

**REPORT OF PROCEEDINGS BEFORE**

**STANDING COMMITTEE ON STATE DEVELOPMENT**

**INQUIRY INTO PORT INFRASTRUCTURE IN NEW SOUTH  
WALES**

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**At Newcastle on Tuesday 20 April 2004**

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**The Committee met at 9.30 a.m.**

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**PRESENT**

The Hon. T. S. Burke (Chair)

The Hon. A. Catanzariti

Mr I. Cohen

The Hon. P. Forsythe

The Hon. M. J. Pavey

**GEOFFREY RICHARD BEESLEY**, Managing Director, Newcastle Stevedores and Illawarra Stevedores, sworn and examined:

**CHAIR:** I welcome you to the hearing in Newcastle for the inquiry by the State development committee into port infrastructure. First, there is a standard missive that I must give to the packed media gallery. The Standing Committee on State Development has previously resolved that the press and public be admitted to proceedings of the Committee and that the media may broadcast sound and video excerpts of public proceedings. I point out that in accordance with the Legislative Council's guidelines for the broadcast of proceedings, only members of the Committee and witnesses may be filmed or recorded. People in the public gallery should not be the primary focus of any filming or photos. In reporting the proceedings of this Committee, you must take responsibility for what you publish or what interpretation you place on anything that is said before the Committee. In what official capacity are you appearing before the Committee—as a private individual or as a representative of those organisations?

**Mr BEESLEY:** Both.

**CHAIR:** If you consider at any stage during your evidence that certain evidence or documents you may wish to present should be heard or seen in private by the Committee, the Committee will consider your request. However, the Committee or the Legislative Council may subsequently publish the evidence if it decides that it is in the public interest to do so. I invite you to make an opening statement.

**Mr BEESLEY:** No requirement to make an opening statement.

**CHAIR:** To what extent is the current capacity at Newcastle port adequate for your operations?

**Mr BEESLEY:** The current arrangements we have are adequate in what we do, the berth that we operate in the main. We operate at both Kooragang berths and East Basin berths. Our stevedoring company basically does most of the work down at the East Basin. When I say "most" it is probably in excess of 90 per cent. The berth originally was a coal loading berth. Some time ago TNT won the facility and was taken over then by Tolls and operated down there. After a short skirmish with the WWF at the time and the TWU were going to operate the berth entirely, the TWU, and there was an agreement put forward where they did the receiving and delivery down there and we did the stevedoring. That is the loading and unloading of the ships from the stack into the ship and from the ship to the stack.

From my understanding, the facility was going to be hard stand area on top of the berth itself at some later stage but that has not been done to date. It makes it very difficult for us to operate entirely efficiently as a stevedore because of the arrangements with the TWU. Certain cargoes cannot be taken to the hook by forklift trucks—I think it is over 12 tonnes at the moment—so in the middle of the night if we are operating a ship we need to call on the TWU at three o'clock in the morning, which we do not do. If we happen to be securing a hatch we could get about eight containers or whatever the load. So the berth itself does not lend itself for 100 per cent stevedoring efficiency. However, it is adequate for what we do at the moment for the cargo that is to be handled.

**The Hon. PATRICIA FORSYTHE:** Can you explain further the movement of bulk cargo by barge to Newcastle as proposed in your submission?

**Mr BEESLEY:** It was containers that I referred to and open type barges. There was a major concern of movements of containers on the road and possibly the unavailability of rail. Where it is done in overseas countries, and my visits to overseas countries, everything there is turning to barge or whatever they can do up their river systems or on their coastal systems. They use barges wherever possible. The current infrastructure is there for that. Years ago it was interstate shipping. They ran cargo up and down the coast of New South Wales and into Queensland, but the reference there of my understanding is that if container ships came into Sydney anything north of the Hawkesbury could be block stacked in the port of Sydney and brought up by barge or interstate ship.

**The Hon. MELINDA PAVEY:** That is an interesting concept. How has that proposal been received by government at this point?

**Mr BEESLEY:** I do not think it has been discussed or thought about at the moment. As I said, years ago before bridges and roads were inadequate that was the only means of transport up and down the New South Wales coast. I think that were about 10 ports open, Coffs Harbour, Ballina and all around those places opening for interstate ships to run the cargo up and down the coast.

**The Hon. MELINDA PAVEY:** You mention in your submission that you can see a potential for the movement of fuel by barge for the growing northern region. Does that require any extra infrastructure here at Newcastle?

**Mr BEESLEY:** Not really, no. There is a barge receiving area down there for ro-ro type operations. It has not been used very much but it is there.

**The Hon. MELINDA PAVEY:** Do you see a benefit in having one major port in New South Wales, or do you think the current four ports are good?

**Mr BEESLEY:** Three ports or four ports?

**The Hon. MELINDA PAVEY:** Four ports.

**Mr BEESLEY:** I do not believe that the one particular port is of benefit. If we said that Sydney is the port, it would not happen. We need the port of Newcastle. It is probably one of the biggest ports in Australia that handles coal, which is our natural resource. Sydney, where the population is, has the need for containers to come in and out—mostly in, more so than out—hence the imbalance of containers.

**CHAIR:** What about the port corporations? Does it make sense to have the different port corporations?

**Mr BEESLEY:** To me, no. I prefer to see the port run by one management team for the benefit of New South Wales. I think the Queenslanders are probably having a bit of a laugh up their sleeve at us at the way we operate because they play the game hard for their own port but it does not necessarily, in my opinion, suit the State. I think we should have the one body that looks at the State as a whole. At the moment Sydney Port Corporation should be playing hard ball against us up here. I think only in the last 18 months to two years Port Kembla decided to go side by side with Sydney but at the end of the day we should have a body that is looking after the State of New South Wales, not necessarily each individual port running its own race.

**CHAIR:** Are there any examples where that sort of competition between the ports has produced bad outcomes?

**Mr BEESLEY:** I think the way we have been heading with the container terminal concept—initially it was a container terminal concept three years ago and it was going to be the end to end all, but I could not for the life of me see where we were going to get the containers, other than take those containers out of Sydney that were currently going in there. I could not see any sense in that but we need to develop as a port with our own resources, and there are lots of opportunities here from different inquiries that we get but we do not have adequate facilities at the moment to handle those types of inquiries.

**Mr IAN COHEN:** The Hon. Melinda Pavey raised the barge issue. It is certainly an interesting one. It is a little bit of a worry for me in that we get a lot of complaint about overload, we see the ships offshore here, certain blockages in the system to supply barges. How would they be affected weather wise, swell wise? There are some difficulties being discussed about accessing ships into port in big swells. How do barges handle that sort of thing?

**Mr BEESLEY:** Barges handle those swells pretty well—the modern barges, that is.

**Mr IAN COHEN:** We have a history of a few ship wrecks along this coast in the past when shipping was the main—are they all weather, all conditions capable—

**Mr BEESLEY:** In the main they are but even apart from that little ro-ro ships can do the job and they are running in all sorts of seas around the world. We had Chinese ro-ro ships that used to come up to Newcastle quite frequently when the aluminium smelters opened for business and took aluminium out of here overseas into Japan.

**Mr IAN COHEN:** These were international carriers you are talking about and they were relatively small?

**Mr BEESLEY:** Yes, and they had 350, 400 containers and all you did was put the ramp down and with machines run them in the back of the ships, in and out.

**Mr IAN COHEN:** And in that type of barge there is a facility, because you do mention in your—

**Mr BEESLEY:** That is a ship, sorry, not a barge.

**Mr IAN COHEN:** In your submission you state:

The wharves are old coal loading berths, have weight restrictions on the wharf landing areas, contain rails from the old coal loader gantrys, in short the berths are not conducive to efficient stevedoring.

How much development would be needed to facilitate a new system like this with barges coming in, or is it something that would be easily facilitated with the existing infrastructure?

**Mr BEESLEY:** The existing infrastructure is there for a ro-ro ramp to go into a barge to take containers in and out of barges. It was built some years ago, back in the early 1970s.

**Mr IAN COHEN:** How do you see that interaction with the coal loading facilities? Obviously there are bottlenecks in the coal loading facilities at present. Can you see that expansion working hand in hand, or do you see any difficulties at all?

**Mr BEESLEY:** The coal loading is a totally separate entity in Newcastle. Coal is loaded over at Kooragang. It runs separate to what we do in the break bulk field. We do containers.

**Mr IAN COHEN:** But we do have crossover with rail road transport. There are crossovers in terms of priorities. Would that be a reasonable thing?

**Mr BEESLEY:** It does not affect what we do in any shape or form in the break bulk area. We are handling whatever containers there are. There are very small container movements out of the port. Basically, the majority of container handling at the moment is grinding media from what was known as Comsteel, now is Morgans, and they are shipping quite a bit of grinding media up to the islands. That is going in open containers but it does not cross across what the coal does. The only thing we have had of coal of late have been interesting inquiries, and we have shipped 100,000 odd tonnes of coal to Turkey. Turkey has been very keen on the coal that we produce here, as opposed to the Russian coal. Rather than go through a loading facility, where the coal breaks up in a loading facility because of the speed that the coal is loaded at, they wanted us to load it with a crane off the wharf. What we do is use a ship's cranes and grab the cargo and take it right down into the lower hold and open it up so it does not reduce it to fines. At the end of the day they take it over there and bag it and sell it domestically in Turkey itself. They wanted to sign something like a 1.4 million tonne contract on that type of coal, which would have been good for Newcastle, but we did not have the facility at the time, and still have not, to do it.

**Mr IAN COHEN:** When you say you do not have the facility, are you talking in terms of equipment on the wharves? We were told yesterday that certain ships come in with their own crane loading facilities on the ship. Is that the problem?

**Mr BEESLEY:** The problems we are having at the moment are at Kooragang No. 2 and No. 3 berths. Kooragang No. 3 berth is primarily for the vacuum unloaders which handle the alumina and

petroleum coke for the aluminium smelters. Kooragang 2 berth is primarily used for fertiliser but it handles woodchip and cement and all types of cargo. We are getting a lot of congestion over there. So anybody trying to sign up a contract or whatever, it would be hard pressed to get a ship in there, to find a window to facilitate that coal. The last thing they would want—it would be the same as the other ships—is to be held off the port. The old BHP facility could still receive the coal because its coal receiving area is still in existence; it still has the spraying equipment. There, they used to receive the coal for the furnaces. It could handle over 100,000-odd tonnes receipt in that area.

