



Inquiry into the impact of the Port of Newcastle sale arrangements on public works expenditure in NSW

Legislative Council Public Works Committee

January 2019

Suite 1, Level 1
165 Lambton Road
Broadmeadow, NSW 2292

Phone: 02 49699 600

info@hunterbusinesschamber.com.au
www.hunterbusinesschamber.com.au

Introduction

The Hunter Business Chamber (The Chamber) is the largest regional business chamber in Australia, established in 1886. The Chamber represents around 2,000 predominantly Hunter region-based member organisations to all levels of government and is the peak industry association in the region, reflecting the interests of all business sectors.

The Hunter region sits north of Sydney and the Central Coast, covering over 31,000 square kilometres, with more than 660,000 residents, or nine per cent of the state's population.

The Hunter has a strong and diverse economy encompassing strong foundations in resources, manufacturing and agriculture, a growing health, education and service sector and increasing focus on innovation and intellectual resources, including world-class education, health and medical research facilities. It supports a wide spectrum of complementary and emerging industries, such as renewable energy technologies, defence and aerospace, tourism and the digital economy.

The Port of Newcastle (The Port) plays a central role in the region's prosperity and its contribution to the regional, state and national economies has grown exponentially over the past decade. The corporate entity Port of Newcastle is a valued member of the Chamber, which also represents the interests of many firms and organisations that use or service the Port, ranging from SMEs to large corporations.

The Port of Newcastle is the world's leading coal export port, with mining accounting for 40 per cent of the region's exports by value and over 95 per cent by volume. While mining and the export of coal will play an important role in the Hunter economy for decades to come, there is a strong regional focus on diversifying the economic base to ensure its future strength and resilience, which will impact on the business of the Port.

The Port of Newcastle has substantial capacity for growth but diversification will be critical to its continued role as a state and regional economic driver and its effectiveness as a global gateway for trade and tourism. The Chamber has been a longtime advocate for diversifying the activity of the Port of Newcastle, which is core to the sustainability of economic activity and industry in the Hunter region.

Terms of reference

1. That the Public Works committee inquire into and report on the impact of Port of Newcastle sale arrangements on public works expenditure in New South Wales, including:
 - (a) The extent to which limitations on container port operations currently in place following the sale of the Port of Newcastle contribute to increased pressure for transport and freight infrastructure in New South Wales, specifically:
 - a. the Westconnex Gateway project.
 - b. the Port Botany Rail Line duplication

- c. intermodal terminals and rail road connections in southwest and western Sydney
 - d. other additional public road infrastructure requirements due to the additional road freight movements in Sydney under the existing port strategy.
- (b) The nature and status of the port commitment deeds, the extent to which they contain limitations on container port movements, and the terms and binding nature of any such commitments.
- (c) The extent to which container port limitations contribute to additional costs for NSW industries who are importing or exporting from NSW, especially in the Port of Newcastle catchment.
- (d) Any other related matters.

General comments

The Hunter Business Chamber appreciates the opportunity to make a contribution to the Public Works Committee Inquiry into the impact of the Port of Newcastle sale arrangements on public works expenditure in NSW.

The Port of Newcastle is a major driver of the Hunter regional and NSW economy, contributing \$1.8 billion to Gross State Product per annum and generating over 10,000 jobs statewide. In the Lower Hunter alone, activity within the Port of Newcastle contributes \$1.6 billion and 9,000 jobs per annum.¹ It is the largest bulk shipping port on the Australian east coast, handling a range of cargoes including bulk liquids, project cargo, containers, general cargo and dry bulk, but its primary cargo is coal. Newcastle Port exports more than 160 million tonnes of coal a year.

Mining continues to be an important sector within the Hunter's resilient and diverse regional economy, adding more than \$5 billion in value to the regional economy, or 11.4 per cent of the value added by all industry sectors. Mining employs an estimated 14,000 people, or about five per cent of the region's workforce, and contributes 12.8 per cent of the Hunter's total economic output of \$98.7 billion². Mining accounts for 40 per cent of the region's exports by value and over 95 per cent of the volume.

While the immediate outlook for coal remains positive, it is a finite resource and likely to face increasing competition from renewable energy sources in decades to come. Coal freight volumes are expected to continue growing over the next two decades but at a slower rate than that of other commodities.³ Planning to transition the regional economy away from its

¹ Port of Newcastle Port Master Plan 2040

² ABS/Remplan data sourced from Hunter Research Foundation and Newcastle City Council website

³ NSW Freight and Ports Plan 2018-2023

traditional reliance on mining must begin in earnest if the Hunter is to develop a diverse and resilient economic base that will support the growth of the region into the next century.

