

**INQUIRY INTO IMPACT OF PORT OF NEWCASTLE SALE
ARRANGEMENTS ON PUBLIC WORKS EXPENDITURE IN
NEW SOUTH WALES**

Organisation: McLean Management Consultants
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10 January 2019

Hon Robert Brown MLC
Chairman
Legislative Council Public Works Committee
NSW Parliament House
Macquarie Street
Sydney NSW 2000

Dear Mr Brown

Inquiry into the impact of Port of Newcastle sale arrangements on public works expenditure in New South Wales

McLean Management Consultants Pty Limited (MMC) supports the development of a container terminal at the Port of Newcastle as we believe it will be a major economic driver for our region and for Northern NSW.

McLean Management Consultants Pty Limited is a management consultancy and advisory firm established in 1988. We have provided our services to government, defence armed services, Australian Industry Group, NSW Business Chamber, NSW Dept of Industry and Commonwealth Dept of Industry, Innovation and Science, large and small companies, University of Newcastle and the Port of Newcastle.

It is our view that the NSW port sale arrangements as are publicly known, have impaired Hunter regional and NSW productivity growth particularly across the Port of Newcastle's catchment, including growth opportunities in regional, intrastate, state, national and international trade.

More specifically, in relation to 1 (c) of the Inquiry's Terms of Reference, it is our view that the NSW container port limitations have created additional costs and lost business and employment growth businesses, within the Port of Newcastle catchment. MMC were commissioned by BHP Property in 1999, to facilitate the Newcastle Steelworks Site-Redevelopment Stakeholder Engagement and Planning session to propose the Mayfield site for a multi-purpose terminal. See Appendix A *BHP Newcastle and Site Redevelopment Plan on a Page 1999-2002*.

Regional NSW comprises close to 40 per cent of the state's population, with the Hunter region making up approximately 9 per cent. It is expected that the population in the Hunter region alone will grow to over 1 million by the mid-2040s.¹

The recently released report by economic consultancy AlphaBeta shows that a container terminal at Newcastle will create a \$6 billion uplift in economic activity.² This is activity the region is currently missing out on. The flow on effects of the container terminal will help create a minimum of 4,600 jobs across a diverse range of industries, including transport, manufacturing, agri-business, services, and construction.

These are jobs desperately needed in regional NSW and was also integral within the research conducted by the International Marketing Institute of Australia (now the Australian Graduate School of Leadership) for the then NSW Dept of Industry and Investment in 2007/08, which MMC's Michael McLean was one researcher. See Appendix C *NSW and National Heavy Haulage Rail Infrastructure (HHRI) draft to support Rail 2040 Roadmap*.

Additionally, the port will introduce lower freight costs as Hunter and Northern NSW exporters will no longer have to wear the cost and supply chain inefficiency of transport to and from the Sydney

¹ RDA, The Hunter Region <http://rdahunter.org.au/hunter-region/hunter-region>

² AlphaBeta, 'Global Gateway for NSW: the economic impact of a container terminal at the Port of Newcastle, pg 35, 2018

congestion, on both the road and rail network. Instead they will be able to take advantage of the mature Hunter rail network taking freight straight to and from the Port of Newcastle. The lower freight costs will stimulate additional exports and imports into the region and capitalise on the heavy rail gauge into the Mayfield (Newcastle) and previous BHP Steelworks site with wharfage access.

