

Hunter Economic Zone and Port of Newcastle As a Niche Satellite Hub for Greater Sydney

*Submission to the Standing Committee on State Development
Inquiry into Port Infrastructure in NSW*



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This report gives a brief overview of the Hunter Economic Zone (HEZ) and the strategic role it can play in NSW's economic development in the context of the recently announced NSW Government *NSW Ports Growth Plan*.

It specifically looks at the following implications:

- The economic and environmental impact on NSW;
- The employment implications for Sydney and the Hunter;
- Current and future infrastructure needs and social impacts;
- Adequacy of existing road and rail infrastructure.

Please note this report focuses on the interplay of Sydney and the Hunter, and the scope excludes any role the Illawarra might also play in alleviating the load at Port Botany.

INTRODUCTION TO HUNTER ECONOMIC ZONE

The 3,200 hectare Hunter Economic Zone (HEZ) (business development and conservation buffer lands near Kurri Kurri) is strategically placed to support the Hunter Region as a niche satellite hub for the Greater Metropolitan Sydney area – Australia's largest economic market and its international trade and visitor gateway.

With HEZ, NSW now has large, flexibly zoned industrial and commercial sites (up to more than 100 hectares) close to the Sydney Basin to offer to large job-generating national and international companies – business previously lost to NSW.

With HEZ, NSW now has recovered the capacity to attract large industry tenants that need an efficient port link. This combination means NSW will be able to compete with Gladstone which offers heavy industry solutions; Brisbane and Melbourne which are able to provide manufacturing and national logistics solutions; and Western Sydney which is becoming less attractive for major development due to high land costs and growing logistics expenses.

In fact, HEZ has the potential to attract manufacturers, importers and exporters, creating a new economic focus for NSW and relieving pressure on Sydney and its business and social infrastructure.

It is estimated HEZ will attract between 10,000 and 15,000 incremental jobs to the Hunter and NSW over the next 10 to 15 years, reshaping and regenerating the 'coalfields' economy of the townships surrounding HEZ. Over generations, these townships have endured economic downturn as traditional industries closed, resulting in high unemployment (particularly among youth).

HEZ Nominees have expended over \$6 million on the HEZ project with plans to spend more than \$40 million on necessary infrastructure to ensure that HEZ is thriving and delivering jobs for the NSW economy within three years.

Planned expenditure on a high-pressure gas pipeline into the site and a large capacity electricity sub-station will ensure HEZ can supply world-competitive infrastructure to industry.

This will help the HEZ project meet the employment, investment and environmental objectives envisaged by the NSW Government when rezoning the land in 2002.

However, it is clearly recognised that the development of efficient logistics links between HEZ and any planned container facility at the Port of Newcastle will enable NSW to optimise its national role as a major industry and distribution centre, serving the most significant part of the Australian consumer market.

THE VISION

HEZ is ideally placed to house several inland port terminal facilities for the breakdown and distribution of container goods across the major Australian consumer market which stretches from south-east Queensland to Adelaide.

Critical to the jobs and development outcomes HEZ offers is a need for a proactive and concentrated focus by government and business on a new container facility located at the Port of Newcastle, and confirmation of Newcastle as a major NSW container port centre.

A common vision will significantly accelerate business and jobs growth.

Global examples of regional ports worldwide acting in a satellite capacity for the primary port and, in themselves, becoming tangible national economic drivers include:

- Tauranga, New Zealand and its innovative link to Auckland;
- Felixstowe, England servicing the Greater London area;
- Baltimore, USA servicing the New York metropolis.

Mature economic centres inevitably expand to the point where they require decentralization policies to enable them to combat inherent inefficiencies. The Greater Sydney Metropolitan area is facing such a dilemma. Accordingly, it is appropriate to accelerate the expansion of decentralized resources such as the HEZ and the Port of Newcastle.

The Alameda Transport Corridor takes imports/exports to and from the ports of Los Angeles and Long Beach to several Distribution Centres at San Bernadino Valley (approx. 30 miles west of Los Angeles). From here, the corridor continues intra- and inter- state.