The NSW Government *Hunter Regional Plan 2036* notes that “Greater Newcastle benefits from direct access to national and international markets through the global gateways of Newcastle Airport and the Port of Newcastle. They have enabled the Hunter to become the largest regional economy in Australia and an important gateway for regional NSW for goods and tourists. The region’s ongoing economic prosperity will depend on its ability to capitalise on these strategic assets.”

A vast range of businesses use or service the Port of Newcastle. These include importers and exporters, shipping companies, stevedores, freight forwarders, trucking companies, rail operators, intermodal operators, mining corporations, agricultural producers, local providers including construction companies, retailers, hospitality and business, and professional services that support the logistics sector and port operations such as engineering, environmental, legal and administration.

The Port of Newcastle recently released the Port Master Plan 2040, which outlines a range of strategic development opportunities for the next two decades, including:

- The Newcastle Container Terminal in Mayfield;
- The Newcastle Bulk Terminal in Walsh Point;
- A specialised Automotive and Ro-Ro Hub;
- Supporting the Maritime Precinct in Carrington;
- Construction of the Newcastle Cruise Terminal in Carrington; and
- The continuation and growth of major bulk trades including coal, fuel, fertiliser, wheat and mineral concentrates.⁴

It is clear the Port of Newcastle has considerable ambition to diversify its activity and business beyond bulk cargo and, particularly, coal. A central aspect of its plans to expand and future-proof the Port involve the construction of an automated multi-berth container facility encompassing the former BHP site at Mayfield, which will be capable of accommodating the larger New Panamax and “maxi” vessels that now carry an increasing amount of global sea cargoes.

The Port of Newcastle already plays a key role in the NSW freight task and could play a significant part in delivering future growth. The NSW Government forecasts an increase in freight movements of 28 per cent over the 20-year period to 2036, rising to 618 million tonnes per annum.⁵ Containerised freight alone is expected to grow by 77 per cent.

The Port has direct connections to the Australian Rail Track Corporation (ARTC) network, which has capacity to handle increased coal trade alongside the growth of agricultural and

⁴ Port of Newcastle Master Plan 2040

⁵ NSW Freight and Ports Plan 2018-2023

containerised freight. The Port also has the capacity to more than double its existing ship numbers and trade volume.

The Chamber notes that there is significant support for the development of a Newcastle Container Terminal from councils and stakeholders in and around the Hunter and Northern NSW regions, due to the perceived economic benefits and increased export opportunities. Stakeholders who voiced support for the development of a Newcastle Container Terminal in submissions on the Draft NSW Freight and Ports Plan include the following: Moree Plains Shire Council; Parkes Shire Council; Singleton Council; Dubbo Regional Council; Newcastle City Council; Port Stephens Council; Tamworth Regional Council; Gunnedah Shire Council; the Country Mayors Association; RDA (Regional Development Australia) Hunter; RDA Central Coast; and, HunterNet.

Excerpts from some of those submissions follow.

“The Moree Plains is ideally located in the heart of Australia’s most productive agricultural area contributes in excess of \$1 billion of agricultural production which requires a transport system that can move high volumes of goods quickly safely and cost effectively to the markets. The Port of Newcastle will be the first port to be connected to the Inland Rail, via the ARTC Hunter Valley Network. This presents an opportunity NSW to capture and maintain NSW trade which may otherwise be lost outside of the state once Inland Rail is complete.

Moree Plains Shire Council

The Parkes–Newcastle rail option needs to be explored as an alternate to investment in the Main Western Line. It will provide further efficiencies and avoid the bottleneck of Sydney ... In summary, Council believes that access to all Ports is important as it will drive competition, transport efficiencies and ultimately more money into local producers and economies.

Parkes Shire Council

A container terminal at the Port of Newcastle would offer NSW cargo owners the choice of the most efficient and cost-effective supply chain for their cargo, delivering significant cost savings and efficiency gains ... The Port of Newcastle is much closer to many of the major regional NSW centres throughout central west, north and north west NSW than Port Botany.

Singleton Council

If NSW chooses to develop Newcastle as an efficient and cost-effective port then much of the export business from this region may choose to use that port due to efficiency and cost, keeping New South Wales' supply chain networks for transport strong in the state.

Dubbo Regional Council

Implications for Public Works Expenditure

The Chamber has long recognised the critical position of the Port of Newcastle and the historical factors that have led to its current method of operation. For the Port to be able to realise its potential, there is a need to provide assurance around the capability, capacity and suitability of the infrastructure that supports it. The suitability of these facets into the future will rely on collaboration and commitment from both the public and private sectors. With this in mind, the Chamber believes the following matters are of relevance in consideration of public works expenditure.