MMC has additional experience to infrastructure and government entity industry research from the following clients and diverse industry experience:

Transport	Rail	Suppliers	Ports	Defence	Automotive	Mining	Education	Associations
Qatar Transport Company Mowasalat	Asciano and Pacific National - Parramatta, Hunter, Cootamundra	Bombardier trains and trams; Reliance Hexham; Maxwell Engineering	Port of Newcastle and Port Waratah Coal Services	RAAF Williamtown and all Air Command Bases; Maritime HQ; RAN - all Establishments	Volvo and Mack Trucks; Futuris; MtM; Nylex; Mahle; Ajax Fasteners; Austtrim;	Coal & Allied; BHP; Peabody; Camberwell Coal; Fluor Daniel Australian Magnesium	Universities: Newcastle; Sydney; MGSM; Western Sydney; Sydney; Wollongong	NSW Business Chamber; ASEAN Auto Federation; Australian Industry Group; AOQ
Changi Airport Singapore QANTAS; Bouraq Airlines	PATRICKS - VIC, QLD, SA, NSW	RPC Technologies Waratah Drivers Cabin; Trang Imagineering (Defence Innovation)	Abbot Point Bulk and Dalrymple Bay Terminal	Unitronix; Reoweld for FBE Garden Island; SpecFast	GM Holden and Nissan Australia; Toyota and Ford Australian and ASEAN suppliers	Muswellbrook Coal; Drayton and Dartbrook Coal; Boral Quarries	TAFE: Hunter; Liverpool; Wollongong; Swinburne	Thailand Management Association; SUCOFINDO Indonesia; NZ Defence Industry Association
Hong Kong and Peln Shipping	State Rail NSW / Sydney Trains	RPC Technologies - Sydney Trains seating	Indonesian Bulk Port State Control (AMSA)	Goal Group - Defence and CASG Maritime Systems Division	Thales / ADI Bushmaster; Small Arms, Propellants; FBE-GI	GVK-Hancock; Shell Minerals - CAPCOAL, Central, Called and Southern	Sydney Business School; AGSL (IIMA)	Federated Automotive Products Manufacturers

Public Submissions to date are consistent with the need to address seemingly conflicting but complementary transport and defence infrastructure needs and expectations of NSW and National stakeholders and interested parties. The strategic intent was to provide and over the horizon and 'Blue Ocean' vision and strategies for governments to plan and deliver efficient and effective freight transport and systems for food, energy, manufacturing, agriculture, defence and export/import security:

- MMC and Amarsurv joint submission to NSW Defence Inquiry - <https://www.parliament.nsw.gov.au/lcdocs/submissions/59828/0038%20McLean%20Management%20Consultants%20Ptd%20Ltd%20and%20AMUSERV%20Pty%20Ltd.pdf>
- MMC 2015 Defence Whitepaper submission for the Staged relocation (partial) of Garden Island - RAN Fleet Base East - <http://www.defence.gov.au/WhitePaper/docs/104-McLeanManagementConsultants.pdf>

This NSW MLC Inquiry is timely and can build upon the following reports that places The Hunter within the larger infrastructure needs for NSW and Australia:

- The NSW Planning and Environment describes The Hunter as the Leading Regional Economy in Australia:
- *"The Hunter is the largest regional economy in Australia in terms of economic output. It drives around 28 per cent of regional NSW's total economic output and is the largest regional contributor to the State's gross domestic product".*
<https://www.planning.nsw.gov.au/Plans-for-your-area/Regional-Plans/Hunter/Hunter-regional-plan/The-leading-regional-economy-in-Australia>
- Regional Development Australia submission to Infrastructure Australia August 2015 found that advocated *"for corridor preservation as part of long-term planning for infrastructure development"* http://rdahunter.org.au/literature/140778/RDA_Hunter_Submission_to_Australian_Infrastructure_Plan

AlphaBeta in 2018 found the *'driver of export growth in the region will be increased competitiveness from lower freight costs.'*³ Exporters will save \$1.3 billion in freight costs by accessing a less-congested and more efficient port closer to production and equipped with world-class stevedoring capability.

Inland Rail

The current Melbourne - Brisbane Inland Freight Rail route is critical long-term National infrastructure which has several sections projects commissioned for either feasibility and / or procurement to commence building below and above the line, in planned corridors. Most of the line passes through and currently, no specific links to the Eastern Seaboard ports of Port Botany or Port Kembla that can be double-stacked dual track and capable of +100km/hr freight rail speed.

