



NSW Draft Freight and Ports Plan

Transport NSW

March 2018

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

Phone: 02 49699 600

www.hunterbusinesschamber.com.au

Introduction

Established in 1886, the Hunter Business Chamber (the Chamber) is the largest regional business chamber in Australia. The Chamber independently represents over 2,000 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 Business Chamber works as an integral part of the NSW Business Chamber (NSWBC) network and represents business at local, state and federal level to advocate for an improved operational climate for businesses in this region.

The Hunter is well recognised as home to Australia's most resilient and diverse regional economy. The Hunter region in NSW just north of Sydney covers over 31,000 square kilometres and has over 660,000 people or 9% of the state's population.

An unparalleled cross section of industry calls the Hunter region home. Newcastle is the eighth largest city in Australia and is renowned for being the world's largest coal export port. The contribution to the region, state and nation from the port's operation has grown exponentially over the past ten years with even greater capacity still available.

The Hunter is home to a skilled workforce, world-class education, health and medical research facilities, a range of complementary and emerging industries, such as renewable energy technologies, medical and industrial research, the defence industry, tourism and the digital economy.

The Hunter Business Chamber has long been an advocate for appropriate local and state planning and infrastructure strategies that integrate to provide a solid framework and actions for accommodating future growth of the Hunter's potential.

The Hunter Business Chamber welcomes this opportunity to provide a response to the NSW Draft Freight and Ports Plan (the Plan) under the following headings:

Hunter's role in NSW Freight and Port Strategy

The Hunter region plays a significant role in New South Wales Freight and Port Strategy. It has the capacity and capabilities to play a significant role in New South Wales' freight and population growth.

The Hunter sits at the crossroads of the M1 and New England and Golden Highways. It is intersected by the main Northern and North Western and trunk rail links to the South West.

The Port of Newcastle is one of the few deep-water ports on the East Coast of Australia. The Region is also serviced by an internationally capable airport. Transport and logistics infrastructure includes existing and planned road and rail links, an airport with international capability and a port with excess capacity. The Region is also well serviced by logistics and transport industry businesses which range from equipment manufacturers to transport storage and service providers.

Sustainability is a key priority in today's market and transport is the single biggest user of energy in Australia. The aim should be to reduce energy use and cost by pursuing more efficiency in transport and freight, however the Plan doesn't do this. The regions of NSW have an important role to play in creating efficiencies across the system, delivering cheaper, faster and better services. The potential for greater efficiency outside of metropolitan Sydney, given the congestion and transport constraints, provides a competitive advantage in the regions that should be investigated.

Significant investment in transport infrastructure and services has been made in the Hunter by both government and the private sector but this is being overlooked. The Ports of Newcastle, Sydney and Port Kembla have been privatised but the NSW economy is not getting the benefit that this should bring because of constraints that do not provide a level playing field.

2.9 Inland Rail in NSW

The Chamber notes the plan's acknowledgment that a key focus for NSW is to ensure that Inland Rail optimizes the movement of freight in regional NSW through efficient linkages to Port Botany, Port of Newcastle and Port Kembla.

It further acknowledges that once constructed, the Inland Rail project may also encourage the development of IMTs in regional areas where new alignment could allow the operation of longer and/or heavier trains.

These linkages to Port of Newcastle, with lateral expansion of rail freight to Newcastle and the Port, would provide efficiency benefits as well as the means to transition through an intermodal facility in the Hunter, connecting to trucks for Sydney as well as the Port for export.

2.10 NSW Air Freight Task

The Plan notes the NSW air freight task is a small but economically significant part of the NSW economy.

The Airport's recently released Master Plan also recognises its potential in meeting future freight demands.

Significant potential exists to increase air freight traffic. A comprehensive international and domestic freight network is essential for continued economic development across NSW and the Hunter Region and our Master Plan's consultation strongly suggests that;

- *Newcastle Airport's freight catchment zone could cover the Hunter Region and Central Coast, inland NSW, and even potentially North Sydney from a road connectivity perspective.*
- *Regular services to key destinations in South East Asia could increase freight demand*

In addition to meeting current demand, long haul freight capability also has the potential to stimulate growth in new or other industries.¹

The Chamber is fully supportive of this thrust and believes this should be reflected in the Plan. Newcastle Airport is in the process of securing and developing adjacent lands that will allow the supporting services and infrastructure to be built to support its air freight ambitions.

4.1 Strengthen freight industry and government partnerships

The Chamber notes commitment from Transport for NSW to collaborate and engage with industry partners and peak bodies to provide timely and relevant information regarding upcoming major projects and opportunities as well as providing avenue for industry to approach government with innovative infrastructure or service delivery options not previously identified.