**Mr IAN COHEN:** That has not been- affected by the demolition?

**Mr BEESLEY:** Not that particular area; it is still there, as I understand.

**The Hon. PATRICIA FORSYTHE:** In your submission you refer to the basin area becoming more problematic for stevedoring activities because of the change in the nature of Carrington nearby. Do you have any evidence of that? Have there been recent things happening, or do you just anticipate that?

**Mr BEESLEY:** I just anticipate it. We are almost in the process once again of loading logs out of the Port of Newcastle. The client, who received more than 1,000 tonnes, ended up putting them in 40-foot containers. But I could foresee the noise generated from the loading of logs at the facilities, because you usually heave and leave them down below by pulling out the wires, and they rumble around in the ship's hold. The client would expect us to work 3 shifts and ships these days have got to work 24 hours a day because of the cost of them. I expect we would have got a lot of criticism from the locals there because of the noise being generated. We have in the past with gear bulk vessels working down there; they have big gantry cranes, and they move up and down on the ship. They have that beep, beep, beep that goes on in the middle of the night. I have had phone calls, when I left P&O, at 3 o'clock in the morning, and I sat talking to a fellow for two hours who said he was trying to sleep in a wardrobe to get away from the noise; he had been doing so for about three days and he was worried about losing his job, et cetera. I said: Really, it is a concern for the port, it is not particularly P&O and it's not particularly Patricks; it's that type of ship. The beep beep that they have there is for safety reasons for the people working around that ship.

**The Hon. PATRICIA FORSYTHE:** How many days a month would ships be accessing berths in that region?

**Mr BEESLEY:** I have not got the statistics, but I would suggest in busy periods, in a 30-day period for instance, we would probably be there for 20-odd days, around the clock, sometimes with two ships at the berth.

**Mr IAN COHEN:** You mention in your submission that a "sunset clause should be determined between government and terminal operators to agree on what is an acceptable level of container activity that will work in harmony with the environment." Are you talking there about the social environment, the impact on people, or are you referring to other issues as well?

**Mr BEESLEY:** I am talking about in Port Botany eventually they will get to saturation point, something like 2025 or other, and at the end of the day I could not see any reason why Sydney should not be developed further to accept more containers, because that is where the population is. I had an opportunity to go to Los Angeles. There is a prime example of our situation there between Los Angeles and Santiago. Talk to the port officials down the coast there—and we have been trying to get containers out of Los Angeles for some time—but they do not want to know about them. There is Los Angeles, with a great population, and still serviced by their container terminals; and here we are in Santiago. I made the statement about the sunset clause because otherwise we will reach a saturation point at which it would be unbearable to handle any more containers there. When we agree—if it is agreed—to expand Port Botany, somebody should be sitting down and saying: Well, that is how many boxes the port will take, and when we get to that, that is the finish. That is all I was meaning by that statement.

**Mr IAN COHEN:** The Committee has heard a lot of talk about the Port Botany expansion, the rail infrastructure problems, and the time taken to get out to the south-west of Sydney. What do you see as the situation from Newcastle, compared with Port Kembla, where we received information

that, with the downgrading of coal from the Illawarra, there was plenty of facility to transport containers and such like if there was an expansion?

**Mr BEESLEY:** From Port Kembla to Sydney?

**Mr IAN COHEN:** From Port Kembla to Sydney. How does that weigh up with the current conditions in transporting containers from the Hunter to terminals in the south-west of Sydney?

**Mr BEESLEY:** There is a difference in time, and time is money to the truck driver. We talk about different rates for trucks going to Sydney from here, and that it is just as cheap, but from discussions I have had with truck drivers they say there is no way it is just as cheap simply because of the difference in travel times between Kembla and Sydney. Time is fuel, and time is money to them. It is cheaper from Kembla to Sydney.

**Mr IAN COHEN:** Would you comment on the argument that if you are doing it over the weekend it still makes it to market, and that the Hunter is not hamstrung by that time factor?

**Mr BEESLEY:** I do not get your drift on that one.

**Mr IAN COHEN:** There has been argument that, if an arrangement is made, there is not a disadvantage in the time factor from the Hunter as compared with say Port Kembla.

**Mr BEESLEY:** If you are talking about mostly going to the southern suburbs, you would have to argue that Port Kembla is a shorter trip. In the past we have handled steel down there, and that has been a problem because of the short haul from Port Kembla to the southern suburbs of Sydney, where most of the steel goes. When I say that, I mean Smithfield, Riverwood and all those areas. We were outgunned by about \$4.50 a tonne taking it from Newcastle to the southern suburbs of Sydney as opposed to taking it from Port Kembla up to those suburbs. I guess the time ratio comes into that cost situation.

**CHAIR:** In your submission you referred to the multipurpose berth and the fact that you disagree with the reasons given for the need for it: instead of it being to cater for overflow, you have referred to it as something required for current business. What sort of time frame do you see as necessary for the completion of the extension of the multipurpose berth?

**Mr BEESLEY:** We would want the multipurpose berth in the next three to four years. There are changes coming about because of the Darling Harbour facility. At the end of the day, we could have earthmoving equipment that we can handle up here. Some of the shipping companies are making waves that they would like to move into the port, but on the quarantine aspect we would need washing down facilities, which we would not have down at the basin. If it becomes a quarantine issue, it becomes major.

**The Hon. MELINDA PAVEY:** In your submission you say that you see the expansion of this berth at Newcastle as an issue of providing for the Hunter region and the North Coast. I presume you do not foresee a lot of overflow from Port Botany; you see it as a growth in this region.

**Mr BEESLEY:** It will grow in its own way.

**The Hon. MELINDA PAVEY:** Rather than it taking business away from Port Botany?

**Mr BEESLEY:** That is right. Recently, I had inquiries from a Norwegian fertiliser business that wanted to come out here. Three years ago we sat down and talked about the opportunities and their wanting to bring urea into Newcastle and service the eastern part of Australia from Newcastle. They wanted bagging facilities—the whole lot. I said, "I think you are just a little bit before your time in Newcastle," because there is a facility, but it is not available at this time. That would have been big business for the Port of Newcastle, and would have created a lot of employment. Last night I contacted him to rekindle that relationship to see whether they were still interested in it. I have not heard back at this stage. Those are the sorts of inquiries you get. There is business around this port that would generate its own activities, particularly with coal.

If the Turkey contract had come off, and we were able to handle that by either tipping it into the ships with a bin, or taking it in with a grab, that would have meant enormous employment opportunities for people here. They were telling us that not only were there opportunities in Turkey but from other eastern bloc countries. That seemed to get blown out of the water in five minutes. All of a sudden the coal market has gone through the roof, and ship chartering rates have doubled and in some cases tripled. But, without a doubt, it will come back, and if we have a facility we could accommodate it. At this stage, without the facility, we cannot accommodate it.

**CHAIR:** Mr Beesley, thank you very much for assistance to the Committee, both by your submission and by appearing before the Committee today.

**(The witness withdrew)**

**GARY ALAN WEBB**, Acting Chief Executive Officer, Newcastle Port Corporation, sworn and examined:

**CHAIR:** In what capacity are you appearing before the Committee—as a private individual or as a representative of an organisation or business?

**Mr WEBB:** As a representative of the Newcastle Port Corporation.

**CHAIR:** If you should consider at any stage during your evidence that certain evidence or documents you may wish to present should be heard or seen in private by the Committee, the Committee will consider your request. However, the Committee or the Legislative Council itself may subsequently publish the evidence if they decide it is in the public interest to do so. Mr Webb, I invite you to make an opening statement.

**Mr WEBB:** The Port of Newcastle is a major economic driver for the Hunter and for New South Wales. Newcastle is the world's largest coal export port. Last year 71.4 million tonnes of coal was exported. In the previous year 69.3 million tonnes of coal was exported. Industry is predicting 76.5 million tonnes of coal this year, and 78 million tonnes next year. Newcastle Port Corporation welcome the New South Wales Government's Ports Growth Plan in that it identifies Newcastle's bulk origins and our opportunity to continue to pursue that, as well as identifying Newcastle as the location of the State's next major international container terminal once Botany Bay reaches capacity. This is recognition that Newcastle has the capacity and natural advantages to service the State's future container trade needs on a large scale.

Importantly, it is noted that the plan supports the Newcastle Port Corporation's existing commitment to getting on with the job of delivering the first stage of a multipurpose terminal. Currently there is a call to the market place for preliminary proposals—which closes in June this year. This port, in terms of the port as I know it—its waterways, its channels, et cetera—has over 100 million tonne capacity in the channels, the systems and the operations that we have. We handle ships up to 300 metres in length. In fact, the largest ship into the port was the Iron Pacific, as it was then known, which was 315 metres long.

The Newcastle Port Corporation currently has a development application for extension of the south arm of the existing channel, which potentially will allow for 10 additional berths. We have contracts in place to upgrade our wave recording system, so that we can improve the decision support system in terms of swell and under-keel clearance analysis. That also will help us look to the future in terms of what is the profile that the channel should have.

We welcome the opportunity for our multipurpose terminal proposal to be in the market at the moment. Our investigations indicate that Newcastle is currently well served by road and rail. Clearly, the demand for Hunter Valley coal exports, combined with high prices, has led companies to accept orders in excess of 100 million tonnes per annum in coal. I am advised that there are plans to upgrade the rail network and that that will further improve the region's capacity to deal with record coal exports. In preparing for our call for preliminary proposals document, the Newcastle Port Corporation is satisfied that the rail and road networks, but particularly rail, are able to cater for up to 350,000 TEUs. And our call for preliminary proposals is looking for a viable, substantial, but regional terminal that fits within the port's growth plan of being able to expand for the future needs of the State.

**CHAIR:** For the record, would you define a TEU?

**Mr WEBB:** It is a 20-foot equivalent unit, which is the measure of a container.

**CHAIR:** There may be plans and facilities that can be put in place, but for everything to work it will require the shipping lines to start to use alternative ports to where they are currently going. What challenges are there to make that happen and to get shipping lines up here?

