PORT of NEWCASTLE

ALIGNING NSW FREIGHT POLICY TO PROMOTE EFFICIENT FREIGHT LOGISTICS

A SUBMISSION IN RESPONSE TO THE FREIGHT POLICY REVIEW CONSULTATION PAPER

NEWCASTLE, 30 MAY 2024

ABOUT PORT OF NEWCASTLE

Port of Newcastle is the largest deepwater port on Australia's East Coast, providing a gateway to local and global markets for businesses throughout New South Wales. With trade worth about $48 billion to the national economy each year, Port of Newcastle enables Australian businesses to successfully compete in international markets.

Port of Newcastle currently has capacity for 10,000 ship movements annually and over 200 million tonnes of cargo. With a deepwater shipping channel operating at 50 per cent of its capacity, significant port land available and enviable access to national rail and road infrastructure, Port of Newcastle is positioned to further underpin the future prosperity of the Hunter region, New South Wales and Australia.

In August 2022, Port of Newcastle commissioned two new mobile harbour cranes as part of the Port's ongoing commitment to diversification and a sustainable future. The new container, break-bulk and project cargo services initiative, together with the broader clean energy precinct, represents a significant opportunity for the Hunter region to diversify, decarbonise and support the development of jobs in emerging industries.

In May 2024, Port of Newcastle paid the NSW government compensation to extinguish any liability under its Port Concession Deed, which removes a key impediment to further expansion of containerised trade at the port. Port of Newcastle will be proceeding with additional investments to increase its containerised trade handling capacity in the near future.

KEY POINTS

- The Port of Newcastle welcomes the NSW government's Freight Policy Reform Program, and the opportunity to respond to the Advisory Panel's consultation paper, as it identifies key freight policy areas that should be subjected to further reform.
- From our experience, NSW's freight policy is outdated and does not reflect the realities of freight supply chains, which involve a myriad of decisions as freight transport users seek to efficiently transport goods from its origin to its destination.
- The Port of Newcastle believes that there are three key freight policy reforms needed to promote efficient freight supply chains in NSW, namely:
  - removing the policy presumption that Port Kembla will be the next containerised port once Port Botany reaches its capacity to facilitate effective competition between ports engaged in handling containerised trade;
  - reforming transport infrastructure planning institutional arrangements and processes to improve information on freight demand, respond to emerging trends in freight transport infrastructure, and facilitate private sector investment to promote freight efficiency; and
  - changing the mechanisms and processes for infrastructure planning approvals to accelerate the delivery of freight infrastructure and maximise the opportunity to promptly deliver freight supply chain efficiencies;
- In addition to these freight policy reforms, there are likely near-term opportunities to lower rail freight costs to support regional NSW, through several targeted rail and intermodal investments. These should be considered as part of reformed transport infrastructure planning arrangements.

CONTENTS

INTRODUCTION

The Port of Newcastle welcomes the NSW government's Freight Policy Reform Program, and the appointment of its Advisory Panel led by Kerry Schott AO and including Lucio Di Barolomeo and Hermione Parsons. The Freight Policy Reform Program is occurring at a critical time for freight supply chains as the Port of Newcastle invests in its port infrastructure to provide modern containerised trade facilities in Newcastle, and as the port facilitates the importation of products supporting the energy transition (eg, electric vehicles, wind turbine blades, etc).

Increased capacity to ship export and import containers through the Port of Newcastle will provide NSW shippers with competition and choice. Ultimately, this will drive efficiency in freight supply chains throughout NSW for the benefit of NSW exporters and importers.

With significant changes in Australian and global supply chains, and associated freight infrastructure, there is a need for NSW freight policy settings to be focused on providing the framework that allows freight supply chain participants to respond to changing market dynamics in a manner that promotes efficiency. In our opinion, the current NSW freight policy settings act as a significant impediment to delivering effective and efficient freight supply chains, to the detriment of the NSW community.