The Chamber would be happy to provide a regional engagement role in this regard and looks forward to ongoing dialogue with Transport for NSW.

The Chamber supports NSWBC's submission to the Plan and its comments around the role NSW Government plays in infrastructure investment.

The NSW Government plays a key role in infrastructure investment in freight and this is appropriate in cases where projects have a positive cost benefit analysis (taking into account economic benefits as well as broader social and environmental benefits) and generate positive outcomes for the State.

The NSW approach to funding design for freight projects is, however, at times relatively ad hoc. Projects are funded by either taxpayers or users but there is limited scope to apply innovative options. There are significant opportunities in taking new approaches to freight investment not least of which is to minimize the impact on the NSW Government balance sheet and generate a revenue stream and financial return for potential private sector investors. Accordingly, the Chamber recommends the NSW Government continue to work with the newly established Infrastructure and Project Financing Agency (IPFA) to examine innovative financing options for future projects.²

¹ 2036 Newcastle Airport Vision, p 13.

² NSW Business Chamber submission to Draft Freight and Ports Plan 2018

The NSW Government should also encourage the private sector to fund and finance infrastructure projects where appropriate. The Unsolicited Proposals process in NSW (also advocated by IPFA) provides an example of how the private sector might be encouraged to submit project proposals to deliver significant infrastructure projects. Without this process, it is unlikely the NorthConnex³ project would have been commissioned for completion by 2019, removing 5,000 freight trucks off main passenger roads each day. The NorthConnex link of the M1 to the M2 will be a significant improvement in road connectivity between the Hunter and Sydney, particularly to the manufacturing businesses in northern and western Sydney.

Benefit Cost Ratio (BCR) assessment

Decisions around infrastructure investment should be governed by good cost-benefit analysis.

Often there are information/data deficiencies in determining costs and benefits, which can result in projects being rejected. Addressing data gaps, particularly in respect to positive externalities would provide more effective and inclusive processes for assessing new projects.

The Legislative Council Standing Committee of the NSW Parliament has released a Discussion Paper in relation to its Inquiry into Regional Development and a Global Sydney. One of the major issues highlighted by the Committee was the need for better regional transport linkages for freight and passengers. The Inquiry found there was an urgent need for NSW to develop better transport linkages between Sydney and the regions, and from key infrastructure sites like airports and train stations into regional areas. Funding for these projects is determined against their capacity to satisfy overly conservative and restrictive Benefit Cost Ratio (BCR) assessments.

The Chamber maintains there is a need to review the conservatism applied by governments in respect to the use of BCR assessments, particularly as applied to the assessment of regional infrastructure proposals. Existing NSW Government definitions are inconsistent across programs and restrict the potential of securing Australian Government and or private sector funding and investment.

In a regional context there is a need to look at broader economic impacts and benefit in the broader sense, this should include social impacts and benefits and the potential of investment to drive future regional employment and prosperity (positive externalities). The traditional disadvantages of scale and population size often discount the benefits and importance of regional investment.

The growth of the Port has a multiplier effect for the regional and state economies. An initial \$1 of output in the port sector leads to a flow-on effect in other sectors of the Lower Hunter economy of 84 cents, giving a total effect of \$1.84. Each dollar of output also generates 30 cents in direct household income (i.e wages and salaries paid to employees of port-related firms and organisations) and a further 21 cents to workers in the associated industries.

³ <http://www.rms.nsw.gov.au/about/news-events/news/ministerial/2015/150202-northconnex-financial-close.pdf>

Similarly, each dollar of output results in 52 cents in value added in the port sector and a further 39 cents in value added in other sectors of the economy.⁴

To address these concerns, the NSW Treasury should undertake a review of its NSW Government Guide to Cost–Benefit Analysis⁵ to ensure it is optimally structured to capture the breadth of benefits to regions from infrastructure investment and where possible government funds are directed to projects that build capacity across NSW.

Recommendation: Review the NSW Government Guide to Cost-Benefit Analysis to ensure it adequately captures the breadth of benefits to and from significant infrastructure investment, particularly those associated with regional locations

4.3 Protect Existing freight precincts and ensure sufficient future land use

The Chamber supports the need to maintain and enhance the efficiency of the supply chain, protect transport infrastructure corridors and land for freight activities and take account of freight in future strategic planning activities.

