

The Stable.

The Stable Group – Freight Policy Reform Submission

Dr. Kerry Schott AO

Leader, NSW Freight Policy Reform Program

Transport for NSW

Dear Dr. Schott,

The second international container gateway in NSW should be in Newcastle due to the efficiency and resilience to the Import/Export supply chain

EXECUTIVE SUMMARY

The Newcastle Container Terminal (“NCT”) in the Port of Newcastle (“PoN”) should be regarded by the New South Wales Government as the second international gateway into the state for importers and exporters which delivers a transformational change in efficiency and resilience to the Import/Export supply chains for freight in NSW and Australia.

The Freight Policy Reform Program should prioritise the Port of Newcastle as the second international gateway to New South Wales. The plans to expand Port Botany and develop Port Kembla should be shelved in favour of the Newcastle Container Terminal in Newcastle which is the lowest cost and most effective plan to meeting and exceeding the anticipated freight task due to the following facts:

1. Newcastle Port has available land ready to build a world-class container terminal, which is uncommon in many ports around the world. The value of the land should be realised now. Plans for Port Botany expansion and Port Kembla development should not take priority over the development of Newcastle Container Terminal which has capacity for a minimum 3 million TEU’s in phase 1.
2. A Newcastle Container Terminal provides a credible destination for Shipping Lines/Beneficial Freight Owners (BFO’s)/Importers to direct containerised freight to end destination in the Sydney Region, the Hunter Region and Regional New South Wales due to the effective movement of freight through the lower Hunter supply chain network.
3. A Newcastle Container Terminal provides a significant advantage to Exporters to direct containerised freight to the Port of Newcastle (PoN) as a competitive choice based on comparative service levels with the existing supply chain performance to Port Botany.
4. Logistics infrastructure is readily available in the Newcastle Region to continue to facilitate large logistics precincts when compared to metropolitan Sydney.

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WHY PRIORITISE A SECOND INTERNATIONAL GATEWAY IN NEWCASTLE?

- 1. Newcastle Port has available land ready to build a world-class container terminal, which is uncommon in many ports around the world. The value of the land should be realised now. Plans for Port Botany expansion and Port Kembla development should be extinguished.**

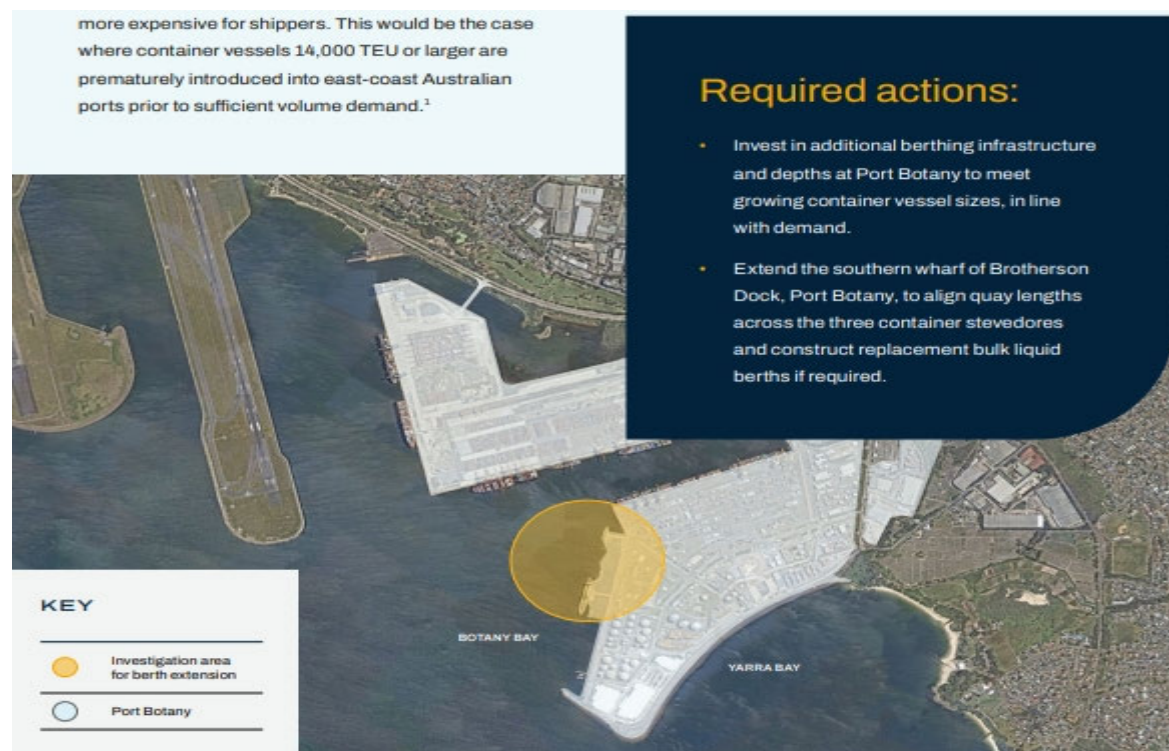
- 1.1 Over 100 Hectares of available land is available to build a Container Terminal which is more than sufficient to construct a world class facility.
- 1.2 Access by rail is already available.
- 1.3 Road access is undertaken in areas zoned industrial by the Port.
- 1.4 Sufficient land is available to build "On Dock" rail terminal.
- 1.5 The berth is deep water for large and ultra large vessels.
- 1.6 PoN are currently loading and unloading containers from ships.
- 1.7 Port Botany berth expansion is not required.
- 1.8 Port Kembla has insufficient land by comparison to Newcastle and container terminal plans are not comparable to what can be developed in Newcastle.