As a simple starting point, the NSW freight policy should explicitly focus on achieving efficient investment and use of freight infrastructure, including ports, rail, road and associated industrial land. Currently NSW transport policy is focused principally on government infrastructure decisions that are mostly focused on improving the reliability of passenger services and has little regard to emerging freight demand and supply trends. This needs to change.

Relevantly, we expect that such a change will have flow on benefits for the NSW community, as improved utilisation of existing networks delivers dividends to the community through lower road congestion.

The Advisory Panel's consultation paper provides an excellent overview of the issues facing freight transport in NSW, the key strategic challenges, and asks several questions that it is seeking feedback on. In summary, the key themes of these questions of most relevant to the Port of Newcastle are:

- Are there freight policies that are of particular concern to stakeholders?
- Are there particular problems that affect rail freight policy?
- Are there aspects of freight policy related to ports that are of concern?
- Are there aspects of freight policy related to road freight that are of concern?

In responding to the Advisory Panel's questions, we have focused on those aspects of freight policy that the Port of Newcastle has identified as being a significant impediment to the promotion of infrastructure investments that can deliver freight efficiency improvements for the benefit of NSW.

In this submission, the Port of Newcastle:

- highlights the need to reform freight policy to create infrastructure planning institutional arrangements and processes that have the objective of promoting efficient freight infrastructure investment and use;
- describes its plans to invest in containerised port capacity at the Port of Newcastle, which will likely have flow on implications for future freight infrastructure investments;
- identifies the need to accelerate infrastructure approvals to deliver supply chain efficiencies;
- emphasises the importance of improving efficiency of export freight containers from regional NSW; and
- identifies opportunities for targeted infrastructure investments to lower freight rail costs, as a matter to be investigated as part of reformed planning processes.

Port of Newcastle looks forward to working collaboratively with the Advisory Panel as it develops its thinking in relation to the Freight Policy Reform Program.

EVOLVING FREIGHT SUPPLY CHAINS NEED DYNAMIC AND RESPONSIVE INFRASTRUCTURE PLANNING

The terms of reference for the Review asks the Panel to consider whether the current freight policy framework is delivering on its objectives. The NSW Freight and Ports Plan 2018-2023 outlines several key objectives, including:

- increased economic growth by providing confidence and certainty that encourages continued investment in the freight industry;
- increased efficiency, connectivity and access by improving efficient use of existing infrastructure;
- greater freight capacity to accommodate growth;
- improved safety; and
- enhanced sustainability.

The freight policy framework and current plan are not effective at promoting efficiency of freight supply chains, principally because the focus has been on government infrastructure investments, without adequate regard to changing demand and supply conditions across freight supply chains, including private sector infrastructure developments.

In this section, we briefly explain the current arrangements, and highlight how those arrangements contribute to poor infrastructure decision making. This is followed by a discussion about key freight demand and infrastructure supply trends and opportunities.

Transport infrastructure planning institutional arrangements and processes need reform

Freight supply chains involve a myriad of decisions by both private and government entities, to coordinate the efficient investment in freight transport infrastructure, and the associated efficient movement of freight from its origin to its destination.

Port, road and rail infrastructure has been traditionally planned and provided by governments, with private entities making decisions about how best to use that infrastructure through investment in heavy vehicles, trains, warehousing and packaging facilities. Exporters and importers make facility location decisions based on its understanding of the efficiency of the transport infrastructure given the need to transport freight from an origin to its destination within a given supply chain. Given the timeframes for private investment returns to infrastructure, certainty about investment decision making is critical to ensure that these decisions are appropriately timed and coordinated.

As transport infrastructure investment and operations is increasingly managed by the private sector there is a need to optimally coordinate investment decision making, particularly at ports, but also with other facilities within freight supply chains. The benefits from being able to deploy private capital quickly where there are market opportunities through changing patterns of freight demand or technology (eg, increasing automation, changing ship fleet sizes etc), are potentially sizeable.