**Mr WEBB:** I think it is recognised that ships will not make two-port calls—close ports adjacent to each other—but we have seen from the initial expression of interest process, which supported the current call for preliminary proposals for the multipurpose terminal [MPT], that there is



clear interest in bringing ships to Newcastle. There are well-established trends, for example, Auckland and Tauranga, that indicate that shipping lines can see economic benefits and competitive advantage in using a different port of call. There will be commercial decisions that say, "We can service this particular trade through this particular port in a way that gives better value and services for our customers."

**The Hon. PATRICIA FORSYTHE:** You talked about the growth in coal capacity in the city and we can see a number of ships waiting offshore. How can you assure us that the port is capable of taking additional shipping to meet the tonnage that you have referred to of up to 100 million?

**Mr WEBB:** Above 100 million. One of the challenges of life is to have simple key performance indicators, and one of ours is to make sure that we have a ship entering the port within plus or minus five minutes of when it was booked. We have the pilots and the systems that enable us to do that. The coal industry recently engaged a study to have a look at how their performance might improve to 120 million tonnes. The port capacity in terms of NPC's contribution to that has not been questioned or challenged because of our performance.

We have in place already guidelines for how Newcastle will operate in a multi-competing cape class facility environment as well as having an MPT container terminal operating. We looked ahead and we talked about the systems that will support the infrastructure and the assets because without the two working together, you do not maximise the benefits of what you have.

**Mr IAN COHEN:** That tends to clash with the reality in that you have some sort of record offshore here in the amount of ships that are in demurrage, laid off and in standoff. I have been to Newcastle over the past eight years specifically for a number of inquiries and I have seen at least that number of ships every time I have been here. Where is the problem? I am not pointing the finger at your corporation but why is there such a large number? We have received submissions about the vast amounts of demurrage costs in terms of this amount of standoff? Is this typical of other ports in the world or is it special?

**Mr WEBB:** Well, Newcastle is a special place. As I said, currently the demand for coal is extraordinary. In terms of where the choke points or blockages are, let me put this into context. My understanding—and running a port is my speciality, but not an analysis of the coal industry—is that the demand for coal has been extraordinary. Mr Beesley just talked about the increase in coal prices and a corresponding increase in trade prices. China has taken their coal internally rather than exporting. Japan has had difficulty in generating the power that they need from alternative sources and that has put 25 million tonne per annum on the world market.

Because of the quality of Australian coal, the good delivery system and the stable work force that supports it, the demand is exceeding the supply of the coal chain. But from the figures I have shown you, you can see that the throughput of coal in the port has increased each year by records, so systems have been put in place and, I presume, capital costs are being put along the chain. Where it sits, I do not know the answer to that, and I welcome the outcome of this investigation into what is needed to bring the coal chain to the 120 million tonnes.

**Mr IAN COHEN:** Is it the delivery of coal to the ports by rail that is holding up the process?

**Mr WEBB:** I do not know.

**Mr IAN COHEN:** You have explained clearly your ability to now facilitate these ships into port with clockwork precision. Therefore, why are we seeing so many ships offshore? I understand that this is a significant additional cost to the whole industry.

**Mr WEBB:** It is a significant additional cost and clearly the ACCC decision to allow a quota process to help manage that demurrage cost is an important move that is being created. In terms of whether the blockage is, I do not know the answer to that. What I do know is that we are able to deliver the ships on time to where they are asked to go.

**Mr IAN COHEN:** You have no idea whether it is a lack of coal in the port or a lack of ability of ships to come in?

**Mr WEBB:** There is a lot of conjecture on where it is, but any process that is from mining the coal, putting through load points, putting through a rail system, putting through a stevedoring terminal and putting through a port has points in it that need to work together.

**Mr IAN COHEN:** You must know. Are the loading fields empty? Are they full? Is there a problem with the quality of coal coming in? Where is the sticking point?

**Mr WEBB:** Any system has a finite limit. You are asking me what causes that finite limit and I am saying that I do not know the answer to that.

**Mr IAN COHEN:** Is it a lack of coal and lack of Newcastle port facilities stopping the ships or is it something else?

**Mr WEBB:** I do not know the answer to your question. What I know is that we are loading coal at a rate that has not been loaded before, so presumably all the systems are working to their maximum.

**The Hon. MELINDA PAVEY:** How do we compare to overseas? We have heard that for 16 or 17 days these ships stay out there. Your earlier evidence was that this is the biggest coal loading facility in the world. Do other countries that export coal have similar problems to us?

**Mr WEBB:** Certainly, there are ports where ships do wait. Whether they are waiting this amount of time, I do not think that is the case at the moment. Clearly, the market has a demand for Newcastle or Hunter Valley coal and that means people are happy to wait. Is it ideal? That is for them to work out and there are a number of processes in place. In terms of the rest of the world, I am not sure that it is 18 days or 15 days, but clearly in the bulk trade of coal there is waiting time.

**The Hon. MELINDA PAVEY:** Should we not know the problem and answer before we, as a Committee, support a multi-purpose terminal? Maybe that area needs more coal loading facilities, and if it is an issue of getting the coal onto the ships that will reduce the waiting time, maybe that is where the infrastructure needs to go.

**Mr WEBB:** Currently, the Regional Land Management Corporation has an expression of interest out for use of port-related deepwater lands and how that land is used, whether it is for bulk or for other operations, is clearly important. The next stage of that process will become clear in July and that will establish whether or not there is private investment ready to put money into additional terminals. That process is in place for how the land and the exploration of that land are used. All those issues are being investigated by relevant experts in the fields. I am not an expert in those other fields and in operating the port.

**Mr IAN COHEN:** Any business would know, if it was waiting for delivery and it is not arriving, be it by road or rail—in this case rail. Is it not the case that it is the rail system that is failing the smooth running of the loading?

**Mr WEBB:** The system that we have is providing more coal than last year and the year before and the year before.

**Mr IAN COHEN:** That is not an answer to my question. I appreciate that, but we are dealing with looking at further expansion of business. You have indicated that this is the major coal loading port in the world and I appreciate that. A number of submissions have targeted the rail system and I am wondering whether you can clarify for the Committee where the problem lies and what needs to happen. If there is to be expansion, the Committee needs to know how that will work and is there potential for delivery of a smooth functioning expanded industry here. Surely if it is road, or rail in this case as targeted in some submissions, you should know in terms of waiting for arrival, whether by ship or rail?

**Mr WEBB:** My understanding is that \$145 million will be put into the rail system that will bring it to 100 million tonne capacity. That is my understanding from reading the public records. In terms of where the process is at the moment, there is a finite limit put on capacity that can be

delivered, which is around 80 million tonnes. Where all the elements for that fit in, it is a combination of rail, loading, et cetera. The ACCC decision has accepted that there is a finite capacity within the system as it stands.

**CHAIR:** When we visited Port Botany it was explained to us that their ships have to arrive in given slots, which are organised a long time in advance. They are able to time their arrival at port to make sure that they are there in their slots at the right time. My understanding of the system here is that slots are not allocated to ships until they are already in the vicinity of Newcastle and at that point they wait in a queue. What is the reason for the queue system that is used here as opposed to the slots system, which appears to be used in a number of ports?

**Mr WEBB:** The queue system applies to the coal loading. The slots system applies to other cargoes and, as Mr Beesley mentioned, the two operations are fundamentally separate, except for the common use of the channel. Slots are made available for wheat berths, for general cargo berths, et cetera. It is in the coal loading that you have the queuing system.

**CHAIR:** I am just curious as to why?

**Mr WEBB:** The queuing system is simply to manage the arrivals. The arrivals are foreshadowed and predominantly we know 14 days before when a ship is about to arrive, so the queue you have out there is, in fact, slotted. They know when they are coming in.

**The Hon. PATRICIA FORSYTHE:** In your opening you referred to Newcastle being well served by road and rail. If in the future there was a multipurpose terminal concept and additional trains were used to take containers to Sydney, before even leaving Newcastle a number of level crossings must be traversed. Is there any proposal, as part of the upgrade of the port, to put funding into the rail infrastructure around the city? You have talked about rail in terms of coal capacity but what about moving containers through the city?

**Mr WEBB:** Our initial investigation indicated that there is the capacity for the rail system to handle up to 350,000 TEUs and we have not considered putting any money into the other infrastructure that you have just outlined.

**The Hon. PATRICIA FORSYTHE:** But even if you can handle it, it would have some impact on the city of Newcastle by virtue of additional trains basically forcing some major roads in Newcastle to be blocked when trains are crossing them?

**Mr WEBB:** If we managed to get to 350,000 TEUs, that is equal to two trains a day.

**The Hon. PATRICIA FORSYTHE:** Two long trains.

**Mr WEBB:** Two trains a day.

**The Hon. PATRICIA FORSYTHE:** Does the growth of the port have the support of Newcastle City Council?

**Mr WEBB:** There is certainly strong support within Newcastle business and the Hunter business and my understanding from Newcastle council—and we have a new council but with the same Lord Mayor—is that the Lord Mayor's support for this project has been substantial.

**The Hon. PATRICIA FORSYTHE:** It is just of interest that when we visited Wollongong in the Illawarra there was strong representation from council, yet I do not note that same representation on this occasion. However, you can assure us that this project generally has the support of the community?

**Mr WEBB:** Certainly, and the Hunter Business Chamber will be following in representations.

**CHAIR:** One of the submissions we received, from the west Wallsend branch of the Labor Party, has gone into some concerns about increased truck movements. To what extent do you believe that the current road system will be able to handle the port expansion?

**Mr WEBB:** If we are focusing on the multipurpose terminal, our preliminary understanding is that the number of trucks that would be added to the F3 system would be something in the order of 0.5 per cent of what is there now.

**CHAIR:** My understanding of the terminal from the site visit yesterday is that a lot of other land further back from the port itself would perform warehousing and various functions like that. I would have thought that from those sites it would only be truck movements that would go from those because they would essentially bypass the containerised movement that would happen on rail. So does that have an impact on an increased percentage that would end up on the road?

