

# **INQUIRY INTO PORTS INFRASTRUCTURE IN NSW**

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**State Chamber of Commerce (NSW)**

**Level 12 83 Clarence Street Sydney NSW 2000 Australia  
GPO Box 4280 Sydney NSW 2001 Australia  
Tel (02) 9350 8100 Fax (02) 9350 8199 [www.thechamber.com.au](http://www.thechamber.com.au)  
ABN 74 561 265 104**

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## **EXECUTIVE SUMMARY**

The State Chamber of Commerce (NSW) is the peak employer organisation in New South Wales representing over 70,000 businesses.<sup>1</sup>

NSW businesses require an extensive freight infrastructure network, one that facilitates the efficient and timely movement of goods. As such, we welcome this review into NSW Port facilities and their interaction with freight infrastructure. The State Chamber hopes that this inquiry will be the start of the development of a long term, integrated plan for freight infrastructure in NSW. We urge the NSW Government to develop such a plan before any further disposal of commercial land on Sydney Harbour.

The health of NSW transport infrastructure is a major issue for business. In April this year, the State Chamber of Commerce (NSW) and NRMA Insurance Local Business and Regional Affairs survey found that businesses ranked transport as the most important issue the NSW government should address.

Sydney's world class port facilities are some of the country's most competitive. The State Chamber supports the proposed expansion of Port Botany, as it is likely to be the focus of container shipping for at least the next 20 years. Newcastle and Port Kembla also facilitate successful operations, albeit on a smaller scale. Vacant land and existing facilities at Newcastle and Port Kembla are also supportive of these ports playing a larger role in shipping and freight in NSW – once they are developed – but not at the expense of the premier port of Botany.

In the *'2003 New South Wales Infrastructure Report Card'*<sup>2</sup> the national, state and local road networks in NSW achieved a rating of 'adequate', and the state's rail system was given a rating of poor. The ratings were based on infrastructure condition, investment, government regulation and planning processes. This report suggests major improvements are required for NSW land transport infrastructure to be adequately prepared for current and future use.

This submission is focused on the ability of NSW land and sea transport infrastructure to interact and facilitate the efficient and timely movement of goods. In its current state NSW's land transport infrastructure network would not support the changes that have been announced in the NSW Government's Ports Growth Plan.

Our main recommendations are:

### **PORTS GROWTH PLAN**

- 1.1 Planning approval is expedited for the expansion of Port Botany.
- 1.2 Shipping facilities are retained in Sydney Harbour, and the NSW Government's commitment to this is clearly stated immediately.
- 1.3 The NSW Government establishes consultative forums to enable more input from businesses and the community during the relevant decision making processes.

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<sup>1</sup> More details of the Chamber's representation and activities are included in the Appendix.

<sup>2</sup> Engineers Australia, 2003.

## **REGIONAL AND ECONOMIC IMPACTS**

- 2.1 The NSW Government locates infrastructure on the basis of genuine economic expansion and does not simply shift existing services from one region to another. The Government also commits to a semi-annual report on the progress of projects via a score card or benchmarking process.
- 2.2 There is further investigation in to how the Ports Growth Plan will ultimately effect freight costs, and the likely impact on NSW businesses.

## **LAND TRANSPORT INFRASTRUCTURE**

- 3.1 The NSW Government outlines its commitment to providing adequate land transport infrastructure by publishing a full report on network capacity, future requirements and a plan to achieve appropriate freight support by 2005.
- 3.2 Freight is given more access to the rail network via the construction of more freight-only rail track and guaranteed time allocations on the current network.
- 3.3 There is line duplication and capacity expansion along the Newcastle – Northern Suburbs and Wollongong – Sutherland rail lines.
- 3.4 Existing links are upgraded, or a direct rail link is established, from Wollongong to the South – Western Sydney area.
- 3.5 Planning approval is granted for the construction of an intermodal terminal at Enfield and further terminal locations are explored in 2004.
- 3.6 Development of NSW land transport infrastructure focuses on delivering the most timely and efficient interaction between different modes of transport across the transport network.
- 3.7 The NSW Government investigates funding models that encourage more private finance into the development of rail freight infrastructure by 2005.

## **FUTURE OF VACATED LAND**

- 4.1 The NSW Government clarifies immediately what it means by 'working maritime use' in the Ports Growth Plan, and subsequently retains the vacated land in White Bay for commercial use.

# 1. PORTS GROWTH PLAN

## BACKGROUND

The NSW Government 'Ports Growth Plan' was announced as a series of statements made by the Premier to the ALP State Conference on October 5, 2003.