The NSW government has an important role in transport infrastructure planning and investment, to provide the information base that allows all stakeholders to make decisions using a common understanding of the future. It can also identify targeted road and rail infrastructure investment opportunities that have been identified to meet freight demand.

In addition, the NSW government has a role in setting out the operating environment for road and rail infrastructure so that transport users can make decisions about the best modes to use for their individual freight transport needs. In doing so, it is important that environmental considerations are properly captured to both encourage greater use of rail freight where appropriate due to the lower emissions, but also to facilitate the transition for both road and rail freight to lower emission vehicles.

Currently, transport infrastructure planning is based on limited and out of date information about freight demand. This means that infrastructure investment decisions are typically made with a relatively limited understanding of emerging freight demand. Improving this information is an important first step to promoting more efficient use of and investment in freight infrastructure.

In addition, infrastructure investment plans have been made over long time horizons, and so are not sufficiently flexible to adapt to changing market circumstances or infrastructure technology changes.

This lack of information, and lack of flexibility in infrastructure investment planning, is contributing to poor decision making and likely higher costs for freight operators. Given the dynamic nature of evolving freight infrastructure demand, locking in future investment plans (eg, a second container port at Port Kembla) seems incongruous with promoting investment decisions that respond to market needs.

The circumstances that the Port of Newcastle found itself in through the financial impediment in the Port Commitment Deed to develop containerised trade is a good case study in how long-term planning decisions can impede decisions that promote more efficient outcomes for freight. By limiting the scope for the Port to invest in and grow containerised trade handling capacity when market conditions demonstrate its profitability, freight operators are unable to avail themselves of access to infrastructure that contributes to improved efficiency of containerised freight supply chains in NSW. Ultimately, this leads to higher freight supply chain costs to the detriment of the NSW economy.

The Port of Newcastle believes that the institutional arrangements and processes need reform. This could involve:

- establishing a clear policy objective for transport investment and operation to promote efficient use of and investment in transport infrastructure for the benefit of both freight and passenger users;
- promoting competition in freight infrastructure to drive more efficient outcomes, where practical and feasible;
- developing the systems and processes to measure and project freight origins and destinations by volume and freight type, taking into account new developments and trends;
- developing a dedicated periodic (say every two years) integrated freight infrastructure plan that:
  - sets out committed projects across the freight infrastructure network (both government and public);
  - identifies transport infrastructure needs given demand expectations and future trends; and
  - provides information on freight demand, infrastructure performance, and other emerging trends;

An integrated freight infrastructure plan would provide private sector participants with the information to make investment and operational decisions with knowledge about other parties and opportunities to improve efficiency of the freight task.

There are several changes to freight demand which need to be better analysed and incorporated into transport infrastructure planning

The Port of Newcastle is aware of several key changes to freight demand that need to be better taken into consideration by the NSW government in its infrastructure planning arrangements. These include:

- the need to import large infrastructure to support the energy transition, including wind turbines, solar panels, etc. While EnergyCo has taken the lead with Transport for NSW to identify road upgrades from the Port of Newcastle needed to support Renewable Energy Zone development, these changes in freight flows should ideally be considered as part of business-as-usual transport infrastructure planning processes;[1]
- changing demand for coal from our major export countries over the medium to long term as they seek to reduce emissions from electricity generation;

[1] See EnergyCo, (2023), *Port to REZ road upgrades, Central-West Orana REZ transmission project,* September, Sydney.

- opportunities to increase containerised freight exports from regional locations in NSW;
- general diversification of trade across NSW's ports, for example roll-on roll-off vessels calling at the Port of Newcastle; and
- the desirability of lowering freight transport kilometres to lower transport costs and reduce overall transport emissions.