These Californian ports have seen a decade of spectacular trade growth and are now the busiest ports in America. Booming trade with Pacific Rim nations means growth is forecast to treble in the next 25 years. Find further information at: <http://www.railway-technology.com/projects/alameda/> <http://www.acta.com>

As an inland container terminal, HEZ can provide 'the safety valve' for the future needs of Botany and Newcastle without the need for new high-cost transport infrastructure.

HEZ inland terminal or terminals would service:

- ***The packing and unpacking of containers;***
- ***The warehouse and distribution of imported and exported product***
- ***Container storage.***

Hunter Economic Zone Submission 1/30/2004

HEZ, and related Hunter regional developments, offer:

- Plentiful (900 hectares) development-ready affordable land with room to accommodate expansion;
- Affordable land and the required resources to offer marketable deals to operators of inland terminals/distribution centres;
- Highway and freeway access to all Australian states, especially the largest consumer sector between south-east Queensland and Adelaide;
- Rail links with the national grid, now under the single control of the Australian Rail Track Corporation (ARTC);
- Rail links with excess container capacity to Newcastle, Port Botany and Western Sydney importer/exporters (It is estimated there is excess capacity for a further 300,000 containers on the main Newcastle to Sydney rail line);
- A conservation buffer to ensure that such a business can establish and operate for generations to come without community-based impositions on operating hours and conditions;
- Proximity to Newcastle Airport (HEZ is 30 minutes by road);
- Plentiful skilled labour.

NSW PORTS PLAN

- Land leases in Port Jackson (Sydney) relating to trade will expire on a staggered basis from 2006 to 2017. Container trade through Sydney is currently a moderate 50,000 20 foot equivalent units (TEUs) per annum.
- Last year trade through Port Botany (NSW's current major container port) grew by more than three times that figure and Port Botany's current container volume throughput is 1.16 million TEUs a year.
- As plans for the expansion of Port Botany have not been approved, it is uncertain when Port Botany will reach full capacity for container traffic. Rough estimations have this between 2007 and 2013 if expansion does not go ahead.
- If expansion does go ahead, it is estimated Port Botany will reach capacity by around 2025.
- Under the recently announced *NSW Ports Growth Policy*, NSW now has the opportunity to set a clear direction. Once Port Botany has reached its potential, there will be large-scale growth in container throughput at Newcastle, making it the next major container port in NSW.
- Importantly, shipping lines, importers and exporters, freight forwarders, etc now know what the future holds and can plan accordingly.
- At the same time, the Port of Newcastle will complement Port Botany to strengthen Sydney's trade capability in a global market (*refer Australian Financial Review article 19/11/03 Road Wars: Sydney versus Melbourne*).
- However, Port Botany does not need to be at capacity for the Newcastle Multi-Purpose Terminal (MPT) to be viable as a container trade centre and Newcastle Port Corporation (NPC) plans to have this container terminal at the ex-BHP site by 2007-08. It will not compete with, but will complement the efficiency of container handling and freight movements for all of NSW.
- NPC has now short-listed operators for the MPT. The next step is to further cull, and then select a proponent and go to the market to generate the trade throughput to Newcastle.
- A study of the market by NPC shows there are currently 160,000 TEUs of contestable exports where there is a competitive advantage for using Newcastle over the Sydney Basin e.g. aluminium, cotton, wool, beef, steel, and grinding media.
- NSW's main current exports are aluminium and agricultural product (from North and West NSW) currently transported "past-the-door" of Newcastle to Port Botany.
- However, it is estimated that in the medium term some 30 percent of that container business, some 106,000 TEUs will be managed in the Hunter.
- And with 106,000 containers leaving Newcastle by sea and the cost of sea transport rising, it becomes a commercial imperative for shipping lines to carry cargo both ways i.e. importing as well as exporting.
- In addition, imports can be moved by land from Newcastle or HEZ to Western Sydney at transport prices competitive with bringing containers in through Port Botany.

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- The currently proposed site for the container terminal at the Newcastle Port has a capacity for at least one million TEUs a year, with other land available around the port for additional terminals. (Newcastle Port currently handles only 12,000 TEUs a year).