The plan basically involves:

- Establishing the Port of Newcastle as the second 1 million plus twenty – foot equivalent unit (teu) container port in NSW. This is expected to occur as Port Botany approaches operating capacity over the next 20 years.
- Stevedoring leases will not be renewed as they expire on the container terminals at Darling Harbour East, Glebe Island and White Bay in 2006, 2012 and 2007 respectively. The stevedores operating here will be encouraged to move their operations to Port Kembla.
- A 'masterplan' will be developed by the Minister for Infrastructure and Planning for the use of land vacated by the stevedores. Plans for the land include:
  - preserving White Bay for 'working maritime use'.
  - keeping Millers Point as a site for iconic development.
  - the creation of an 'unbroken run' of foreshore land from Wolloomooloo to the Anzac Bridge.

## POSITION

The State Chamber of Commerce (NSW) has significant concerns about the Ports Growth Plan. These include the lack of consultation regarding the plan, the lack of clarity about the future of abandoned stevedoring areas such as White Bay, the lack of certainty for Port Botany and the lack of consideration given for the land infrastructure needed to support expansions at Port Kembla and Newcastle.

There is little doubt that with appropriate investment, all three NSW ports would be able to cope with the expected expansion in stevedoring demand over the next 20 years.

Sydney Ports Corporation (SPC) estimates that in its current state Port Botany could reach operating capacity by as early as 2009. The closure of container stevedoring at White Bay would also place pressure on the two remaining SPC facilities at Darling Harbour and Port Botany. The State Chamber supports the proposed expansion of Port Botany, which is likely to remain the focus of container shipping in Sydney for at least the next 20 years.

Port Kembla has become marginalised as a result of structural change in the steel and other base metal industries, and the sourcing of coal exports. The transfer of some container traffic to Port Kembla would ease the pressure on facilities at Port Botany and reinvigorate this port. Existing capacity is supportive of Port Kembla playing a larger role in shipping in NSW in the future.

Newcastle port remains a focal point for the coal, grain, aluminium and steel trades. Development of the old BHP Steelworks site and other existing facilities would enable Newcastle to become NSW's second one million plus teu port facility.

Sydney Harbour facilitates most of Sydney's smaller operators and niche market shipping. The nature and origin of cargo sometimes does not suit Port Botany. Smaller ships would have difficulty competing with larger ships for berthing at Port Botany. And the nature of specialist carrier markets – motor vehicles, for example, where the market has developed 'direct to dealer' supply chains – does not suit vessels delivering vehicles outside of the metropolitan area. The needs of these smaller vessels and associated freight forwarders need to be considered in any plan that has Port Botany as the only metropolitan port. The NSW Government must also consider that Brisbane and Melbourne ports are competing for shipping business. Sydney could be dropped from logistics plans if it cannot provide the services these smaller companies are after. The State Chamber recommends the retention of at least some stevedoring facilities in Sydney Harbour for these purposes.

The NSW Government Ports Growth Plan was developed with little, if any, investigation and consultation. The State Chamber is concerned over the lack of consultation and investigation in the decision making process. The scale of the likely impact of these decisions should have meant consultation with businesses and the community was a priority.

## **RECOMMENDATIONS**

- 1.1 Planning approval is expedited for the expansion of Port Botany.
- 1.2 Shipping facilities are retained in Sydney Harbour, and the NSW Government's commitment to this is clearly stated immediately.
- 1.3 The NSW Government establishes consultative forums to enable more input from businesses and the community during the relevant decision making processes.

## **2. REGIONAL AND ECONOMIC IMPACTS**

### **BACKGROUND**

Sydney is Australia's financial and business capital. The metropolitan area covers almost 4,000 km<sup>2</sup>, making it one of the world's largest cities – in geographical terms. The Hunter region is around 31,000 km<sup>2</sup> and the Illawarra region is almost 8,500 km<sup>2</sup> in size. Both of these areas are heavily involved in mining, industry and tourism. Together the three areas represent approximately 25% of the national economy, and are home to the majority of the NSW population.

### **POSITION**

Large-scale investment in infrastructure and increased commercial activity – via freight and supporting industries – will no doubt have a positive effect on employment and general economic activity in the Hunter and Illawarra regions. However, the development of one area should not occur at the expense of another. Sydney is likely to remain the predominant business and population region of NSW and Australia. It is therefore also likely to be the focus of shipping and the freight industry in general. The State Chamber supports enhancements to infrastructure, such as those at Port Botany, that result in, or cater to, economic expansion. The NSW Government should focus on providing new infrastructure that will boost over all State capacity, not simply shift existing services to one region at the expense of another.