The changing demand for coal exports is a good example of the importance of monitoring demand trends and planning for how these trends affect transport infrastructure needs now and in the future. NSW's transport planning processes should be monitoring how changing demand for export coal is likely to create capacity on the rail infrastructure in the Hunter Valley, which in turn creates opportunities for other freight uses. Current planning arrangements have no scope to consider these changes and adapt transport infrastructure investment strategies to make best use of these changes over time.

We are unaware about how these trends are systematically considered within current transport planning arrangements. In our opinion, there is a need for the NSW government to better analyse these trends and demonstrate how they are taken into account in identifying transport infrastructure investment needs and inform policies or programs to better utilise existing infrastructure.

Port and transport infrastructure trends also need to be properly incorporated into transport planning

To deliver freight efficiencies, there is a need to optimise existing transport infrastructure and take into account emerging infrastructure trends and technologies, where these deliver improved outcomes.

In so doing, it is important to acknowledge that NSW operates in both national and global freight supply chains, and so trends affecting both need to be effectively monitored and taken into account as part of transport planning processes.

There are several infrastructure trends that need to be better incorporated into transport infrastructure planning, namely:

- vessel sizes are increasing, and so there is a need to provide infrastructure that can accommodate increasing sizes to harness the cost efficiencies that this creates;
- increasing recognition of the need for resilience in freight infrastructure to support supply chains during natural disasters or other events;
- the opportunities that port competition can create, by facilitating the adoption of more productive handling technologies, and diversifying entry points for trade;
- the evolution of larger road and rail freight vehicles and opportunities to deliver landside freight efficiencies through facilitating greater use of these vehicles (eg, creating dedicated corridors to support regional containerised trade for export, etc);
- how best to set up road and rail transport to reduce overall emissions, and the infrastructure needed to support that transition;
- increasing automation, particularly in port operations, and how best to deliver on the associated operational efficiencies; and
- likely opportunities for increased transshipment in Australia to lower containerised trade costs (see Box 1 below).

The Port of Newcastle believes that the role of government needs to change in infrastructure investment decision making. Rather than 'picking winners' by identifying specific projects for government investment there is a need to provide the environment for private sector participants to make market decisions about investments, where these are likely to meet freight market needs. This is consistent with a freight policy that promotes competition where this is expected to deliver more efficient outcomes for freight.

It follows that the NSW government should remove its long-standing policy that the 'next container terminal once Port Botany reaches capacity, is to be at Port Kembla'. This policy means that little consideration is given to opportunities to lower freight costs through diversification in containerised port facilities in NSW, or how supporting investments might deliver better outcomes for freight.

Box 1: Opportunities for increased transshipment in Australia

Key trade routes globally, influence the size of containerised vessels. The Panama Canal is one of these key routes, and container vessels have historically been categorised based on the ability of the vessel to transit the canal – 'Panamax' vessels from 1980, 'Post Panamax' from 1988, and 'Post Panamax II' from 2000.

The widening of the Panama Canal in 2017 has allowed vessels of up to 17,312 TEU capacity to transit the canal. Vessels of this size exceed the largest vessels that can call on existing container terminals in Australia, which are practically limited to between 8,000 and 10,000 TEU, due to existing terminal sizes and channel depths.

With the Panama Canal widening the global 'workhorse' category of vessels is increasing to the 'Neo Panamax' at approximately 14,000 TEUs, which is beyond current capacity of existing terminals in Australia. Further, the Asia-Europe trade transiting the Suez Canal is being serviced with Ultra Large Container Vessels (ULVCs) which have capacity of 18,000 to 24,000 TEUs.

Increasing vessel sizes means that there will soon be opportunities for Australia to harness the cost savings that can be achieved through larger vessels calling in Australia. NSW should adopt a market leadership position by establishing freight policy settings that support private sector investment in a Neo Panamax and ULVC capable container terminal in NSW.

The Port of Newcastle believes that this would be a game changer for Australia and NSW. We expect that the future of containerised trade in Australia is likely to be one or two terminals capable of receiving larger vessels, with transshipment to other locations within Australia (and the Pacific) as occurs in Europe and Asia. The benefit of the right freight policy settings for NSW are those that would result from such a facility being located in NSW rather than say Brisbane or Melbourne.