1. Preservation and improvement of infrastructure corridors and installations that service the port.

Rail links: The Port is serviced by existing rail links that branch off the Main Northern Rail Line with links that reach to the Inland Rail currently under construction. It is understood there is immediate capacity within the network to assimilate activity that could in the short-to-medium term be generated from new activity at the Port. Furthermore, within the former BHP main site at Mayfield a new rail siding was constructed in 2010 to service port landside activity from that site. Public works expenditure on rail infrastructure required to facilitate new or increased activity would therefore seem minimal.

Road links: While the Port of Newcastle believes a significant proportion of freight to and from the Port can be carried by rail, preservation and enhancement of road links that connect to the region, as well as the M1 and New England Highway, will be vital to any increased activity in the area of the Port or former BHP site. While the current road transport task is significantly less than what it was in the 1980s and 1990s, any re-use of the former BHP main site at Mayfield will generate additional transport movements, which will require appropriate management to minimise impact on the surrounding community.

Port facilities: It is understood any improvements or upgrades required to wharf and other Port infrastructure to accommodate new business is the concern of the Port of Newcastle pursuant to the provisions of the lease. While the Port Authority of New South Wales, a state-owned corporation, continues to play a role in the operation of the Port, it is understood this body is not obliged to fund capital improvements to the Port that would be consequential to new business or trade

Service infrastructure: The Port is already connected to power, water, waste water and telecommunications infrastructure. As development occurs, these services are likely to be subject to incremental upgrades and improvements, which will be consequential to development approvals and should have little or no impact on public works expenditure.

2. Land requirements to facilitate activity.

It is understood that within the lease area to the Port of Newcastle, the Government vested around 700 hectares of land, including the Kooragang Island, Carrington, Mayfield and Walsh Point precincts. This does not include the currently vacant and government-owned former BHP steelworks main site at Mayfield, which is over 100 hectares in area. Within the

areas of vacant land there appears to be sufficient capacity to support a range of future development as well as the capacity to accommodate intermodal facilities on site.

Future considerations for government concerning the reuse of the former BHP main site will presumably net sales income for government subject to requirements to provide service infrastructure relevant to the land subdivision process and transaction cost for the sale. Furthermore, this land is already zoned for Port-related and other industrial land use. It is not envisaged public works expenditure will be required to generate interest or an outcome on the Mayfield site.

3. Newcastle Freight Rail Bypass

The Chamber believes planning to support increased activity of any nature at the Port of Newcastle increases the imperative to protect transport infrastructure corridors and land for freight activities, and specifically to expedite investigation and planning for the proposed Freight Rail Bypass. This is consistent with the objectives of the NSW Government's Hunter Regional Plan 2036, which notes the following actions:

4.4 Promote freight facilities that leverage the Port of Newcastle and its associated freight transport network

4.5 Plan for multimodal freight facilities that support economic development of the region and respond to the location of the proposed Freight Rail Bypass

4.7 Enhance the efficiency of existing nationally significant transport corridors and protect their intended use from inappropriate surrounding land uses

Regional priorities in the plan include the protection of regionally significant transport corridors, including the Newcastle Freight Rail Bypass. The Chamber believes it is crucial that current and future strategic freight corridors are protected to ensure there is sufficient network capacity on both road and rail to meet NSW's growing freight task.

The recently endorsed Greater Newcastle Metropolitan Plan also notes the capacity for the Freight Rail Bypass to open up urban opportunities along the rail corridor from Broadmeadow southwards. This corridor currently accommodates all forms of rail traffic and, if rail freight were diverted in future, an opportunity would exist to improve the urban amenity and encourage greater development density along the corridor.

The Chamber is encouraged by recent communication (15/11/18) from the office of the Parliamentary Secretary for Regional Roads, Maritime and Transport, Mr Kevin Anderson MP, indicating that consultation on the Freight Rail Bypass with the community and key stakeholders will get under way in early 2019, focusing initially on corridor alignment options and key environmental and land-use constraints.

Conclusion

It is the Chamber's view that the expansion and diversification of the Port of Newcastle as identified in the Port Master Plan 2040 could realise significant benefits in efficiency and cost reduction for industry participants in the Hunter and northern NSW, as well as reducing bottlenecks in metropolitan supply chain. It would boost employment opportunities in the Hunter and Northern NSW and could potentially reduce the level of transport and freight infrastructure investment required to service Port Botany in the future. The Port of Newcastle maintains that its potential for growth and diversification is constrained by financial penalty imposed on container movements at Newcastle above the specified threshold in the Port Commitment Deeds.

The Chamber notes that the Port of Newcastle is well-positioned for expansion in terms of its harbour and landside assets and access to existing infrastructure; as such, the diversification outlined in the Port's Master Plan would not require significant public works expenditure to achieve projected outcomes.

Contact

For further information, please contact:

Amy De Lore
Policy & Public Affairs Manager
02 4969 9600
info@hunterbusinesschamber.com.au