SPC estimates it would cost an additional \$100 – \$160 and \$160 – \$200 per teu to transport containers from Port Kembla and Newcastle respectively. However, it is unclear how the proposed changes will ultimately affect freight costs. The State Chamber is concerned the NSW Government has not fully investigated how this will affect NSW businesses. Additional transport-related and relocation expenses are expected to put upward pressure on costs, while savings in leasing duties, labour loadings etc. would put downward pressure on costs. Smaller companies – particularly freight forwarders in smaller markets – that cannot afford to absorb increased freight costs will be put at risk.

The relocation of container trade away from Sydney is expected to affect support industries in a number of ways. Those that depend primarily on container trade that is relocated to Port Kembla will be forced to move with the stevedore operations. Those companies that rely on business from Port Botany and Sydney Harbour will face difficulties in having to service two separate port areas. These maritime support industries would be best served by large central terminals located in Sydney.

### **RECOMMENDATIONS**

- 2.1 The NSW Government locates infrastructure on the basis of genuine economic expansion and does not simply shift existing services from one region to another. The Government also commits to a semi-annual report on the progress of projects via a score card or benchmarking process.
- 2.2 There is further investigation in to how the Ports Growth Plan will ultimately effect freight costs, and the likely impact on NSW businesses.

### 3. LAND TRANSPORT INFRASTRUCTURE

#### BACKGROUND

NSW ports are critical pieces of infrastructure to the state and national economies. In 2002/03 NSW ports handled some 4,330 vessel calls and 123m tons of cargo, worth around A\$50b. Sydney ports accounted for nearly one third of Australia's international container trade – processing 3.5 million teus – Newcastle is Australia's largest coal port accounting, with Port Kembla, for around half our national coal exports (78m tons).

The table below summarises activity at the three ports for 2002/03:

Feature	Sydney	Newcastle	Port Kembla
<b>Ship Calls</b>	2,331	1,403	598
<b>Cargo Tons -Total</b>	23.6m	76.9m	22.7m
Exports	5.2m	73.8m	13.1m
Imports	18.4m	3.1m	9.6m
<b>Dominant Cargoes</b>	Containers, Bulk Liquids, Vehicles	Coal, Grain, Aluminium, Steel	Coal, Iron Ore, Grain, Steel
<b>Land Area ha</b>	360	160	200
<b>Pilotage Distance NM</b>	12	4	4
<b>Channel Depth m</b>	15	15	16.5

These facilities have three major advantages over Brisbane and Melbourne ports. Firstly, they are within close proximity to over a third of Australia's population – who mostly reside in Metropolitan Sydney. Secondly, all three ports have deeper ship channels than Melbourne (12m) and Brisbane (13m). This permits larger, more cost effective vessels to operate fully laden. And shorter pilotage distances relative to Melbourne (45NM) and Brisbane (49NM) allows reduced vessel time in port, and therefore relatively lower berthing costs.

The deployment of larger vessels positions the purpose built terminals in Port Botany as a preferred entry point into Eastern Australia. There are now 4,100 teu vessels serving Australia's global trade with North America and Europe, and 8,000 teu vessels in service on busier Atlantic and Pacific routes. Other South – East Australian ports would struggle to provide adequate port infrastructure and marine access for vessels of this size.

#### POSITION

Despite the currently adequate port infrastructure in Port Botany, it is important to realise that efficient freight channels also require appropriate land transport access. In its current state the land transport infrastructure supporting NSW ports is unable to cope with forecast future freight traffic demand. The NSW Government needs to commit to providing the supporting infrastructure to cope with the additional pressure on surrounding roads and rail networks.



The shortage of freight-only lines within the metropolitan area prevents freight operations from being fully independent from passenger operations. Rail freight therefore suffers because of its inability to schedule movements, or to allow a flexible timetable. The government should utilise existing excess space along rail corridors to create more freight only tracks. Or in cases where this is impractical, allow shared operations under a guaranteed time allocation. SPC have a goal of achieving a 40% share – compared to the current 25% – of container traffic over rail by around 2012. The current duplication of freight designated rail track connecting to Port Botany could help achieve this.