The economics of transshipment in Australia are expected to improve into the future, particularly as automation decreases quay side handling costs for container movements, from the vessel to the yard and back to the vessel.

Relevantly for the Port of Newcastle, accommodating Neo Panamax and ULCVs requires more than just appropriate channel depth and terminal dimensions. There is also a need for large landside areas (ie, yard capacity) to handle the larger exchange volumes of containers that need to be rapidly unloaded and temporarily stored before on shipment. The Port of Newcastle has ample existing space, and associated rail/road infrastructure to support the handling of larger container vessels.

INVESTMENTS IN CONTAINERISED PORT CAPACITY WILL CHANGE FREIGHT FLOWS THROUGHOUT NSW

The Port of Newcastle is pleased to confirm that its recent payment to the NSW government has extinguished any liability to reimburse the state for competition payments owed to NSW Ports if Newcastle's container trade exceeds a limit of 30,000 TEU in 2013 and escalated each year.

This means that the Port is a step closer to realising its vision for expanded containerised freight handling facilities and a deepwater container terminal.

The last remaining impediment is the long-standing NSW government policy that Port Kembla will be the location of the next state's container terminal once Port Botany reaches capacity in around 2045. This policy is not based on the

current economic realities and developments in containerised trade globally and in NSW. It also reflects an outdated approach to port development, based on the concept that the potential benefits from the economies of scale outweigh the benefits from competition.

The current NSW ports policy fails to properly account for the landside constraints and challenges associated with Port Botany, or the changing origin destination landscape for containerised trade in NSW.

The Port of Newcastle believes that the current and future size of the containerised trade market, combined with operational cost efficiencies that can be delivered through port competition, outweighs any potential benefits from centralising containerised trade in NSW.

It follows that the Port of Newcastle intends to proceed with developing its containerised trade handling capacity, once the NSW government removes its longstanding freight policy premise that the next containerised trade port with be at Port Kembla. Increased containerised trade capacity to the Port of Newcastle is expected to change freight flows throughout NSW.

In the remainder of this section, we briefly outline our plans for developing containerised trade capacity at the Port of Newcastle.

Expanding containerised trade handling facilities at the Port of Newcastle

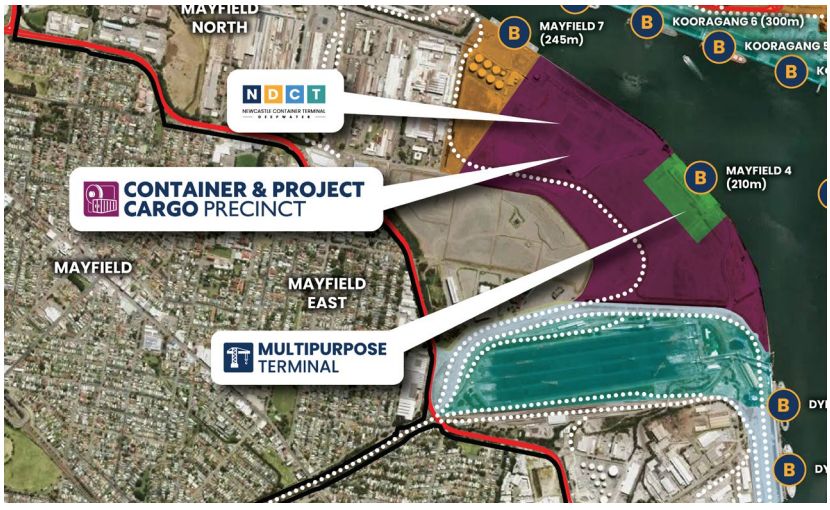
The Port of Newcastle recognises that its investments in containerised trade handling facilities will need to grow in line with demand. Fortunately, our berth capacity and land holdings mean that there is ample scope to grow containerised trade volumes without affecting current or likely future port operations or impacting on landside infrastructure congestion. This reflects the significant existing rail and road infrastructure capacity that can accommodate the expected growth in containerised trade through the port.