The Port of Newcastle could if granted container port status, along with meeting various stakeholder, indigenous, environmental and economic feasibility assessments, provide a green field site (previous BHP Mayfield Steelworks site and wharves) for not only containers but other sea freight export and import capabilities with land-side capacity.

Possible rail route to Inland Rail would be Newcastle (Mayfield) - Singleton - Denman - Gulgong - Merrygoen - Werris Creek - Tamworth - Glen Innes - Inverell - Moree.

Although the current Inland Rail Route is from Melbourne to Brisbane, these nodes have constraints:

- The Victorian Government has signalled like Singapore Port, to move the current Web Dock and other freight and container facilities to Geelong given the Ford plant closures and an operating port. This will further reduce the number of level crossings now underway, and
- Brisbane rail freight lines are narrow gauge and 40kgs and not the required 60kg rated rail track and that the Gladstone Ports Corporation is considering reclaiming lands and coastal designated development areas for a possible multi-modal port to add more capacity to its LNG Curtis Island, coal, agriculture and livestock services
- The CEO of Port of Newcastle has echoed the assessment of others that both Melbourne and Brisbane will be the constraints to completing the Inland Rail
- The Port of Newcastle could be developed for container trade and link to the Inland Rail quicker than Melbourne and/or Brisbane, and would still service the inland rail, possibly Geelong - Gladstone route.

Western Sydney Airport - Aerotropolis

Connecting the Port of Newcastle to the Western Sydney Airport would be immediately supported by road until all required rail freight infrastructure is built and complements the Inland Rail and other NSW rail networks for freight and passenger transport including maintenance, repair and overhaul.

An opportunity for profitable container port operation in Newcastle could be supported using the return of coastal trading vessels to alleviate road congestion and leverage on the tonne-mile efficiency of shipping. A resurgence in coastal 'feeder' services will need to grapple with:

- the ready availability of trucks,
- the double handling of cargo from a vessel back to road for final delivery to a consignee, and
- port 'charges' and handling.

Australia led the way in coastal roll-on roll-off (Ro-Ro) services which are efficient in port but suffer from port space utilisation in the vessel. Additional information is in Appendix B.

³ IBID, pg 35

It is recognised that this Ro-Ro service in the short-term would need access to M1 through Jack Renshaw Drive which has recently had development and traffic lights installed. This would impact road transport volumes and will need consideration in granting Port of Newcastle container capability and capacity.

Defence

RAAF Base Williamtown - with the recent \$1.5b upgrade of the airport and environs for the current domestic aircraft but also RAAF needs to support the FA 18A Hornets and Growlers and the F-35 Joint Strike Fighter (2 of 72 received), the Hunter Region can support a significant defence precinct not unlike Portsmouth UK and San Diego USA.

Thales - Has started operations at the previous ADI Minehunter site and refurbished the wharf and slipway, currently maintains some RAN small fleet

CIVMEC and Forgacs Marine Services - these companies have re-invested in their Tomago region and are already providing defence and commercial ship building and repair capabilities

TW Woods and Tank Solutions - these companies operate on the North Arm of the Hunter River and can with assessments, consider building wharves or a wharf to transport large tanks and pontoons as TW Woods recently did for NSW RMS for the Abbotsford Ferry Pier. TW Woods already paints the Army stealth pattern for the G-Wagon Medical and Army Maintenance steel containers.

Varley - they are one of the major defence companies and builds NSW and other states fire services, rural fire brigade and other emergency vehicles. They have secured a Joint Venture with Rafael Israel for the Iron Dome Rocket manufacture and expect to build the facility at the previous and empty Midal Cables site next to Varley in Tomago

We have and continue to assist Newcastle and Hunter Region clients and the containerisation of the Port of Newcastle is critical to our client's business, employment and export strategies and goals.


It is our view that the Port Commitment Deed has increased unnecessary public works expenditure by inhibiting competition in our ports and contributed to higher freight costs for regional businesses in the Hunter and Northern NSW.