**Mr WEBB:** The option of how that backup land will be used can be warehousing, which would increase the truck movements, or it may well be that that is where the movement of the empties takes place and some containers are taken out to areas such as the HEZ, et cetera, but in terms of servicing part of Sydney that would go by rail down to Sydney, regardless of the method of unstuffing.

**CHAIR:** What sort of options are there for the use of that land? It is a huge site.

**Mr WEBB:** Certainly. In the call document we look at a true multipurpose terminal opportunity, whereby it could be general cargo, it could be break bulk, but that site allows for expansion into the future. Currently, our view would be as per the government submission, as per our document: It needs to be a viable terminal. It could start up. It can be operating but has the opportunity to expand into the future. The government submission targets that site for nomination for future use. I think that is a good strategic use of a site that has deep water near it, because it is the deep water that is an asset that we need to make sure we get maximum benefit from. So there is a lot of room but it is a staged approach that enables us to have a multipurpose terminal that has general cargo and then a staged expansion of a container terminal. But that will be over a longer period of time.

**CHAIR:** Given the need for remediation for a lot of the land at the old BHP site, what sort of time frame is there before it will be possible to have anything up and running there?

**Mr WEBB:** The site has development consent for the purpose that is supported by the call for preliminary proposals document, and the timetable allows for a multipurpose terminal to be up and operating in 2007-08.

**Mr IAN COHEN:** You talked about the projection based on 350 TEUs in terms of growth but in the government submission, which you are part of, it says, "It is proposed that an additional large-scale container facility handling in excess of one million TEUs would be required to be developed from 2020 to meet trade growth". That is significantly more than what you are talking about in terms of projection. Would you like to comment on that?

**Mr WEBB:** Certainly. Our current call for preliminary proposals document identifies the opportunity for a viable multipurpose terminal to commence. That will not be one million TEUs. Sydney, from construction to one million TEUs is about 20 years. The 350,000 that I am referring to is the capacity for the existing rail system, so that is the number that we are using there.

**Mr IAN COHEN:** Under the existing rail system you are talking about being able to go to 350.

**Mr WEBB:** That is right, and the Government's position is that there is the potential for incremental development of infrastructure that will marry the future needs both for passenger and commercial needs. What the site has is the ability to handle one million TEUs, so we welcome that recognition of what that site is. Our call document says that respondents need to have a commercially viable multipurpose terminal but a vision that will allow growth into the future. So that is where that number fits in.

**Mr IAN COHEN:** It is predicated—tell me if I am wrong—on effective expansion of the rail system to accommodate, would you not agree? You mentioned before that there was funding. The expansion of the freight rail system would accommodate the increased coal transport.

**Mr WEBB:** Let us deal with that in two parts. The multipurpose terminal site is not competing with the coal rail system. They are serviced by two different branches. That particular rail system is capable of 350,000 TEUs now. My understanding, and I am advised, is that the northern line will have \$145 million capital put into it to allow it to handle 100 million tonnes of coal.

**Mr IAN COHEN:** Earlier Mr Beesley mentioned the concept of barging as a different way of looking at it. How does that fit with your perspective in terms of your facilities? Is that something that could work up and down this type of coastline?

**Mr WEBB:** It is an interesting concept. Our approach is that if someone has an idea and commercial backing and they wish us to help them pursue whether or not it is possible, we will apply all the resources we have to support it.

**Mr IAN COHEN:** Can you see any downside to that? Can you see any difficulties? Yesterday you discussed with the Committee the issues of access to the harbour, to the port itself, big seas sometimes, that type of thing.

**Mr WEBB:** Clearly we would want to be providing some expert assistance in terms of what size those barges are, how they operate, what they do in a swell and otherwise. Until you actually know the size and shape—are they self-motorised, are they tugged—it is difficult to provide that answer. But there would need to be some assessment of the suitability of the equipment for the purpose, or someone would need to be aware that there might be some risks attached with that particular approach.

**CHAIR:** Do you have any concerns about how close residential accommodation might be to the port in terms of any future limitations on the use of the port?

**Mr WEBB:** There is no doubt that the close neighbours of the port of Newcastle are important to us. Our closest neighbours are in Carrington, and I think the port corporation has worked hard over the past 10 years to establish not only effective relationships but real improvements such as the alternate access road into the port that has taken the heavy vehicles out of the centre of Carrington. We continue to have discussions with Carrington residents through their group and through different organisations there.

My understanding is that there is strong support for the port, for the character, for the work that is being done and the desire for ongoing port activities to occur in Carrington. Clearly, the Kooragang Island and the Carrington former BHP site are also attractive because of their industrial heritage and the fact that there are buffers to neighbours and appropriately brown fields site construction allows current state-of-the-art technology or applications to be put in place to help with the neighbours. So our relationship and our standing in the community is of great importance not only to us as a port corporation but to those who use the port so we try to work hard to accommodate it. Ships horns and ships whistles and working things can make it difficult but, as some people say, it is a working harbour and we support that.

**The Hon. PATRICIA FORSYTHE:** What discussions has the corporation had with shipping companies about their attitude to, for example, using Newcastle as a port in terms of the multipurpose terminal?

**Mr WEBB:** Our discussions with a number of shipping lines have been quite positive. There is no doubt that the whole logistic chain in any product or commodity being delivered is important but there is some strong support from some major shipping lines.

**The Hon. PATRICIA FORSYTHE:** "Some strong support from some"—does that mean not all? Would there be resistance to this idea of a port away from Sydney?

**Mr WEBB:** We have not been out canvassing all the shipping lines. Currently with the call document out in the public arena, we need to allow those people who will be responding to that document to carry their business case forward. Prior to going to the expression of interest stage we targeted a number of shipping lines for which there were some who were quite enthusiastic about it. In other words, they saw the competitive advantage that I was referring to before. So we have targeted our approaches. We have not been out to everyone, and we are suitably encouraged by their response and the call process will provide support for the information that we are getting or otherwise.

**The Hon. PATRICIA FORSYTHE:** Are you confident that it will not be an expensive white elephant?

**Mr WEBB:** The approach we have in terms of having a call document for ensuring that there is a solid business case, an operator who has the business behind it, will not allow for Newcastle port corporation or government to be putting money into something that is not viable.

**The Hon. MELINDA PAVEY:** Do you agree with Mr Beesley's submission that Newcastle will primarily, with the expansion of the port, cater for further business opportunities within the region and not necessarily an overflow from Sydney?

**Mr WEBB:** I think there are opportunities within Newcastle and clearly we have been part of the discussions on the coal that Mr Beesley was referring to. Circumstances such as coal prices, shipping prices and the closure of a mine meant that that opportunity was taken away. There are about 160,000 TEUs in the northern New South Wales, Hunter region that are available and if there is a competitive advantage that can be found for Newcastle that is the case. But the Government's view of the former BHP site is that it provides a direction for the future once Botany Bay has reached its potential. So I guess this is not a case of unnecessary competition; it is a case of what the whole State needs.

**The Hon. MELINDA PAVEY:** Is Port Botany reaching its potential under its current arrangement, or is it reaching its potential if the commission of inquiry finds that its extension can go ahead?

**Mr WEBB:** I am sure that the operators of the terminals at Port Botany will continue to get improvements out of the systems they have. So what that limit is is yet to be determined but it will have a limit and clearly Sydney ports development application means that they see a need for expansion of container throughput capacity.

**(The witness withdrew)**

**(Short adjournment)**

**GLENN DAVID THORNTON**, Chief Executive Officer, Hunter Business Chamber,

**IAN COLIN TRAVIS**, Supply Chain Infrastructure Consultant, and

**ANDREW JOHN GEDDES**, Engineer:

**CHAIR:** In what capacity are you appearing before the Committee—as a private individual or a representative of an organisation?

**Mr THORNTON:** As a representative of the organisation.

**Mr TRAVIS:** As a representative of the Hunter Business Chamber.

**Mr GEDDES:** As a representative.

**CHAIR:** If any of you should consider at any stage during your evidence that certain evidence or documents you may wish to present should be heard or seen in private by the Committee, the Committee will consider your request. However, the Committee or the Legislative Council itself may subsequently publish the evidence if they decide it is in the public interest to do so. I invite each of you to make a brief opening statement.

**Mr THORNTON:** As mentioned, we are here to represent the Hunter Business Chamber. We have 1,120 companies as direct member organisations of the Chamber, and through our committee structure, in particular our regional infrastructure committee, we have approximately 40 of those members that meet on a monthly basis to discuss issues of significance as far as infrastructure is concerned within the region. One of those matters that have been discussed quite broadly over the past few years is the multipurpose terminal. In relation to its community support, in December 2002 we held a Hunter forum on jobs growth post the closure of BHP, and that was organised by the Newcastle City Council, the Hunter Business Chamber and the Newcastle Trades Hall Council. We had over 100 representatives from various organisations.

One of the key items of infrastructure to come out of that forum which the group agreed should be moved forward was the multipurpose terminal. It is seen as something of significance post BHP, and especially to kick-start the whole of the redevelopment of the BHP site. We see the development of the Newcastle multipurpose terminal as being complementary to Port Botany and to Port Kembla, and we see the Port of Newcastle as having a strategic location on the eastern seaboard. The Hunter Business Chamber has put it forward to various representatives of government as a recognised alternate eastern gateway into Australia, with the opportunity to better service all of regional New South Wales as well as the Sydney market from the outside in, as opposed to what is happening at the moment.

**CHAIR:** Mr Travis and Mr Geddes?

**Mr TRAVIS:** We would just endorse those comments.

**CHAIR:** In your submission you have identified approximate employment growth. Has the Hunter Business Chamber conducted any studies on employment growth?

**Mr THORNTON:** No, no direct studies.

**CHAIR:** What is the employment growth that is referred to in the submission based on?

**Mr THORNTON:** It is based on the figures that were put forward by the Newcastle Port Corporation on direct jobs with the multipurpose terminal and the construction jobs. There has also been the concept of having the remainder of the BHP site—which I think at the moment is 55 hectares—which is not approved for the development application of the multipurpose terminal, to be used as an industrial park.

