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‘Port Botany, Heartbeat of NSW Economy’: NSW Ports submission to Parliamentary Inquiry

Prematurely introducing a fourth container terminal into NSW could push up costs for NSW importers and exporters, result in an ‘infrastructure white elephant’ and undermine decades of careful State port planning.

In its submission to a NSW Upper House Parliamentary Inquiry, NSW Ports outlined the arguments supporting the existing long-term freight and ports strategy - which is that Port Botany followed by Port Kembla will support NSW’s container needs.

This long-standing strategy reflects the population, demographic and economic growth trends which are to the west and south-west of Sydney.

Marika Calfas, Chief Executive Officer of NSW Ports, said that the benefits of the 2 million TEU¹ container terminal proposed by the Port of Newcastle are not supported by credible evidence and ignore the negative impacts of overturning long standing NSW ports planning.

“The simple facts are that there is no demand for a new terminal at present and if there were, Newcastle is the wrong place to build it as it is too far away from the container destinations”, she said.

Of all the containers imported each year through Port Botany, 80% are unloaded within 40 kms of the port. Significantly, less than 2 per cent of these containers are destined for the Hunter, Newcastle and Central Coast regions.

Ms Calfas said it makes no sense to have these containers unloaded in Newcastle as most of the containers or goods in them would then need to be delivered over 160 kilometres back into Sydney.

“Based on the Port of Newcastle’s own estimates of capacity, this would create more than 2,700 extra truck movements a day in Newcastle, with most trucks travelling on the F3 between Newcastle and Sydney, and that’s assuming that half of the volume will be moved by rail, which is doubtful.

“Billions of dollars of investment in road and rail infrastructure would be required to support such a terminal.”

“There is currently a huge amount of excess capacity in the existing three competing container terminal facilities at Port Botany.

“Port Botany has the capacity to handle more than 7 million TEU a year, currently only 2.6 million TEU are handled at the port. A fourth container terminal is unlikely to be needed until after 2040,” she said.

Ms Calfas further observed that the Port of Newcastle Port Commitment Deed is an agreement solely between the Port of Newcastle (owned by China Merchants Port Holdings / The Infrastructure Fund) and the NSW Government, knowingly entered into by the Port of Newcastle as part of its purchase of the Newcastle Port lease in 2014.

“The Port of Newcastle is attempting to have the conditions of the sale changed without compensating the NSW Government. It could be argued that the Port of Newcastle’s investors, China Merchants Port Holdings and The Infrastructure Fund, are seeking business value uplift at the expense of the NSW taxpayers,” Ms Calfas said.

Port Botany underpins the NSW economy. It contributes \$3.7 billion a year to NSW, and supports 25,000 jobs. NSW Ports and port tenants have invested \$1.6 billion in port and other infrastructure since 2013 and are currently investing a further \$450 million.

NSW Ports’ full submission can be found at <https://www.parliament.nsw.gov.au/committees/inquiries/Pages/inquiry-details.aspx?pk=2516#tab-submissions>

-ENDS-

¹ TEU = Twenty-foot equivalent unit. A unit of measurement equal to the space occupied by a standard twenty-foot long container. One forty foot container is equal to two TEU.

NSW Ports Submission to Parliamentary Inquiry: Key Submission Points

- 1. The Port of Newcastle sale arrangements do not adversely impact on public works expenditure in NSW.** Existing committed infrastructure investments are required to service the broader commuter and freight needs to support a growing Sydney. Optimising utilisation of existing freight infrastructure (such as through finishing the duplication of the Port Botany freight rail line in an existing and dedicated freight rail corridor) makes economic sense.
 - **The Port of Newcastle container terminal would generate more truck kilometres travelled with higher vehicle emissions and extra trucks congesting the road network between Sydney and Newcastle.** Assuming half of the container volume is moved by rail, a container terminal at Newcastle would add more than 2,700 extra truck movements per day to Newcastle's roads, most trucks heading south to Sydney on the F3 to deliver the containers or goods in the containers.
 - **The Port of Newcastle container terminal would require significant additional investment for the terminal, dredging works, road upgrades around the terminal and rail investment connecting to Sydney.** To achieve any reasonable volume of container freight on rail between the Port of Newcastle and Sydney would require billions of dollars in freight rail investment on the Main North Rail Line
- 2. The Port of Newcastle sale arrangements do not result in additional costs for NSW importers and exporters.** The NSW container market is highly competitive with three separate and competing stevedores at Port Botany, each having significant surplus capacity, and competition from interstate ports at Melbourne and Brisbane. The most recent container stevedore commenced operation in 2013 and is handling only 13.3% of Port Botany container volumes and recording net operating losses each year.
- 3. Prematurely introducing a fourth container terminal into NSW is likely to have adverse economic consequences.** This could result in one or more of: an infrastructure 'white elephant' in NSW; increased costs to all NSW importers and exporters from the recovery of additional investment and operational costs across the existing volume of containers; or significant short term price cutting that sees one or more stevedores exit following which those remaining would likely increase their prices. A fourth container terminal is unlikely to be sustainable until after 2040.
- 4. The Port Commitment Deeds mirror long standing and well planned NSW Government policy in respect of container terminal development and the planning required to service the State's container freight task into the future.** This policy is that Port Botany followed by Port Kembla will support NSW's container needs. This policy reflects the population, demographic and economic shift which is to the west and south-west of Sydney.
- 5. The Port of Newcastle Port Commitment Deed is an agreement solely between the Port of Newcastle and the NSW Government.** The Port of Newcastle (owned by China Merchants Port Holdings/The Infrastructure Fund) knowingly and willingly entered into the Port of Newcastle Port Commitment Deed as part of its sale arrangements and now claims that this is 'unfair', seeking to have the Deed changed without appropriate compensation to the NSW Government. The Newcastle Port Commitment Deed does not prevent the Port of Newcastle from operating a container terminal, nor does it require the cost to Newcastle Port to be passed on to the container market participants. Is the Port of Newcastle trying to gain business value uplift at the expense of the NSW taxpayers?
- 6. Changes to commercial agreements are appropriately dealt with through negotiations and agreement between the parties.** Any imposed changes to the terms of NSW Government commercial agreements could have adverse consequences. This could impact the investment of 6 million Australians who have their superannuation savings invested in NSW Ports' assets. It would also impact the State's reputation as an attractive investment destination and could affect NSW's prized AAA credit rating. Changes to commercial agreements are appropriately dealt with through negotiations between the parties.

Media Enquiries

paul.matthews@nswports.com.au
0458 566 179

www.nswports.com.au

About NSW Ports

NSW Ports manages Port Botany and Port Kembla, key export and import gateways connecting to global and domestic markets, and the Enfield Intermodal Logistics Centre and the Cooks River Intermodal Terminal.

NSW Ports is a private consortium of leading institutional investors: IFM Investors (including Cbus, HESTA and Hostplus), AustralianSuper, Tawreed Investments Limited and Q Super. Our shareholders represent over six million Australian superannuation fund members and are long term investors with interests in a range of Australian infrastructure assets.

Media contact: Paul Matthews: paul.matthews@nswports.com.au; 0458 566 179 www.nswports.com.au