In conclusion, McLean Management Consultants Pty Limited appreciates the opportunity to support the development of a container terminal at Newcastle.

If you require further information in relation to this submission, please contact us as below.

Yours sincerely,

Michael W McLean FAICD, FIMC CMC, FAOQ, JM
Managing Director

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Appendix A. BHP Newcastle site redevelopment 1999-2002 plan on a page by MMC

Stakeholder workshop extract of the output from the 1999 planning process and workshop



BHP Property final plan on a page for redeveloping the Newcastle steelworks site into a multi-purpose terminal

Vision



NEWCASTLE
Multi-Purpose Terminal

Replacement of BHP's Newcastle steelmaking site with a world class Multi-Purpose Shipping Terminal and associated industries to provide BHP with the optimum exit value in commercial terms.

Front End Remediation Estimates (150 ha)

Standard	Estimated Cost - \$million
Industrial	60 - 70
Open Space	80 - 100
Residential	> 500
Do Nothing*	?

* Do nothing would result in order C60 of CLM ACT to prepare a remediation plan and implementation under the supervision of EPA.

"Do Nothing" Scenario

- Probable remediation order being imposed (\$60-70 million)
- Security and maintenance costs in order of \$3 million p/a
- Increased future costs from cost escalations and change to regulations

Why a Multi-Purpose Terminal (MPT)?

- Cost effective remediation (i.e. cap and contain)
- Create demand for adjoining land
- Site features: deep water - 15m berth, short transit - 30 minutes, adequate road/rail connections, proximity to Sydney Metro and primary produce regions
- Community supports the MPT concept

Benefits

- Minimum capital exposure to BHP
- Socially "responsible" development - job creation
- Potential to generate shareholder value
- Regional benefits
- State benefits

Feasibility Budget Outcome

Consequence of Closing Steelworks (150ha)	
	\$ million
Demolition (net of scrap recovery)	40 - 45
Remediation	60 - 70
(LESS Potential Tax Benefits)	15 - 25
Cost of closing steelworks	100
(Likely cost irrespective of reuse option)	
\$ million	
MPT Development Costs (50ha)	180 (total)
BHP Share	20 + 40 (debt share)
\$ million	
Potential Revenue	
MPT Land Value (50ha)	20 - 25
Main Site Land Value (100ha)	50 - 65
Budget Income Range	70 - 90
(plus share MPT revenue)	

Appendix B. Coastal trade - NSW State infrastructure.

There have been murmurings for some time of the need for a return of coastal trading vessels to alleviate road congestion and leverage on the tonne-mile efficiency of shipping. Historically coastal shipping provided a 'highway' when roads were slow, ports and ships both small or roads impassable such as in the northern wet season. A resurgence in coastal 'feeder' services will need to grapple with:

- the ready availability of trucks,
- the double handling of cargo from a vessel back to road for final delivery to a consignee, and
- port 'charges' and handling.

Australia led the way in coastal roll-on roll-off (Ro-Ro) services which are efficient in port but suffer from port space utilisation in the vessel. The Ro-Ros also suffered from the effects of road and highway improvement, port charges, and aging ships. Vessels such as Townsville Trader, Brisbane Trader, Darwin Trader and Bass Trader. Ro-Ro vessels continue to service Tasmania from Port of Melbourne as do landing craft in the north of Australia - rolling the trade on and off.

The economics that challenged the efficiencies of the 'Trader' Ro-Ros has been regained with port and intermodal sites choked, fuel consumption and manning gains and capital costs realistic in stern loader designs. With these aspects considered there is potential to utilize the concept of short haul Ro-Ros as a preemptive move for Newcastle to alleviate container cargo handling issues to Port Botany through Sydney. Containers from the cargo catchment area of Newcastle identified in the PoN Alpha Beta study such as the greater Hunter, mid north coast and NW NSW can be transshipped through the Mayfield site. The concept calls for the containers to be rolled onto a short haul feeder vessel and then discharged direct into the container terminals in Port Botany or Port Kembla.