**The Hon. PATRICIA FORSYTHE:** Noting the economic benefits of the proposed Newcastle Port expansion, and that 85 per cent of all cargo moved through Port Botany is unpacked or packed within 40 kilometres of the port, could it be argued that the boom for Hunter business would be at the expense of Sydney import/export?

**Mr TRAVIS:** The Chamber is strongly supporting the issue of complementary growth of the ports, and certainly is endorsing the Ports Growth Strategy in that respect. The current forecast for growth in containerised goods is from the current 1.1 million TEUs to 3 million TEUs by the middle of the 2020s. We regard the opportunities for Sydney to be able to accommodate that growth with existing supply chains as somewhat limited, and therefore the complementary activity of both Newcastle and Port Kembla is essential in making sure that the supply chains work for the good of the State.

**The Hon. PATRICIA FORSYTHE:** What needs to be done to make rail and road infrastructure an efficient element in the chain?

**Mr TRAVIS:** The studies being done on the multipurpose terminal at the moment show that there is adequate rail capacity in the Hunter region to support the type of operation that is considered.

**The Hon. PATRICIA FORSYTHE:** I come back to the question I asked Mr Webb. In relation to things such as the number of level crossings that are still a feature of the road-rail system in Newcastle, is there any intention to replace those level crossings with overhead crossings so that road can function efficiently while people are still accessing rail?

**Mr TRAVIS:** We are not aware of any plans for that at this stage.

**The Hon. MELINDA PAVEY:** Has the Hunter Business Chamber done any studies or work on the backlog of ships seeking access to port to load coal? Out of interest, I am sure it would have a profound effect on the Hunter in terms of extra economic growth if the problem were identified. Why is it taking so long?

**Mr THORNTON:** It is something that the Hunter Business Chamber is currently looking at, and we have a meeting scheduled for the next two to three weeks with various organisations that are involved in that supply chain.

**Mr IAN COHEN:** How long have you been looking at that? This is an issue that has been ongoing for as long as I have coming to the Hunter—looking at the number of ships off shore and the obvious bottlenecks in the system.

**Mr THORNTON:** It is something that has been raised only recently for the Chamber to look to do some sort of study on.

**Mr IAN COHEN:** Does the Chamber's experience enable it to identify where the problems in the system are relating to flowthrough, particularly with coal loading?

**Mr THORNTON:** Not at this point.

**Mr IAN COHEN:** So you have no idea whether it is ships, the port authority, or rail transport infrastructure?

**Mr TRAVIS:** The Chamber has not done any work on that, but it is clear that a lot of studies have been done with respect to the coal supply chain, and that varying conclusions have been drawn from those. None that I am aware of have pointed to the port's capacity. The port has the capability to handle the shipping. The issue of concern is how the supply chain that is feeding that port is operating.

**Mr IAN COHEN:** Did you not say, though, that you felt the rail infrastructure was adequate for the port capacity?

**Mr TRAVIS:** For the multipurpose terminal, yes.



**Mr IAN COHEN:** For the multipurpose terminal, but not the coal terminal. Are they not intertwined in that you have limits on passenger rail and freight and coal rail?

**Mr TRAVIS:** You have to look at a supply chain wholistically. You go from where the goods are being supplied to where they are being delivered. You referred earlier to the fact that there are a number of loading points. There is a very complex structure involved in bringing the coal into the port. It is very difficult to identify one particular area that is the constraint to that supply chain. Certainly, though, in the studies that have been done, none of those constraints would apply to something such as a multipurpose terminal. They have different supply chains, and therefore have different constraints.

**Mr IAN COHEN:** How important would a dedicated freight line from Newcastle to the north-west of Sydney be to the viability of expansion?

**Mr TRAVIS:** Which dedicated freight line are you referring to?

**Mr IAN COHEN:** A dedicated freight line. Perhaps you could tell me which one.

**Mr TRAVIS:** I am not aware it is of any significance to us at all.

**Mr IAN COHEN:** You do not see that there are problems with rail freight transport in that you are mixing it with passenger transport, and the scheduling problems that evolve from that?

**Mr TRAVIS:** There is always an issue with that. It is a matter of the point of time where it becomes commercially viable to isolate the two systems, if you like. The Chamber currently is strongly supporting the reservation of an alternative corridor to the west of Newcastle to take freight sometime in the future. What the time frame for that is at this stage is unknown to us. We do not see the growth necessary, but we see it is necessary to reserve a corridor.

**The Hon. TONY CATANZARITI:** You support the Ports Growth Plan as a strong driver of long-term economic growth for Newcastle but also to alleviate Sydney's transport concerns. What concerns, if any, do you hold for road and rail transport in Newcastle as a result of the proposed Ports Growth Plan?

**Mr TRAVIS:** I guess we have primarily focussed on the multipurpose terminal as the major growth for this particular port. We see that this port has the opportunity to base that development around rail, which is somewhat unusual in Australia. One aim is to increase the rail movement of goods from Sydney ports to up to 40 per cent of the total throughput, which is quite a significant ask if you are going to increase the number of TEUs threefold. With that, there will also be some growth in road, but we believe there is adequate capacity in the Newcastle region for the sorts of operations that we have considered for the multipurpose terminal at this stage.

**The Hon. PATRICIA FORSYTHE:** Has the chamber had discussions with shipping companies to ascertain their views on using Newcastle port?

**Mr THORNTON:** No.

**CHAIR:** You have mentioned the predominance of rail. As product is sent in different directions, has a view been expressed as to what inland port facilities everything would go to?

**Mr TRAVIS:** Again, there are a multitude of opinions about how that particular supply chain might develop. We will have to wait for commercial opportunities to arise. However, we see that there is the opportunity within Newcastle for a number of different areas that could become centres for the packing operations and unpacking of containers but, no, from the chamber's perspective, we certainly have not suggested any one particular area.

**Mr IAN COHEN:** In terms of the amount of truck and rail movements—and you referred to the predominance of rail—we are looking at potentially a 30 per cent increase or a 30-70 split between truck road movements and rail movements. Has your organisation taken into account any impact this

might have on the social amenities of the local community? We have received submissions about the impact of increased truck movements, in particular around the Wallsend area.

**Mr TRAVIS:** There have been no particular studies done in that area that I am aware of.

**Mr IAN COHEN:** Are you aware of community concerns about increased truck movements?

**Mr GEDDES:** Yes, we are. The Wallsend Planning Committee is aware of that and it is an issue that needs to be considered further as part of the future planning for the area. That is why the chamber is keen to see a rail corridor reserve in that area.

**Mr IAN COHEN:** Are you aware of any other issue that will be a downside to this type of development from a community or environmental perspective?

**Mr TRAVIS:** No, none that we are aware of.

**CHAIR:** I thank you for your submission and evidence today.

**(The witnesses withdrew)**

**MICHAEL JOHN REID**, Manager, Ports Development and Infrastructure, GrainCorp Operations Ltd, sworn and examined:

**CHAIR:** If you should consider at any stage during your evidence that certain evidence or documents that you may wish to present should be heard or seen in private by the Committee, the Committee will consider your request. However, the Committee or the Legislative Council may subsequently publish the evidence if they decide it is in the public interest to do so. I now invite you to make an opening statement to the Committee.

**Mr REID:** Thank you. First, I will describe who GrainCorp is and what we do. GrainCorp is a leading agribusiness company. We provide storage and handling logistics, farm inputs and marketing solutions for Australian grain growers. We have 350 country receiver sites, nine export ports throughout Australia and a storage capacity of 25 million tonnes. We operate down the eastern seaboard, from Queensland to South Australia, and on average we receive 12 million tonnes of grain per year and export six million tonnes annually. We also have a 60 per cent share in Allied Mills, which is a vertical integration. Our key interest is that we operate three export ports within New South Wales, those being Carrington here in Newcastle, one on Kooragang Island and we operate one at Port Kembla.

From GrainCorp's point of view, we see this group as being very positive. It gives us an ideal opportunity to provide a helicopter view of ports infrastructure and the associated supply chain and logistics. We look at an integrated solution to this. I will talk about issues that are probably GrainCorp-specific to a certain degree, but certainly they could be transferred to other organisations. We see this as an opportunity to ask for or seek government to secure our investment environment in the ports for ourselves now, as operators, and for future users and future expansion.

Why do we see that and why do we want that? We think that ports are very strategic areas for the State and certainly for Australia and we therefore think that to create that investment climate, the approval and development guidelines need to be State controlled. They need to enshrine our operating rights. As port operators, it is a given that we bring in trucks, we bring in trains. In the current development environment we have to justify every truck and every train that we bring in. This is stifling to investment, as we incrementally build our ports. Investment that we can justify now may not be justifiable in the future.

We would like our operating rights enshrined. We would like to see suitable buffers created around port zones for the residents of Newcastle and residents near any port. We do not want to affect them but we see it as a government responsibility to ensure that residential areas do not encroach on port operations and that they continue to enjoy where they live without being disturbed by our operations.

Next, I would like to talk about other issues we have, that is, infrastructure capabilities. If there is going to be any increase to port throughputs, infrastructure will need to be increased to match that. For example, our grain movements into Newcastle are already restricted due to coal movements and passenger services. Any increase in volumes from other sources would exacerbate this problem. We would like to see that this is taken into account and that duplication of lines or the appropriate number of passing loops are incorporated into the system.

Getting product to the port is one issue. The second is efficiently turning transport around at the port. The needs to be suitable infrastructure to do that, both from an economic point of view—Australia wishes to be competitive—and from an environmental point of view. Anything that increases efficiency uses less energy per unit. This has got to be a good thing. From our specific point of view, balloon loops would be desirable, especially at Kooragang Island and modification of the one at Carrington.

Another thing we would like to see is dedicated logistics corridors through to the ports, again as a State planning type issue. We need to recognise that as these ports grow, the logistics will become increasingly important and, again, not inconveniencing residents by creating suitable buffers so that these operations do not interfere with them.

We also urge that a holistic approach is taken to the supply chain. The closure of some branch lines within the State has been mooted and this will affect what infrastructure we build at the port and will change the dynamics of how we receive our product at the port. If there is a change from rail to road, from our point of view it will increase our supply chain costs and it will also increase the amount of infrastructure we need to have at port and the type of infrastructure we need to have at port. That is about it.