Importantly the NSW Government’s Hunter Regional Plan 2036 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

4.6 Investigate logistics for freight growth and other complementary land uses around airports, leveraging investments at Taree and Newcastle Airports

4.7 Enhance the efficiency of existing nationally significant transport corridors and protect their intended use from inappropriate surrounding land uses⁶

Regional priorities in the plan include the protection of regionally significant transport corridors, including the Newcastle Freight Rail Bypass.

The Chamber supports NSWBC’s position that 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.

⁴ Economic Impact of the Port of Newcastle 2016/17, EconSearch

⁵ https://www.treasury.nsw.gov.au/sites/default/files/2017-03/TPP17-03%20NSW%20Government%20Guide%20to%20Cost-Benefit%20Analysis%20-%20pdf_0.pdf

⁶ Hunter Regional Plan 2036, 2016, p 23

Land use development should be carefully monitored and managed in and around these corridors to ensure the future viability of these corridors over the longer term and prevent conflict at the land use interface, which has the capacity to constrain transport use and intensification of activity into the future.

It is crucial to progress corridor consultation for the freight rail bypass. This has been listed in the State Budget but no progress has been seen.

Further, it is imperative that freight requirements are embedded in strategic and local planning documents. Urban encroachment is a significant barrier to the efficient operation of freight across NSW and there should be appropriate safeguards to prevent this from happening in the future.

In its submission to the Draft Greater Newcastle Metropolitan Plan (Draft Metro Plan) the Chamber noted the following:

The port is a vital *trade gateway for NSW*. This includes the export catchment areas in western and northern NSW, as well as supporting population growth in Sydney and regional NSW for imports. Having access to a world class trade gateway with capacity to grow without major infrastructure investment is a strategic opportunity for NSW. The value and capacity of this nationally significant asset must be recognised, supported and protected.

The identification of industrial land zoned for logistics, warehousing and distribution is needed to support future port development plans, including the development of a container terminal.

It is the Chamber's understanding that the Port of Newcastle is committed to the growth of all its trades including coal, and to the continuation of coal export activities at Carrington and Kooragang Island.

It further understands that the Port encourages the proactive management of urban interface with the port and transport corridors to ensure sustainable operations and protection from issues of urban encroachment. This includes recognition of the Port's economic value and operational requirements in Government land use strategies and plans, as well as ensuring adequate protection of the port on an individual development assessment basis.

Page 84 of the Draft Metro Plan highlights the "*potential to relocate coal export facilities and bulk fuel storage away from residential areas and explore options to renew the Carrington Precinct for alternative uses (including tourism).*"

The Chamber does not support this. This does not align with Port of Newcastle's plans, or the State Environmental Planning Policy (Three Ports) 2013 ('the Ports SEPP'). This land is part of Port of Newcastle's landholdings under its 98 year lease with the NSW Government, which commenced on 30 May 2014. The land is zoned for Special Activities SP1 pursuant to the Ports SEPP, the aim of the zone being to facilitate development that by its nature or scale requires separation from residential areas and other sensitive land uses.

Coal is an important part of the Port's diversification strategy. This statement does not reflect the importance of the Carrington Coal Terminal and is inconsistent with Port Waratah Coal Service's operations as well as Direction 2 of the Hunter Regional Plan.

These plans must be reconciled with each other to ensure consistency of objectives and outcomes and importantly providing certainty to business and the community.

Recommendations:

- 1. Preserve and enhance transport corridors to Port of Newcastle and Newcastle Airport**
- 2. Progress the freight rail bypass consultation and preservation of the corridor**

4.5 Reduce the regulatory burden on industry

The Chamber supports NSWBC's call for an additional regional classification to recognise the significance of Regional Economic Centres.

There is inconsistency over which parts of the State are classified as regional and therefore eligible for funding for state and federal initiatives. An additional classification is needed to recognise the significance of Major Regional Economic Centres such as the Hunter and allow proposals for funding for areas like the Hunter to be considered outside existing metropolitan assessments.

Recommendation: Develop an additional major regional classification to recognise the significance of particular Regional Economic Centres

Regional support for New South Wales' freight task.

The Port of Newcastle is the largest port on Australia's east coast and the third largest nationally by trade volume. In 2016/17 it handled 170.4 million tonnes of trade, valued at nearly \$23 billion, and it has capacity to more than double its current trade. Port activity alone contributed an estimated \$1.7 billion to New South Wales Gross State Product and approximately 10,000 full time equivalent jobs per annum in 2016/17.

The Port of Newcastle already plays a key role in the NSW freight task and could play a key role in delivering the future growth that the NSW Government has identified. The Future Transport Strategy 2056 notes that "The container freight task alone is projected to grow by 176% over the next 40 years to 39.1 Mt per annum"⁷

⁷ *Greater Sydney Draft Services and Infrastructure Plan: Future Transport 2056*, Published by the NSW Government, 2017, P85.