In the near term, our strategy is to play a role that is similar to the Port of Napier in New Zealand (which handled 222,000 TEUs in 2023), using the mobile crane investments at the Mayfield 4 berth and the associated container yard.

Over the short to medium term, the Port of Newcastle will focus on a role similar to the Port of Tauranga in New Zealand (which handled 1.2 million TEUs in 2023), using the Mayfield 5 and 6 terminals and yard. Looking further ahead, there is the scope for further expansion into terminals and yard space at Dyke Point (subject to the timing of lease renewals).

The diagram below shows the port land available to grow containerised trade at the Port of Newcastle. Relevantly, the Port's abundance of industrial zoned land within the port precinct and adjacent to key freight corridors likely creates opportunities for targeted investments to improve freight efficiency.

FIGURE 1: LAND AVAILABLE TO GROW CONTAINERISED TRADE AT THE PORT OF NEWCASTLE



The next phase of investment at Mayfield 4 is conditional on removing the NSW government's presumption that the next container terminal will be at Port Kembla. This changes the landside infrastructure investment focus away from developments that support that site and provides a level playing field for the Port of Newcastle or indeed any other site, to develop containerised trade handling capacity confident that any efficient supporting investments would also follow.

Importantly, the Port of Newcastle welcomes future competition from Port Kembla (and Port Botany), as we believe this is in the interests of the freight sector in NSW.

In addition, multiple containerised trade entry points in NSW are consistent with building resilience in freight supply chains. The COVID-19 pandemic, the grounding of the Ever Given for six days in the Suez Canal in 2021, and the recent Baltimore Key bridge collapse, are all reminders of the importance of diversity and resilience in freight networks.

The Port of Newcastle believes that there are opportunities to operate multiple container handling operations in NSW. New Zealand (with a population of 5.1 million) has six ports that handle more than 100,000 TEU per annum – Auckland, Tauranga, Napier, Otago, Lyttelton and Wellington. The distributed ports approach in New Zealand allows containers to be shipped from closer to their end use / origin location, with diversified ports such as Napier playing key support roles for the direct export of containerised agricultural products (without adding to congestion in Auckland).

With further investment the total terminal capacity at Mayfield 4 is expected to be approximately 350,000 TEUs per annum. It would also provide greater capacity to handle multi-purpose cargo across an integrated precinct which includes the terminals at Dyke Point and Eastern / Western Basin.

This work can occur over the next two years, concurrently with planning and design work for the larger deepwater container terminal at Mayfield 5 and 6 berths.

Looking further ahead, there are opportunities to leverage significant rail capacity available in the broader Mayfield and Dyke Point precincts. This includes 18 contiguous rail tracks located behind the Dyke 2 to Dyke 5 terminals and a rail balloon loop (which is currently used for coal).

ACCELERATING INFRASTRUCTURE APPROVALS TO DELIVER SUPPLY CHAIN EFFICIENCIES

The Port of Newcastle believes that current transport infrastructure approval processes are impeding infrastructure decisions and delaying the efficiency benefits that can be delivered to freight operators.

In this section, we highlight that current transport infrastructure processes mean that there are long lead times and the importance of developing freight policies that facilitate accelerated planning approvals.

Current transport infrastructure processes require long lead times

Currently transport infrastructure planning is based on a presumption of the need for long lead times for infrastructure projects. This reflects the time required for:

- planning and environmental approval processes;
- government infrastructure priority and budgetary considerations;
- business case and project design requirements;
- construction procurement lead times; and
- construction timeframes.