Only a small percentage of freight passing through Newcastle and Port Kembla arrives in the metropolitan area via rail. In addition, there is yet to be a comprehensive study on whether infrastructure surrounding Newcastle and Port Kembla would cope with a dramatic increase in freight traffic demands. Rail needs to be developed in a manner conducive to more intensive use by freight to avoid heavy congestion on major arterial roads such as the F3 and F6. This would require line duplication and capacity expansion along the Newcastle – Northern Suburbs and Wollongong – Sutherland lines. A critical factor in the long term viability of Port Kembla will be the quality of rail freight access to the fast growing South – Western Sydney area. Satisfying the demands of the large scale logistics and storage operations currently aligning themselves with the proposed route of the Westlink M7 may require upgrading existing rail links or the establishment of a direct link from the Illawarra should demand support it.

Construction of inter-modal terminals, such as the facility that has been proposed for Enfield, would also help achieve more efficient freight distribution channels. South – Western Sydney is another area that could require such a facility. Intermodal terminals allow freight to cover a larger part of its land journey by rail before distribution over road to its final destination. Positioning intermodal terminals away from commuter stations and residential areas would also reduce the chances of freight traffic impacting on local communities.

Land and sea transport infrastructure in Queensland and Victoria is becoming increasingly competitive. Brisbane Ports Corporation have enough vacant land to continue expanding, and Victoria currently holds a more highly regarded road transport network. Improvements in the Brisbane to Melbourne rail corridor are also placing pressure on the competitiveness of NSW. The development of NSW's transport infrastructure should therefore focus on NSW offering the most efficient and timely access to transport networks. In this way NSW can continue to attract businesses and the resulting investment.

The development of NSW road projects has largely been funded by the private sector, which then receive an ongoing return on their investment through a toll. Privately-financed roads have successfully provided Sydney with much needed transport infrastructure. More needs to be done to encourage private finance into the development of rail infrastructure.

## **RECOMMENDATIONS**

- 3.1 The NSW Government outlines its commitment to providing adequate land transport infrastructure by publishing a full report on network capacity, future requirements and a plan to achieve appropriate freight support by 2005.
- 3.2 Freight is given more access to the rail network via the construction of more freight-only rail track and guaranteed time allocations on the current network.
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- 3.6 Development of NSW land transport infrastructure focuses on delivering the most timely and efficient interaction between different modes of transport across the transport network.
- 3.7 The NSW Government investigates funding models that encourage more private finance into the development of rail freight infrastructure by 2005.

## **4. FUTURE OF VACATED LAND**

### **POSITION**

The NSW Government has that stated the land left vacant by the departing stevedores will be retained for working maritime use. Businesses and the community require clarification of what the Government means by 'working maritime use'. This will allow certainty as to what local residents and the business community can expect in the future. If clarification is not made, and the land is left vacant for an extended period, resumption of industry in the area is likely to result in increased conflict between residents, commercial operators and government.

The State Chamber supports the retention of this vacant land for commercial purposes. If the NSW Government does not retain this land for commercial use, it will signal the further demise in available industrial land in the Sydney basin.

### **RECOMMENDATION**

- 4.1 The NSW Government clarifies immediately what it means by 'working maritime use' in the Ports Growth Plan, and subsequently retains the vacated land in White Bay for commercial use.

## **APPENDIX**

### **OVERVIEW OF THE STATE CHAMBER OF COMMERCE (NSW)**

The State Chamber of Commerce (New South Wales) is the peak employer organisation in New South Wales representing a wide range of businesses from small proprietors to multinational corporations.

The Chamber is the umbrella organisation for the chamber movement in New South Wales representing over 360 metropolitan and regional chambers of commerce throughout the State. Through direct membership and through these chambers of commerce, the State Chamber represents over 70,000 New South Wales businesses.

Established in 1825, the Chamber is a foundation member of the Australian Chamber of Commerce and Industry and also a member of the International Chamber of Commerce, which was established in 1599.

The Chamber maintains close contact with businesses in New South Wales through regular interaction with our members. Furthermore, senior business people from a wide range of professions and business activities serve on the Chamber's Board, Council and Standing Committees.

The five Committees of the Chamber allow leading members of the business community to provide input into the preparation and development of policy. The Chamber's Committees have identified many of the issues included in this submission. The Committees of the Chamber are Economic Affairs; International Trade; Industry, Innovation and Small Business; Employment, Workplace Relations and Training and Infrastructure.

The Chamber regularly produces policy papers and submissions on major issues affecting the business community. This policy preparation is strengthened by the conduct of regular surveys of our membership, the New South Wales business community and the community-at-large.