The Draft Future Transport Strategies note that significant infrastructure spending, which has been estimated in the billions, would be required to deliver expanded container services at Port Botany and Port Kembla.

There is a strong business case for including the Port of Newcastle in the New South Wales container freight strategy.

The Port has direct connections to the Australian Rail Track Corporation (ARTC) network, which has significant existing capacity to handle the growth of coal trade alongside the growth of agricultural and containerised freight. It also has heavy vehicle (B Double) access direct to the berth.

The Port of Newcastle also has the capacity to more than double its existing ship numbers and trade volume, and within the over 700 hectares of dedicated port industrial land, has 200 hectares of vacant land available for port developments including warehousing. It also has a concept approval for a multi-modal freight facility.

This existing capacity is valuable to the State as it requires minimal government investment. It is also valuable to New South Wales farmers, offering efficiency gains and cost savings. This can improve the global competitiveness of current New South Wales exporters and help new exporters access growing Asian markets.

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.”

“The gateways and their associated networks will be safeguarded so they remain viable, globally competitive and adaptable. Improving connectivity and ‘last mile connections’ between freight routes – and to the Port of Newcastle and Newcastle Airport – will improve freight movements to global markets and drive regional economic growth. It will also improve connections between the labour force and global markets, sustaining productivity in the Hunter.”⁸

Significant gains in efficiency can be achieved and bottlenecks in metropolitan freight and passenger supply chains removed or eased by utilising ports and airports beyond the Sydney metropolitan area. The Port of Newcastle and Newcastle Airport can play an immediate and key role in this respect.

⁸ *Hunter Regional Plan 2036*, 2016, p15

The Port of Newcastle imports building materials and construction equipment for Sydney-based developments and developments throughout New South Wales. This avoids transporting oversized cargoes through busy city roads.

Without a Newcastle container terminal, Hunter exporters have to send their goods further afield to Port Botany at a greater cost and can also experience delays. Similarly, imports have to travel through Sydney adding to congestion.

Railway steel and tunnel boring machinery for the \$8.3 billion Sydney Metro Northwest Rail Project was imported via the Port of Newcastle. The Port has also imported oversized machinery for regional New South Wales, such as 70 wind turbines for the White Rock Wind Farm in Glenn Innes.

The market is recognising and using this capability and it should be recognised in government transport and freight strategies. Efficient freight services will be critical to enable a growing economy, similar to mobility as a service, freight as a service will likely be the norm; irrespective of what goods and services are produced in 2056, integrated logistics chains will be critical.

Reducing export costs and improving supply chain efficiency will improve the global competitiveness of NSW exporters. For small to medium enterprises this is critical when looking at employment prospects.

A Newcastle container terminal would provide NSW with a second container terminal, complementary to Port Botany, enabling NSW exporters and importers to choose the most efficient and cost effective supply chain for their cargo. Vacant industrial land within the Newcastle LGA could support activities associated with a container terminal.

The growth of the Port and Airport have significant flow on effects for the growth of the region as a whole and the state's wider economy and this should be reflected in a Freight and Ports Plan. A Newcastle container terminal would also boost the region's advanced manufacturing base and engineering skillset. This sector relies on a competitive and thriving NSW export industry.

The Chamber supports Port of Newcastle's call for a dedicated TfNSW resource for the Port of Newcastle, comparable with services provided to Port Botany and Port Kembla, to ensure that Government and industry remain aligned in meeting the growing NSW freight task.

Recommendation:

- 1. Provide a level playing field to facilitate the development of container trade in the Port of Newcastle**
- 2. Provide a dedicated TfNSW resource for the Port of Newcastle**

Summary Recommendations

- 1. Review the NSW Government Guide to Cost-Benefit Analysis to ensure it adequately captures the breadth of benefits to and from significant infrastructure investment, particularly those associated with regional locations.**
- 2. Preserve and enhance transport corridors to Port of Newcastle and Newcastle Airport.**
- 3. Progress the freight rail bypass consultation and preservation of the corridor**
- 4. Develop an additional major regional classification to recognise the significance of particular Regional Economic Centres.**
- 5. Provide a level playing field to facilitate the development of container trade in the Port of Newcastle.**
- 6. Provide a dedicated TfNSW resource for the Port of Newcastle.**

Contact

For further information, please contact:

Anita Hugo

Policy & Public Affairs Manager

02 4969 9600

info@hunterbusinesschamber.com.au