**CHAIR:** Are there examples in other parts of Australia where the balloon loops and rail infrastructure you have mentioned are operating effectively?

**Mr REID:** Yes. The port of Brisbane has a balloon loop through the centre of it. They have a fairly progressive integrated plan for expansion of the port. I need to say that in relationship to the type, it is virtually a greenfield port whereas in Newcastle we have a port that has been here for over 100 years, so there are different issues, of course. Balloon loops allow for effective turnaround of trains and there is no need to brake or to shunt or excess usage. It increases the efficiency and throughput of facilities.

**The Hon. PATRICIA FORSYTHE:** You said earlier that you access Carrington, Kooragang and Port Kembla. Given the change in urban development in Carrington and Wickham, do you see any likely future implement to the use of Carrington by GrainCorp?

**Mr REID:** We see the urbanisation of these port areas as a danger to our current operating and future investment. I mentioned that with the planning Act we now have to justify every truck and train that comes in there and, of course, the more the population increases, the more pressure is brought to bear on us and the more risk we take in investing in infrastructure there. That is why I urge the need for buffer zones around there so that residents can enjoy their lifestyle and we can operate effectively.

**The Hon. PATRICIA FORSYTHE:** What is the capital investment in Carrington by GrainCorp?

**Mr REID:** An estimate off the top of my head is that the replacement value of the Carrington terminal would be in the order of \$100 million.

**The Hon. PATRICIA FORSYTHE:** Have you any expenditure plans for Carrington for the next five years?

**Mr REID:** Yes, we do. With the rail receiving area, currently we have to break trains down into rakes and store them and then we receive them four rakes at a time. That is inefficient and trains are not turned around in a sufficient period of time. Therefore, we are looking at putting a continuous receiving facility on the existing Carrington balloon loop. Again, the problems we are having are in the development approval side in that it is the trains that cause noise. We have to justify everything and we have to remediate something that is a rail issue, and it is stifling to the investment.

**The Hon. PATRICIA FORSYTHE:** What discussions have you had with the council, Honeysuckle, New South Wales Planning, whoever?

**Mr REID:** We are in continual discussion. We have continual discussions with the port authority. We have been in discussions with local council, with local residents as well. We are very proactive in talking to people about it. Our frustration stems from the fact that there are no set guidelines about what we can do. We see port infrastructure as a State and national asset and is probably better handled by the State in that respect and not by local government, not that local government is ineffectual in this instance.

**The Hon. MELINDA PAVEY:** Are you using the Brisbane port at a greater rate than previously because of its efficient system?

**Mr REID:** Yes. I will explain some history of Graincorp. Graincorp has recently taken over Grainco, which was the Queensland statutory grain mover, although it was a private company in the end. Because of the efficiencies into the port of Brisbane, we were able to take product from northern

New South Wales and run it through Queensland ports. That was primarily because of infrastructure problems into Newcastle. As Grainco, we had plans to build another facility here and take advantage of those, I suppose, inefficiencies in the port here to gain a foothold.

**The Hon. MELINDA PAVEY:** Is the deterioration of the branch lines having an impact on your decisions to invest in infrastructure, in rail facilities in Newcastle to streamline your operations?

**Mr REID:** We are always mindful of that with any product that is put to road. We have seen a decline in the percentage receival rate, road to rail. Traditionally, we have had a split of 90 per cent rail and 10 per cent road but recently we have dropped off in direct road receival. We are now running at the order of 95 per cent rail and 5 per cent road. We see any degradation of branch lines as moving more volume back to road and providing different infrastructure problems, mainly in highways entering and on the investment we make in the port to receive that product.

**The Hon. MELINDA PAVEY:** In your submission you state that Newcastle, Kooragang Island and Port Kembla handle on average 3.4 million tonnes of grain per annum. What do you put out through Brisbane and Melbourne?

**Mr REID:** Brisbane, similar products. Brisbane, we put out obviously wheat. We also put out non-grain products such as minerals and woodchips. We also import via those facilities as well.

**The Hon. MELINDA PAVEY:** What sort of quantity goes out of Brisbane?

**Mr REID:** Again, at the order of three million tonnes.

**The Hon. MELINDA PAVEY:** And Melbourne the same, is it?

**Mr REID:** Melbourne, we have only a small percentage stake in Melbourne but Geelong, I cannot give you the exact figure but we operate out of Geelong and Portland.

**The Hon. MELINDA PAVEY:** Who manages Western Australia's grain exports?

**Mr REID:** That is CBH. It is a separate company from us altogether. There are probably three main players in the industry: Graincorp, AusBulk in South Australia and CBH in Western Australia.

**Mr IAN COHEN:** In terms of the geography, you mentioned Brisbane as being a major port for a number of strategic reasons. But looking at Port Kembla, Sydney and Newcastle, is there any difference for your corporation in terms of facilitating market access or facilitating delivery geographically between the two? In terms of freight corridors, where is it coming from and what is the easiest port to access, or is there any difference?

**Mr REID:** There is not a lot of difference. Port Kembla being newer infrastructure, we have balloon loops. It is a very efficient receival port. Here at Newcastle, I suppose because of the age and the type of infrastructure we have here, it is less efficient for us to receive here, hence our proposed infrastructure upgrade. Brisbane again is a newer port, late 1980s, of similar vintage to Port Kembla, and it has access to balloon loops, which makes it much more efficient for us to receive. We do not have to break trains. The train comes in; it dumps on the move. We do not have to break it whatever.

**Mr IAN COHEN:** This is in Brisbane, is it?

**Mr REID:** This is in Brisbane and in Port Kembla.

**Mr IAN COHEN:** In terms of the New South Wales Government's perceived or real lack of funding for rail infrastructure, are you feeling any pressure in terms of potential expansion or security in terms of attitude to many of the freight lines? As well as that, how many of your transport issues coming up or in terms of the poor quality of existing freight lines, are the problems there?

**Mr REID:** There are problems there, mainly coal. I am speaking specifically of Newcastle and, to a certain extent, Port Kembla. The coal tends to have priority on there. So if we are due to

receive rail at a certain time, if our train slightly misses slots then it has to sit and wait for coal traffic to run through. So that is an issue but it seems to be certain bottlenecks within the system. I believe it is the Ardglan area for northern New South Wales coming into Newcastle. There appears to be a problem, single lines. There is a second rail line that comes into Newcastle from the west, which coal has specific access to. The name escapes me for the moment but it is certainly duplication of lines from the north to give grain decent access. We could probably increase our throughput through the facility we have here.

**Mr IAN COHEN:** For the Committee's purposes, how many trains per day or per week are we looking at in terms of the bulk and the frequency of grain transport? I appreciate that it is seasonally very varied, but what are we looking at?

**Mr REID:** It is very seasonal and that is time of year and also the type of year. With the drought last year there is probably no problem whatever. However, the year before when there was a significant crop there were issues. That is the nature of our business. It is very volatile and we need enough infrastructure to cope with our peak times as well.

**Mr IAN COHEN:** Given the importance to the economy of your industry, your product, why are coal freight facilities given automatic priority over grain transport?

**Mr REID:** Sheer volume. Coal represents nearly 80 million tonnes. From Newcastle, it represents an average of 1.5 million tonnes. Coal just has the volume. Again, I suppose the advantage that coal has is that you dig it out of the ground so there are no peaks and troughs to the extent that there is in the grain industry.

**CHAIR:** How much of your rail freight travels on class five lines?

**Mr REID:** I cannot answer that in direct numbers but there are significant numbers of storage facilities on branch lines.

**CHAIR:** Do the speed restrictions on those lines have much of an impact on the efficiency gains which would otherwise be available with the expansion of Newcastle port?

**Mr REID:** Yes, to a certain extent. There are different pricing structures for the branch lines than there are for main lines, and that is how it is reflected. I suppose it is reduced returns to farmers.

**Mr IAN COHEN:** Is there an issue with scheduling, overtime, night time deliveries, that type of flexibility in your industry?

**Mr REID:** It is one of our main issues. We are told a train will present itself at 6.00 a.m. and often we do not unload it until 6.00 p.m. and we have people sitting around. It is an issue for us.

**Mr IAN COHEN:** Is that the bottlenecks by the priority of passenger and coal transport?

**Mr REID:** That is an element of it, yes.

**Mr IAN COHEN:** What other elements are there?

**Mr REID:** It could be the train itself or the need to swap crews or just other logistical problems—hold ups, accidents and so forth, or even hold ups in our own facilities.

**(The witness withdrew)**

**STEVEN JOHN FORD**, General Manager, Ports, Toll Holdings Ltd, and

**GRAEME SARGENT**, National Development Manager, Port Division, Toll Logistics, sworn and examined:

**CHAIR:** In what official capacity are you appearing before the Committee—as a private individual or as a representative of an organisation or business?

**Mr FORD:** As a representative of Toll Holdings Ltd.

**Mr SARGENT:** As a representative of Toll Port Logistics. At the end I will be changing hats and representing the Sea Freight Council of New South Wales, of which I am Vice Chairman.

**CHAIR:** If either of you should consider at any stage during your evidence that certain evidence or documents you may wish to present should be heard or seen in private by the Committee, the Committee will consider your request. However, the Committee or the Legislative Council itself may subsequently publish the evidence if they decide it is in the public interest to do so. Do you wish to make an opening statement?

**Mr FORD:** Both Graeme and I are here in our capacity as senior managers of ports business of Toll's which involves predominantly stevedoring operations throughout Australia, with a concentration here in Newcastle and also in Port Kembla. We also have operations in Western Port, Melbourne, Geelong, Portland and Whyalla, and we also have operations in four major ports in New Zealand. So we are a major stevedore of predominantly break, break-bulk and bulk cargoes. We are not a container terminal operator; we are more of a regional port manager. The reason we have put in the submission is clearly that our business interests in Port Kembla and also in Newcastle would be better served through improvements in port infrastructure in those ports. Our business interest is very much within the regional ports, and therefore to present to this Committee is a privilege, and we thank you for that time.

