



# Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Australian Labor Party  
 Date Referred: 5/03/2015

Proposal No: A299  
 Date Published:

Proposal Title: **REGULATION OF CRUISE SHIPS BERTHING AT WHITE BAY CRUISE TERMINAL**

Cluster: Transport for NSW

## General Government Sector Impacts

	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	4 Year Total \$'000
Expenses (ex. depreciation)		74	75	77	226
Depreciation					0
Less: Offsets					0
Revenue		-758	-1,559	-1,918	-4,235
<b>Net Operating Result:</b>	<b>0</b>	<b>-831</b>	<b>-1,635</b>	<b>-1,995</b>	<b>-4,461</b>

Capital Expenditure					0
Capital Offsets					0
<b>Net Capital Expenditure:</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>Net Lending/(Borrowing):</b>	<b>0</b>	<b>-831</b>	<b>-1,635</b>	<b>-1,995</b>	<b>-4,461</b>
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<b>Net Financial Liabilities:</b>	<b>0</b>	<b>831</b>	<b>2,466</b>	<b>4,461</b>
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## Total State Sector Impacts

<b>Net Financial Liabilities:</b>	<b>0</b>	<b>831</b>	<b>2,466</b>	<b>4,461</b>
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## Notes and costing assumptions

The policy proposes to ban overnight berthing and implement noise monitoring at White Bay. The policy also proposes to investigate additional environmental initiatives including on-shore power and fuel sulphur content regulations for cruise ships using White Bay.

The total cost of the direct measures under this policy are estimated at \$4.46 million.

### Key costs and assumptions:

The Port Authority of NSW advised if overnight berthing was banned there would be a reduction in its revenues, from reduced navigation, pilotage and site occupation (passenger) fees, of \$757,526 in 2015-16 and \$1,559,279 in 2016-17. The calculations assume those vessels which are not allowed to stay overnight no longer come to Sydney.

Given current industry and historical growth figures, the PBO assume a 20 per cent increase in port usage for overnight berthing in 2017-18. The lost revenue would be \$1,917,913 in 2017-18.

In 2013-14 noise monitoring cost the Port Authority \$31,248 for 17 days of monitoring. Noise monitoring costs are therefore estimated to be \$1838 per day. We have calculated noise monitoring costs of \$74,000 in 2015-16, based on 10 days of monitoring, 4 times per year, or 40 days of monitoring per year. The cost of noise monitoring in 2016-17 and 2017-18 have been escalated at CPI.

The costing assumes the Government compensates the Port Authority for the reduced revenues and additional noise monitoring costs.

## Costing assumptions continued:

### Environmental initiatives

The broader part of the policy, investigating environmental initiatives including on-shore power requires involvement and consultation with many stakeholders such as the Environmental Protection Authority (EPA), the Port Authority, residents around White Bay and the cruise liner industry.

The EPA has commissioned a report on emissions from ships operating in the Greater Metropolitan Area of NSW. The report is expected to be finalised in April 2015 and will examine environmental initiatives including shore power, as a way to reduce emissions.

Installing shore power at White Bay may cost anywhere between \$10 and \$50 million, though even this rough estimate is subject to considerable uncertainty, and the actual cost may fall outside this range. Key cost drivers include :

- installing cabling to the port and sufficient capacity within the Balmain power grid for shore power,
- installing transformers and or substations at the port,
- installing plug in power points at the berths, and
- whether any monies would be made available for ships to retrofit so they could use shore power.

It is not possible to determine a more accurate cost for shore power until further investigation has been carried out which involves:

- determining the type of shore power to use at White Bay.
- whether the policy would apply to cruise ships only or other vessels using White Bay.
- deciding how many berths and plug in power points would be needed for shore power.
- determining the cost to retrofit ships to be able to access shore power.
- assessing the capability and cost of the electricity network supplying shore power, including additional cables, transformers and substations.

The PBO was advised by the leader of the ALP that the policy intends to designate Sydney Harbour an "Emissions Control Area" and reduce the maximum allowable sulphur content of the fuels used by cruise ships from the current 3.5 per cent to 0.1 per cent. To achieve this, legislative changes would need to be made and secondary costs may be incurred by the agency who administers the legislation. These costs have not been included in the estimates above.

### Background:

A Parliamentary Inquiry into the Performance of the NSW Environment Protection Authority was held and final report published in February 2015. The issue of emissions from cruise liners at White Bay was one of the points raised. The Inquiry received submissions from local residents, government agencies and cruise ship operators. One of the recommendations made by the inquiry related to noise and shore power at White Bay:

#### *Recommendation 12*

*That the NSW Government requires that:*

- *Cruise ship operators using the White Bay Terminal are required to develop noise mitigation strategies and that noise be monitored and limits be enforced.*
- *The White Bay Terminal is retrofitted to include shore to ship power.*

Sulphur levels in fuel and scrubber technology (an exhaust system to reduce sulphur emissions) was raised at the Inquiry. Carnival Australia, one of the main users of White Bay, made a submission to the inquiry which noted low sulphur fuel is currently unavailable for purchase in large quantities. Carnival also advised it has scheduled the installation of scrubber technology on all of its vessels in Australia between 2017 and 2019 during the ships' scheduled dry docks.