The advantage is that congestion in the handling processes to reach the container terminals in Sydney are avoided. Instead the handling is undertaken at Mayfield. Even the most austere arrangements at Mayfield will be more efficient, with road and rail communications into the site are not congested. Enfield and Moorebank issues are eliminated and multiple inter-modal exchanges in Sydney West and Inner West dispensed with. Other advantages / conveniences are:

- there are no 'portainer' cranes required at either end
- none of these containers need to pass through western Sydney handling facilities or via the M1 or main northern lines
- stern loader vessels are shallow draft and very maneuverable enabling ready use of current facilities, and minimal port costs.

Facilities required to commence the service are readily provided or re-commissioned:

- Roll-On Roll-Off berth at Mayfield or reinstatement of the West Basin Ro-Ro berth
- Train discharge facility at Mayfield with rudimentary handling equipment to consolidate for a 'daily or bi-daily service
- A Ro-Ro berth at Port Botany or reinstatement of the disused berth at Brotherson Dock.

Feeder vessels were a topic of interest within the recently released PoN - Alpha Beta study on the economic advantages to NSW of another container terminal. The proposal to operate feeder vessels from Mayfield to current NSW terminals is a precursor move to an established terminal. Feeders would then continue to operate based on PoN operating as hub port. If used in this method, it may also be used as a feeder service from PoN to other mini port discharge points.

The viability of the proposal needs to be modeled but may be a good stop gap until the PoN terminal is built - alleviating congesting for container traffic exporting through Sydney which has originated from the PoN cargo catchment area. One aspect of viability would be the negotiation with terminal operators that the container being shipped is only charged for one crossing the wharf edge. For example, for export the container is not charged for arrival at Port Botany as it is discharged from the feeder vessel into the terminal - but is only charged when it is loaded to the export vessel. Similarly, it would not be charged if being loaded to the feeder for shipment to PoN.

There is a precedence for this trade and the use of small vessels to deliver cargo close to markets serviced by river. The 60 milers that plied between Newcastle, Catherine Hill Bay and Sydney delivered cargo into the heart of the city.




Coffs Harbour is another example of a small port loading valuable cargoes that were not viable by road. WE Smith Engineering manufactured pressure vessels and other industry components. WE Smith has been constrained further by road design (overpasses) which enhanced the need for a safe a reliable barge loading method in the port area.

Stern loaders. Seatransport Solutions are leaders in stern loader vessels that can provide a viable feeder vessel solution - operating cost and inter-modal function.

<https://youtu.be/7uUSJx-8fSc>

Stern loader vessel - Seatransport Solutions	Trader Ro-Ro (Brisbane Trader)
	

Appendix C. The 2009 NSW Dept of Industry – NSW Manufacturing Council Research for National Heavy Haulage Rail Infrastructure (HHRI) plan for Rail 2040 Roadmap

