development Board is

supporting a high-powered regional committee charged with identifying and attracting those support industries to the region to service the container trade. The Ai Group (Illawarra) is represented on this committee.

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

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

Port Kembla is ideally placed to handle an expansion of both container trade and general cargo. Its capacity to accommodate large ships is well established, as the port already handles some of the biggest bulk carriers in the world.

However, its real advantage is in the availability of waterfront development land. The port has 40 hectares of flat, paved, serviced land with immediate deep-water wharf access serviced by un-congested road, rail and sea corridors. This land was created by filling in the casting basin.

The road and rail access has been designed to handle large quantities of freight. In fact, the projected allocation of 50,000 containers (which equates to approximately 500,000 tonnes) and a million tonnes of general cargo per year represents just a quarter of the coal trade that Port Kembla has lost since 1995. The region's roads and rail were handling 15 million tonnes of coal in 1995, however the coal trade is currently at 9 million tonnes per annum. Therefore, the proposed expansion of Port Kembla port would add 1.5 million tonnes to a transport infrastructure system that is 6 million tonnes "lighter" than it was eight years ago.

With this significant unused capacity that would be only partially filled by the projected increase in container and general cargo trade, existing road and rail infrastructure is adequate.

Importantly, there can be no future urban encroachment on the inner harbour precinct designated for the proposed expansion. It is located well away from residential areas.

During the 2000 Olympic Games the Port of Port Kembla demonstrated its ability to handle motor vehicle imports, with 9,000 cars imported during the Games period in a successful operation designed to relieve congestion in the Olympic City.

The NSW Government has allocated \$14 million to add 130 metres to Port Kembla's multi-purpose berth to take it to 430 metres and make it a genuine two-ship berth capable of handling two large vessels at the same time.

Reference:

- (1) Port Kembla Container Terminal Task Force report, February 2003