**CHAIR:** There have been suggestions that there could be efficiency and environmental problems as a result of further reliance on the Sydney metropolitan area handling the increase in port trade. In your view, is a regional port such as Newcastle a valid alternative, and what infrastructure would be required?

**Mr FORD:** Yes, it is a valid alternative, and it does provide an alternative now to some minor trades for cargoes which are delivered to Sydney or have the alternative of going to Sydney from the Hunter region. So it is an alternative now. In terms of the environmental impacts, it has been well stated that the growth in the volume of freight in Sydney is increasing at a rate greater than any expectation that had been put forward previously. That results in pressure on the rail system. But predominantly, at the moment the pressure is on the road system and, combined with the increasing population in the Sydney basin, the recipe is for congestion on Sydney roads, and therefore a detriment to the environment of the people who live in Sydney.

**CHAIR:** Is there a possibility that this could simply transfer environmental concerns to Newcastle and create different sorts of inefficiencies?

**Mr FORD:** I think it does if Newcastle just does what has happened in Sydney. If the Botany terminal as such is transposed to Newcastle then, yes, that is exactly what you do. Our view is that there needs to be a fundamental change in the way in which logistics are handled in and around ports, and the Newcastle proposal provides the opportunity for the development around that port of significant land so that it can handle the development of distribution centres. So, rather than moving the container across Sydney with cargo in it, then emptying that container and moving that container back to the port, we believe there are opportunities in some markets for that container not to leave the port environs but for the freight to be then handled back into the Sydney market.

**CHAIR:** What implications does doing that on site have for road versus rail in terms of how product then leaves Newcastle?

**Mr FORD:** It will depend on what intermodal hubs you can develop in Sydney to do the distribution to the Sydney market. Clearly, if intermodal hubs could be developed at possibly three locations within the Sydney basin—one in the south-west, one in the direct west and one in the north-west—those Sydney hubs could be used as indirect feeder of the freight to the customers in those parts of Sydney. If those hubs cannot be developed to be efficient and cost effective, then clearly the product would go on road, and there will be a point-to-point distribution, which essentially does not solve the environmental issue. It creates a similar problem, but may take the problem out of the corridor between Sydney port and those north-west, west and south-west parts of Sydney.

**CHAIR:** Do you see the Pacific National site at Chullora as an example of that sort of hub?

**Mr FORD:** It is an example of that sort of hub, as is the hub which the Port of Sydney is proposing at Enfield. There are other small hubs at Camellia and Minto and potentially at St Marys.

**The Hon. PATRICIA FORSYTHE:** Can the existing road and rail infrastructure handle port expansion?

**Mr FORD:** I guess it depends on a number of factors. One is what happens with the rail infrastructure, particularly the direct rail infrastructure from Botany through to Enfield. At the moment, there is a dedicated freight line out there, I understand, but there is not a freight terminal. If the freight terminal is developed in the Enfield area, and other freight terminals are developed in other parts of Sydney, then clearly freight can move from road to rail. One would question, however, the capacity of the Sydney rail network to handle that additional freight moving onto what is a shared line with passengers.

**The Hon. PATRICIA FORSYTHE:** Do you believe sufficient studies have been done into that? Is there sufficient planning for the future in relation to that?

**Mr FORD:** I think there have been a number of studies done. But I would suggest there is not sufficient planning in place to address that issue.

**The Hon. PATRICIA FORSYTHE:** In relation specifically to the Port of Newcastle, what infrastructure needs do you see as being essential to an expansion of the port?

**Mr FORD:** Essentially, Newcastle has the deep water that it needs; it has the land that it needs; it does need significantly more berthing infrastructure and hard-stand area for the development of container terminals; it needs a road-rail interchange or intermodal hub and rail onto the site; and it also needs improved linkages from what is the multipurpose terminal site to the current regional road network.

**The Hon. MELINDA PAVEY:** What sort of industry would be suited by the hub concept and the multipurpose terminal?

**Mr FORD:** I think most port operators and transport operators are looking for balanced freight; they are trying to balance their imports and their exports. You would be looking for freight that is coming from the ports which Newcastle is exporting to. That would be the first consideration. I am not referring to type of freight; it is really location. The freight does not particularly matter, but it does matter from the point of view of the shipping companies serving this area if Newcastle had around 50,000 to 60,000 TEU capacity to export because they would be looking for somewhere around 50,000 to 100,000 import containers. Hopefully, they would be in the same geographic area as the exports are going to.

**The Hon. MELINDA PAVEY:** Are the projected rail targets of around 40 per cent for international container transfers within the Sydney metropolitan area by Sydney Ports Corporation, and which Patrick's have informed the Committee they expect to reach 60 per cent, realistic?

**Mr FORD:** With the current infrastructure, our opinion is no, it is not. If you look at the current volume of containers that are moving on that rail system, and the cost of moving those containers on that rail system, and where they go to once they get to their particular destination, clearly it is no. And it is not increasing at a rate that gets us to 40 per cent, taking into account the



growth in containers. The growth in containers is moving at better than 7 per cent per year. So, just to tread water, it needs to move at least 7 per cent per year.

**The Hon. MELINDA PAVEY:** While the percentage of freight transported by rail may increase, will the proposed infrastructure upgrades and expansion meet requirements?

**Mr FORD:** I think they will meet the requirements to a point. But one must question whether that investment is better spent economically in other parts of New South Wales; whether it is better to put a capacity on the expansion of Botany and then use that money which would have been used on Sydney infrastructure in either Newcastle or potentially Port Kembla. That is a question that we would ask government: What is the best use of government's money for infrastructure?

**Mr IAN COHEN:** Can the current rail and road infrastructure handle the port expansion? And will the proposed infrastructure upgrades and expansion meet requirements? And, if not, what infrastructure improvements are required to handle the port expansion?

**Mr FORD:** Is this specifically in relation to Newcastle?

**Mr IAN COHEN:** It is in relation to Newcastle, but you may comment on the others.

**Mr FORD:** Newcastle has sufficient land and sufficient land adjacent to the waterfront to build the infrastructure—which has got to be built in the Port of Botany as well to cater for expansion. So Newcastle has sufficient land. The rail infrastructure, however, is, as the previous speaker said, dominated by coal, and in particular the interchanges into and out of the Port of Newcastle are dominated by coal. So that issue would need to be resolved so that the container freight trades can move to their destinations in Sydney. Certainly, the road infrastructure as it currently is, with the interchanges onto the current regional road network, would need to be improved, but again not significantly. The trunk routes from the port to the F3 are quite good. It is just that 200 metres at the end that needs some work on it.

**Mr IAN COHEN:** From your experience, are we looking at transferral or just maintaining the overall growth or expansion in the industry? Are we looking at placing it in Newcastle or even Port Kembla, away from Sydney, or are we just keeping up with the rate of growth overall?

**Mr FORD:** I think ultimately there will be some transfer of freight, but I think that the problem at the moment is coping with the growth, and that is really where the multipurpose terminal proposal is being positioned: to cope with the growth, and to provide capacity for the State of New South Wales to handle the growing container freight requirement. So I think ultimately, if something is developed in this port, ultimately you may find there would be some leakage of freight. But, primarily, the need is for the growth.

**Mr IAN COHEN:** Are we still looking at hubbing through Sydney eventually, and are we still looking at Newcastle feeding the Sydney market? Is there an advantage or disadvantage here in terms of road-rail conditions, times, et cetera, compared with Port Kembla? And are those regarded as major issues for your company?

**Mr FORD:** Certainly, time to market and to customers is important, particularly for import customers. When their freight is on the dock, they want it; and they do not want to wait two or three days for it, they want it very quickly, because in many instances they have already paid for it whilst it is on the ocean. Our view is that Newcastle and Port Kembla can be complementary to the Sydney proposal. We think there are particular parts of the market that Newcastle can attract.

**Mr IAN COHEN:** For example?

**Mr FORD:** For example, those ports which it is currently serving with its exports. Newcastle is a significant export port. Unfortunately, at the moment, much of that freight goes down the highway to be exported out of Sydney. So there is freight within the near vicinity and to our north-west which could provide the basis for export freight, and then you would target the ports to which that product is being exported, to assist with the economics of the shipping company and to attract that shipping to Newcastle.

**Mr IAN COHEN:** How is that facilitated? Is it the case that you are dealing directly with international shipping companies to encourage them to this port instead of others?

**Mr FORD:** Essentially, it is people like us taking the information to international shipping companies and trying to attract them to our facility within the Port of Newcastle.

**CHAIR:** Are containers from Newcastle predominantly imported or exported?

**Mr FORD:** Predominately exported.

**CHAIR:** So you have to import containers?

**Mr FORD:** We bring in empty containers from Sydney for loading.

**The Hon. PATRICIA FORSYTHE:** What sort of volumes are we talking about?

**Mr FORD:** About 10,000 empty containers come up the road by rail.

**CHAIR:** How significant is the cost saving if some of the imports that come through Sydney were to be attracted up here so that you reduce the flow of empty containers backwards and forwards? Is that a significant savings?

**Mr FORD:** It is about \$200 per box. That is the cost of transporting it up here now and it is about the cost of putting an empty across Sydney. If you can keep the container within the current environs of Newcastle, clearly, that is a cost that someone does not pay. From memory also, about one-third of Sydney's export freight is air. One-third of the containers they export are empty, so a significant number of containers are going out of the country, and being repositioned into Asia and into North Asia particularly, as there is with most western developed nations. We consume more than what we produce in containerised freight.

**Mr IAN COHEN:** In terms of Port Kembla, Sydney and Newcastle, it has been mentioned during this Committee inquiry and also generally in the community, especially with the expansion of residential areas, that people's amenity by be affected. Is there a consistency of issues between the ports or is one more of a problem than others in terms of the impact of noise pollution and such on residents?

**Mr FORD:** I think the issues are highlighted and are significantly greater within the Sydney Basin because of the proximity of residents to the intermodal freight hubs, particularly in Enfield and Chullora, and the proximity of residents in and around Port Botany, and also the road infrastructure that feeds those ports. The environmental issues that are confronted within the Sydney Basin are significantly greater than the environmental issues that would be confronted in Newcastle or Port Kembla.