	https://imia.edu.au/about <div>   </div> <h3>NSW and National Heavy Haulage Rail Infrastructure (HHRI) and Freight Rail 2040 Roadmap for NSW Manufacturing Council 2009</h3>
NSW Rail Government Manufacturing Vision	<p>NSW like the other States, needs to increase its Manufacturing sector opportunities to support its businesses, people and regional communities. The recently released DIISRTE Rail 2040 Roadmap provide a well structured three horizon plan for passenger rail. This Plan on a Page is to augment that Roadmap with a Heavy Haulage Rail Infrastructure plan to support suppliers servicing Queensland and NSW coal and rail corridor and infrastructure expansion to feed coal loading bulk receival terminals and ports which are undertaking and committed to over \$400b investments.</p>
NSW Manufacturing Strategies	<ol style="list-style-type: none"> 1. Invest in the promotion for a new image for manufacturing in NSW that has built <u>Connectivity</u> for Customers and Supply Chain rail firms in NSW and other States 2. Recognise the responsibility of Government in providing appropriate and supportive infrastructure for <u>Competitive</u> passenger and heavy haul Rail R&D and manufacturing 3. NSW Government Departments commit to an enhanced level of coordination across departments between NSW and Federal Government for all manufacturing policies and initiatives to secure rail supplier role in growth in NSW, QLD, WA <u>mining sectors</u> (Rail Corridors) and PAX VFT and expansion 4. The Department commits to identifying emerging <u>strategic collaboration</u> opportunities and provides coaching and <u>Capability</u> building support
Sector Focus	<h4>Growth Sector 1: Rail Infrastructure</h4>
Background to Opportunity and Key Actions	<div> <div> <h4>Current Position:</h4> <p>The rail equipment manufacturing companies have delivered continued growth, healthy order books and profitability. IBIS World Report C2823 for 2006-2007 assessed the Australian Rail Sector revenue was AU\$1.9 million.</p> <p>The Australian and New Zealand Market as being subject to cyclical government tenders and contracts, peak and troughs in mining sector rail demand, seasonal freight and commuter rail fluctuations and perennial lack of standardisation in rail gauge and associated train sets, wagons etc.</p> <p>Australian niche rail manufacturers can struggle to compete in the global market place due to price (Australian is a major influencer) and delivery. The research identified in the rail sector that the major reason was the absence of local volume to create level demand and economies of scale.</p> <h4>The Opportunity:</h4> <p>It is within NSW's capability indeed even with the companies showcased, that NSW could be the Rail Transport Manufacturing centre of excellence for Australia. The Collaboration with the Federal Dept IISRTTE through their Enterprise Connect SC 21 and EFQM Based SCIP & Critical Work Skills funded Lean/Competitive Systems and Practices Certificates and Diploma to build required Manufacturing Excellence competencies and capabilities</p> </div> <div> <h4>How to get there:</h4> <ol style="list-style-type: none"> 1. Appoint ARA and Industry Corporation to coordinate and liaise across all stakeholders to drive the COAG Agenda, Standardisation and levelling of Federal and State Government and Mining / Grain / Steel and other rail transport demand and tendering processes 2. NSW DII and Transport to coordinate rail, ports and roads infrastructure strategy to optimise all stakeholders' activities 3. DII consider similar on-going financial support for Lean Manufacturing implementation programs which 'kick-in' when the Federal's Enterprise Connect \$20,000 support is expired 4. DII tasked with working with large rail entities to support their efforts in building trade/technical schools with CM III, IV Skills and supported by up to \$4,000/eligible employees (AIG) 5. DII tasked with supporting the Rail Industry Suppliers Collaborative Project to identify and scope capacity of the rail supply industry and advise development of policy settings and improvement initiatives that build global competitiveness along with making a significant impact on reducing NSW and Australia's Greenhouse emissions and its Carbon Footprint </div> </div>
NSW Manufacturing Enabler	<h4>NSW Supplier Development to be linked to the DIISRTE, ICN, ARA funded Rail 2040 Roadmap</h4> <ol style="list-style-type: none"> 1. Attaining the proposed 2019 NSW manufacturing vision is dependent on suppliers building strategic capability over the next decade 2. The Federal Government Enterprise Connect is to be tasked by DII to conduct Independent Business Reviews for Suppliers who wish to continue or seek supply to the NSW Government and request the "20% Discount" under the "Jobs First" 2009-2010 Budget. Once the EC 50% funding up to \$40,000 consulting is completed, representing \$20,000 Commonwealth rebate, the DII should then support the NSW Supplier for on-going Lean Manufacturing implementation 3. Australian Apprenticeships Centres (AIG and Council Member firm) are to be tasked with offering Competitive Manufacturing Lean Certificates III and IV to any NSW Manufacturing company with existing workers, who wish to improve their manufacturing skills, competencies and hence employability and job security. NSW Suppliers can access up to \$4,000 per Eligible Employee to be registered and complete the Certificates (as of June 2012 - now \$3,000 / eligible employee)