It follows that the time period from the identification of the need for a particular transport infrastructure project and its use can routinely be between 10 and 20 years. For example, the NorthConnex project was originally proposed in 2001, with route options being considered in 2004 and funding being committed in 2007 for feasibility and planning studies. The project was delayed due in part to changing government priorities. The project was revived in 2012 as part of the NSW government's 20-year State Infrastructure Strategy, with the environmental impact study being completed by 2014. The project was originally expected to be completed by the end of 2019 but was delayed due to the COVID-19 pandemic. It was finally opened on 31 October 2020.

The NorthConnex tunnel, while addressing congestion concerns on Pennant Hills Road, has delivered important road freight connectivity between Newcastle and Western Sydney. The freight benefits were likely never properly considered as part of the timing and funding for the project. This highlights the importance of infrastructure planning with a specific focus on improving freight efficiency into the future.

Expanding containerised trade infrastructure in Newcastle will likely take 7 to 10 years under current arrangements

The NorthConnex project is not an isolated example of the challenges associated with planning approvals. While the Port's containerised trade infrastructure will not be the subject of government funding approval delays, the lack of certainty about complementary projects that can impact on the Port's investment, is a contributing factor to investment delays.

We currently estimate that the construction of the infrastructure to support 600,000 TEU of trade at the Port of Newcastle will likely take between 7 and 10 years once a decision is made to proceed with the associated investments. This is based on an assumption that:

- design and planning studies (some of which have already commenced or been completed, but will need updating) will likely take 1 to 2 years;
- planning and environmental impact assessment approvals will likely take a further 2 to 3 years; and
- the construction will take a further 4 to 5 years, to minimise disruption to port activities.

Any opportunity to concurrently conduct these activities or accelerate NSW government planning and environmental impact assessment processes, will assist with facilitating port competition in containerised trade and likely lower freight supply chain costs sooner.

Infrastructure planning approvals need to be accelerated to deliver investment efficiencies to freight operators

Accelerating infrastructure planning approvals is needed to deliver efficiencies in freight supply chains.

The Advisory Panel should consider policy reforms to deliver this outcome, including but not limited to:

- identifying priority projects, that could be subject to fast-track planning approval processes;
- increasing resourcing for state significant infrastructure planning approvals; and
- identifying corridors or locations where pre-approvals might be feasible, which could be linked to the proposed freight infrastructure planning processes discussed earlier.

There may be other opportunities to speed up approvals in circumstances where there is a clear, identified need, and where the project is expected to deliver cost efficiencies to the freight industry.

IMPROVING EFFICIENCY OF EXPORT FREIGHT CONTAINERS FROM REGIONAL NSW

The Port of Newcastle is uniquely connected by rail at Narrabri and Narromine via the Hunter Valley rail network. With containerised freight operations at the Port of Newcastle, there is an opportunity, through targeted investments, to improve the efficiency of export freight containers and bulk freight from regional NSW.

Opportunity for growing freight on rail from regional NSW to Newcastle

The value of major agricultural products exports produced in NSW in 2022-23 was over $7.6 billion.[2] The inland rail project provides an opportunity to create competition and choice for regional produces for the port of export, between Port Botany, Port of Newcastle and Port of Brisbane.

That said, exporting by regional producers via Port Botany requires the use of the existing rail and road routes through the Blue Mountains. The rail infrastructure between Parkes and Port Botany will require significant new investment to provide sufficient capacity to accommodate future growth.

In contrast, the rail connections between regional NSW and Newcastle have advantages in gradient, which allows for higher capacity wagons for a single train. It follows that there are opportunities to deliver lower cost freight via rail.

These opportunities are reflected in current and emerging intermodal terminals around Newcastle and the Hunter Valley, including:

- Crawford's intermodal / warehouse at Sandgate, Newcastle;
- Toll intermodal / warehouse at Carrington, Newcastle;
- Crawford's intermodal at Werris Creek, Tamworth;
- Qube's Tamworth Intermodal Freight Facility;
- Arrow Terminals at Narrabri;
- the proposed Narrabri Shire Council led Northern NSW Inland Port, Narrabri; and
- the proposed Moree Shire Council led Intermodal Distribution Hub, Moree.