The SUPPLY CHAIN

- With a projected throughput of 350,000 TEUs for Newcastle in the medium term and a 20 percent increase in shipping (or 600 more ship movements per annum), there'll be the need for significant additional container packing and unpacking business; container storage; and maintenance for the Hunter Region.
- Satisfying the needs of the import trade chain is paramount. The majority of NSW trade is and will be in the way of imports. (In 2002/03, the largest export commodity for NSW was 268,000 empty containers being back-loaded against imports).
- Rationalization of the location and activities for businesses requiring sophistication in their supply chains will be an important factor in the creation of decentralized services.
- Such centres typically need a minimum of 10 hectares of contiguous land, assumed to be available near to the Port of Newcastle or within HEZ where both road and rail links are available.
- Under the Newcastle container marine terminal scenario, the majority of imports would, in the short term, be railed or road-freighted to major import companies currently located within metropolitan Sydney
- Imports are currently transported from Port Botany to west and outer western Sydney competing for space on arteries that are becoming more congested as the population continues to grow.
- Relocating businesses to the Hunter would provide employment opportunities for many young people. These businesses can also change their supply chain to provide sustainable cost benefits whilst achieving a broader base flexibility to service customers across Australia.
- There will be quantum economies of scale for import and export companies to be based in the Hunter, specifically at HEZ; and thereby create a hub shift for the import/export industry out of congested Sydney and in time to Newcastle, providing a national supply chain alternative, and easing the burden on producers, manufacturers and already congested road routes.
- Currently, this freight moves predominantly through Sydney roads, over long distances. This has the effect of accelerating cumulative and long-term damage to many roads and bridges and unnecessarily concentrating more exhaust and noise pollution in the Sydney metropolitan area. This adds unnecessary cost to the maintenance of road infrastructure – a cost item already significantly impacting on the State budget.
- The dominant movement of commodities through large ports is often attributed to the shipping lines and their desire to minimize the number of ports of call. However, this is only part of the intricate set of issues associated with the logistics of imports and exports. Other relevant issues include:
 - ◇ port facilities and warehouses for specific commodities
 - ◇ container pools and the balance of full and empty containers
 - ◇ road and rail access arrangements
 - ◇ shipping agents determination of comparative costs
 - ◇ contracts for transporting certain commodities with specific shipping lines.

CONCLUSION

Acceleration of plans to make the Port of Newcastle NSW's next major shipping container port increases the opportunity for the Hunter to become a relevant and reliable location for satellite trade hubs capable of efficiently servicing the Greater Sydney Metropolitan area and the whole south-eastern region of Australia.

There is a real threat emerging to Port Botany's trade efficiencies; the quality of living for residents within the impact zones of the major Sydney Metropolitan transport corridors; and air quality as trucking of containers manifest to the point of overkill.

With 900 hectares of strategically located business land at HEZ (linked by road, rail and major services infrastructure), close to the port of Newcastle and within acceptable distance from Sydney and Port Botany, HEZ should be the preferred location for:

- large manufacturers needing effective links to ports and consumer markets;
- inland freight terminals and dedicated distribution centres;
- freight forwarder activities.

From the supply chain industry's point of view, there can be sustainable cost savings.

At the same time, a Port of Newcastle/HEZ partnership will mean more effective truck movements to/from Sydney Metropolitan locations, NSW population centres and other eastern state destinations.

HEZ offers NSW a window of opportunity for the right manufacturing business or distribution service (not required to be in a greater metropolitan location) to use land strategically suitable for a plethora of port-related uses.

The opportunities are rapidly fading in the Greater Sydney region which relies more and more on the limited Port Botany marine terminal operations and developments further west and south-west in the expanding metropolis.

HEZ is in the position to facilitate the development of a number of industry and port-related activities, resulting in much-needed jobs in an area currently experiencing high unemployment.

Support for the development of a future container facility for the Port of Newcastle will underpin the risks already taken by the HEZ team, which has the view that the time is right to decentralize businesses that don't need to be in Sydney.

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REFERENCES

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- Speech by Chris Oxenbould CEO of the Newcastle Port Corporation delivered to the Newcastle Business Club (November 2003).
- Newcastle Port-Related Land Demand Study Maunsell McIntyre (October 2000).
- Hunter Means Business Economic Strategy 2003/04 to 2005/06 (August 2003).

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