In Newcastle, for example, there is sufficient land and significantly greater buffer zones and there are not a lot of residents to have a direct impact on the multipurpose terminal site. The same could be said about the trunk routes—road and rail—to and from the port. There are not a significant number of residents in the proximity of those trunk routes. In the case of Port Kembla, again I would say that around the port area you have a similar set of circumstances in that a lot of the land is industrialised and is not residential land.

However, the connections to the rail system and the connections to the road systems do have significantly greater impacts if you put more freight onto those lines, which are predominately there for commuters into Sydney for work. Also, the road system does go through and is much closer to a number of residential areas. In order, I would say that Sydney is significantly impacted through traffic, Port Kembla less so and Newcastle, I do not think the impact is significant at all.

**Mr IAN COHEN:** Does your organisation envisage future limitations imposed on expansion plans in Sydney? If so, how will this affect the New South Wales freight supply chain and will the chain need to be redefined?

**Mr FORD:** Clearly, there will be restrictions put on expansion of the Sydney market, whether they are regulatory restrictions or restrictions created by the community. Clearly, the volume of trade is going to require a redefinition of the way in which we deal with container freight in Sydney and Newcastle. There does need to be a relook at that from the point of view of the next five to 10 years out. It is not the problem today; it is the problem in the five to 15 year horizon.

**The Hon. PATRICIA FORSYTHE:** One witness this morning raised the concept of a single ports authority for New South Wales. What are your views on the concept of a single ports corporation?

**Mr FORD:** Having been a victim of the Maritime Services Board, I would suggest that that is not a particularly good idea. It did not work then and I do not think it will work now. I think that there is certainly a need for co-operation and there is certainly a major role that governments can play in co-ordination of infrastructure, but on-the-ground operation and management of ports such as Port Kembla and Newcastle, from our perspective, have increased substantially in the last probably 15 years. It is probably 15 years since the ports have had some degree of independence through various mechanisms of government. To go back to what I would call the bad old days with an authority running the ports of New South Wales out of Sydney I think would be to the detriment of the regional ports and those regional communities.

**The Hon. MELINDA PAVEY:** Can the cost of a dedicated freight line from Newcastle into north-west Sydney be justified and what would you estimate the cost of that to be?

**Mr FORD:** This is a difficult question for me to answer in terms of the cost. I do not know whether it can be justified. I think it needs to be justified on the basis of freight and there is significant freight going to that consumer market in north-west Sydney. I am really not in a position to give you a better answer than that.

**CHAIR:** I understand that Mr Sargent wanted to make a presentation with respect to his second hat. I invite him to do so now.

**Mr SARGENT:** I shall start by explaining that I am the Vice-Chairman of the Sea Freight Council of New South Wales, a jointly funded Federal and State group that is there to advise industry about impediments to the supply chain. Primarily, this is not talking about bulk cargoes but about consumer cargoes and containerised cargoes. We commissioned a study last year and I shall present some slides from that study. The presentation was at least an hour so I have picked out just a few slides to demonstrate the issue that New South Wales faces in terms of container freight movements.

The study was held over an eight-week period and of the 190 applications for information, we received a 60 per cent response. This was information to do with the movement of containers. An important thing about what we were trying to measure was the movement of containers not the movement of the freight in containers, which is slightly different to other studies that have been done. We were trying to see where containers move whether they are full or empty.

An anecdotal snippet of information that came from interested parties in the supply chain were seasonality aspects which showed the impact of a bias towards a six-month period in the year when the activity level is much higher in the peak periods. That is driven mostly by imports, although exports, shown by the red section, relate primarily to summer crops going to export. All of that information is quite explainable but I will not dwell on it.

We tried to measure 20 foot and 40 foot container movements. This is a map of Sydney that shows the metropolitan movements of imports. The legend up on the top right-hand corner shows that the wider the line, the larger the number in terms of the volume in that corridor. We were trying to demonstrate that this is actually what is happening—nothing more than trying to show what is really happening. You can see the propensity of the green, that is, the 40 foot container volumes, significantly going off to the western parts of Sydney and the blue, being the 20 foot containers, coming out of the south, which is a relocation of containers from Melbourne on a land bridging exercise going into Chullora.

That map was taken from the Local Government's web site and spread. There is not a big gap that has all of a sudden being created. The importance of that is to demonstrate what happens to imports. It is a picture you probably know in another form; it is another way of looking at it. We never put a line there that is showing less than 5,000 container movements in the year because if we did that, you would not see the map. It would be too messy.

If you look at the exports picture for the same metropolitan region, it is somewhat different than the one I just showed you. It is much more heavier on the blue, although the volumes are much lower because that is the nature of our environment. The demographics of the greater New South Wales consuming environment means that our imports, that is, imports in 40 foot containers with consumable items does not match the export, which happens to be more of a 40 foot container.

The line coming out of the Hunter happens to be wine going into Camellia, which has been quite rightly transhipped into an intermodal operation and moved to the ports. That is an example of the type of good practice in intermodal hub operations. This map shows you what happens with the empty container. In other words, each of the previous maps shows you what happens with full directional moves but this map shows you what happens when that container becomes empty. It is a much messier looking map. That is because supply chains operate differently. Suppliers of containers are different, so there it is always a call by exporters particularly to try to match up an imported container with an export. This map shows the difficulty faced because you may have a different commercial relationship as well, so supply chains are the drivers for a lot of this particular information.

From a regional perspective, there is the State of New South Wales but do not worry about the circles being in the middle of the State somewhere or an economic zone; it just highlights where the containers are coming from. We had to change the colour, so the red now happens to be the 20 foot containers and the yellow happens to be the 40 foot containers. It is important to note that if you take the big line coming out of the north there, that is a relocation of reefer containers with frozen meat products coming from Queensland, going into Sydney, and meeting up with a ship that goes to the east coast of America. Shipping does not go out of Brisbane to the east coast of America. Therefore, the supply chain response is to land bridge the container.

**Mr IAN COHEN:** Why is that?

**Mr SARGENT:** They just do not go there. It is economically not their choice to sail from Australia to the east coast of America. They will sail to the west coast but not to the east coast from Brisbane. Trade volumes, they are the drivers—supply chain outcomes—so Sydney is the preferred port of call. Ships go to the east coast and therefore you load it in Sydney and perhaps the value of the cargo can sustain a little extra cost as well.

The big circle around the Hunter Valley is the large consignment of aluminium that goes out through the port of Sydney. It is actually packed here in two locations owned by Toll. It is railed into Sydney for export on ships going to all parts of the world. It is important to understand that the supply chain is driven by price, frequency and customer desire to have small commodity orders. It is responding to a supply chain need. It would be lovely to do all that through the port of Newcastle, from the Newcastle perspective, however, the reality is that it is like it is at the moment, but that is the sort of thing that could be changed.

**The Hon. PATRICIA FORSYTHE:** What are the barriers to it coming from Newcastle?

**Mr SARGENT:** Cost, frequency of sailing, having a container terminal with the shipping services actually doing the business. My general manager said that one concept of approaching shipping operators to change the port of call from Sydney to Newcastle was on the basis of some of that business. That is one type of trade you could look at. I would like to emphasise that the export freight is concentrated in the west, north and north-west.

**The Hon. MELINDA PAVEY:** You do not have much going to Victoria.

**Mr SARGENT:** No. These are exports so you will not transship from Victoria very much freight into Sydney for export. You will do it out of Melbourne because it is one of the south-east Australian ports of choice of call.

**The Hon. MELINDA PAVEY:** But there could be lines going down to Melbourne?

**Mr SARGENT:** Not many, no, very little. In fact, again, the criteria for these lines here is a minimum number of 5,000. So if you had 1,000, yes, you might see the line but it would be very small activity and it is probably opportunistic business rather than serious business. I repeat this slide for the purpose of trying to do a little demonstration. This was the very first slide of the imports. It poses a question. Once you have seen that information, what does it look like if you try to project it into the future? Let us assume that you are trying to do what you are doing today into the future. That is 2.5 million containers projected into those corridors. If you bear with me, I am trying to demonstrate to you the impact that we are trying to deal with in the State of New South Wales with growth. Look how the 40-foot container is going; it is getting even bigger again. It is our consumer society that is driving this whole thing. Therefore, the volumes of 40-foot containers increase because the consumer items are inside those containers. If we had a major manufacturing industry in Sydney we would see a different profile.

This last slide is a moving slide. What I am trying to do here is demonstrate to you that when a container moves in a supply chain inside a domestic environment it does not just go from A to B and from B back to A. It does all sorts of other different journeys. That was part of the mapping exercise that the Sea Freight Council attempted to do, and I think it was done successfully. The important thing is that when a container moves it will go and do several other activities in its cycle. So by doing that and then using Bureau of Transport Regional Economics data of spread of 20 foot and 40 foot as a comparison, you will get this picture.

Back in 2002 there were 783,000 TEUs handled through the Sydney system. That is different to the 1.1 million—that number is sitting up there—but these are 20-foot containers. But we multiplied it by a factor of about 2.3, because that is how many times a container gets handled in the process, on average, in our calculation. Victoria did a study of container movements and they had a factor of three. We use a very conservative number here. If you then overlay the 40-foot container, and there were 188,500—it is simple for everyone in the room that if you multiply that number by two and add it to the 783,000 you end up with 1.16 million. Those are the two tasks involved in the Sydney operations of container movements. Now look at what 2.5 million looks like. The growth factor for 20-foot containers goes up by 41 per cent—and I am going on Bureau of Transport Regional Economics data that says that 56 per cent of the business will now be 40-foot containers. This is what you get—a 270 per cent increase in 40-foot containers.

The big problem with 40-foot containers for the supply chain is that it is very good and efficient on a ship and in a container terminal but put it outside the gate and you must have one truck per container or one rail wagon per container. So everything has to follow the growth of the container as such because they are the 'drivers'. That whole thing is predicated on moving containers. The point is that you have to think about what you do. My final point here is a personal view. That is the end of my submission.

**(The witness withdrew)**

**(Luncheon adjournment)**

**(Floor Discussion)**

**(The Committee adjourned at 2.30 p.m.)**