Facilitating export containers from regional areas through the Port of Newcastle

Facilitating export containers from regional areas is a particular focus for the Port of Newcastle. We have previously analysed the opportunities for containerised exports in NSW. Below is an extract from our submission to the NSW Legislative Assembly Committee on Investment, Industry and Regional Development.[3]

> Figure 1 below shows the estimated containerised exports by statistical area level 3 (SA3) region in New South Wales during 2021. Parkes, Narromine, and Narrabri are all towns along the Inland Rail route. The Inland Rail project will pass through the area of regional NSW with the highest level of TEU export origins. The connection between Narromine and Narrabri is the longest stretch of new track in the project.
>
> In 2021, containerised exports originated principally from central regional NSW. The area surrounding the town of Narromine is predicted to have between 30,000 to 40,000 TEU exports – the highest of any SA3 in NSW.
>
> A further 20,000 to 30,000 TEU of exports is predicted to originate from the area including Parkes - the second highest number in regional NSW. The area including Narrabri will be the origin of only 1,000 to 10,000 TEU exports, however, the town is located strategically, north of Narromine.

[2] See https://www.dfat.gov.au/sites/default/files/nsw-cef.pdf.

[3] Port of Newcastle, *Supporting Supply Chain Innovation and Competition to Maximise Regional Opportunities from Inland Rail,* Submission to the NSW Legislative Committee on Investment, Industry and Regional Development.

For some of these regional locations, road is currently the only competitive mode of transport for freight to ports. Inland Rail has the potential to connect these regional commodity centres to the Port of Newcastle with competitive transportation, providing a gateway to global markets.

Potential freight cost savings for regional NSW exporters

We estimate that there are significant freight cost savings associated with facilitating containerised exports from regional NSW via the Port of Newcastle.

We estimate that for an export container from Narrabri haulage costs would be around 15 per cent cheaper via rail to Newcastle as compared to the next alternative being to Brisbane. The Port of Newcastle is 400km from Narrabri, 200km closer than the Port of Brisbane. This difference in distance translates to savings of around $50 per TEU.

Although haulage costs only make up around 15 to 20 per cent of total landside container costs, they are the best opportunity to increase competitiveness as port costs are likely to be similar across all three ports. That said, we expect that port competition and access to more automated handling technology and landside design to minimise landside movement and storage, can contribute to lowering handling costs across NSW over time.

Overall, we estimate that for an export container from Narrabri landside container costs would be around 1.5 per cent cheaper via rail to Newcastle compared to the same container travelling to Brisbane. Assuming similar cost savings can be achieved throughout the supply chain, this represents benefits to Northern and Central West NSW[4] of approximately $2.4 million each year.

LOWERING FREIGHT RAIL COSTS THROUGH TARGETED INFRASTRUCTURE INVESTMENTS

As a near term opportunity to improve freight efficiency from regional NSW, there are opportunities for targeted infrastructure investments, to leverage the planned Port of Newcastle investments. From a freight policy perspective, it would be appropriate for the NSW government to analyse these possible investments as part of future infrastructure planning processes, focusing on how best to deliver freight cost efficiencies.

The targeted investments include:

- prioritising intermodal projects in regional areas, such as the proposed Narrabri Shire Council led Northern NSW Inland Port at Narrabri and the Moree Special Activation Precinct;
- ensuring that the Inland Rail project provides connections between regional areas and the Port, including the sections from Narromine to Narrabri, and then onto Moree; and
- ensuring the Lower Hunter Freight Corridor between Fassifern and Hexham progresses, which would support the growing freight demand expected between Newcastle and Sydney, particularly Western Sydney, with the construction of a container terminal.

[4] Northern and Central West NSW is defined as the Far West and Orana, the New England and North West and the Central West SA4s.