Port Kembla does not have comparable land and berths when compared to Newcastle.



Port Botany will be required to reclaim land from Botany Bay unlike Newcastle.



2. A Newcastle Container Terminal (“NCT”) provides a credible destination for Shipping Lines/Beneficial Freight Owners (BFO’s)/Importers to direct containerised freight to end destination in the Sydney Region, the Hunter Region and Regional New South Wales due to the effective movement of freight through the Hunter supply chain network.

- 2.1 NCT is well positioned to service the largest container vessels entering Australia with a mix of imports and exports that can be delivered to BFO’s all over the state of New south Wales on competitive commercial terms with those containers that are loaded and unloaded at Port Botany.
- 2.2 NCT can provide a more favorable mix of cargo for Shipping Lines split between full imports and full exports when compared to Port Botany due to the size of exports that are being generated by western NSW.
- 2.3 The transfer of import containers from PoN to regional NSW and the Hunter Region is faster and will be at lower costs to those that are discharged from vessels in Port Botany.
- 2.4 The transfer of import containers from PoN to the Sydney Basin is costly, however, when all supply chain costs are taken into account - for example port vessel costs - imports discharged from PoN are competitive with imports discharged with Port Botany when assumptions on charges relating to terminal access charges and VBS are taken into account – see table below.
- 2.5 Rail Companies operate freight trains which rail both export and import containers between Newcastle and Sydney and return to Newcastle daily.
- 2.6 More than sufficient rail paths exist to increase the movement of containers on trains between Newcastle and Sydney on a daily basis.
- 2.7 Rail connectivity is currently available between Newcastle and Enfield Intermodal Terminal and could be expanded to Newcastle and Chullora which allows multiple freight trains to enter the train network with minimal impact on passengers, particularly during peak hour passenger movements.
- 2.8 Rail connectivity to Moorebank, Yennora and St Mary’s Intermodal Terminals is also available from Newcastle.
- 2.9 Currently, Two to Three containerised freight trains depart from Newcastle to Port Botany with exports and full Imports on the return leg. Demand for these services are increasing.
- 2.10 Empty Containers return to Newcastle daily by rail services following export forward legs to Port Botany.

- 2.11 The cost to a Beneficial Freight Owner (“BFO”) where the import container is delivered through NCT to western Sydney compared to being delivered from Port Botany to western Sydney is competitive. For example: Cost of delivery of 40ft Import Container from Port Botany to Erskine Park and Newcastle to Erskine Park

	Port Botany to Erskine Park Road movement for entire journey	Newcastle to Erskine Park*	*Rail movement from Newcastle to Enfield and then road from Enfield to Erskine Park
Transport (Road)	\$700	\$600	The \$600 is the road movement cost from Enfield to Erskine Park
Transport (Rail)	\$0	\$650 (\$800 currently to Port Botany from Newcastle because container is unloaded at Enfield the price is reduced)	Cost of rail from Newcastle to Enfield
VBS fee (+10%)	\$55	\$0	A VBS system would not be required immediately at NCT
Tolls (+10%)	\$88	\$66	
Terminal Access Charges (+10%)	\$200	\$0	Competitive discretion of PoN to attract business
Fuel levy (25% of transport)	\$175	\$150	
Total	\$1218	\$1466	(\$248)

For example: Cost of delivery of 20ft Import Container from Port Botany to Erskine Park and Newcastle to Erskine Park

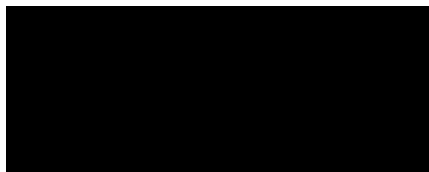
	Port Botany to Erskine Park Road movement for entire journey	Newcastle to Erskine Park*	*Rail movement from Newcastle to Enfield and then road from Enfield to Erskine Park
Transport (Road)	\$700	\$600	The \$600 is the road movement cost from Enfield to Erskine Park
Transport (Rail)	\$0	\$350 (\$400 currently to Port Botany from Newcastle because container is unloaded at Enfield the price is reduced)	Cost of rail from Newcastle to Enfield
VBS fee (+10%)	\$55	\$0	A VBS system would not be required immediately at NCT
Tolls (+10%)	\$88	\$66	
Terminal Access Charges (+10%)	\$200	\$0	Competitive discretion of PoN to attract business
Fuel levy (20% of transport)	\$175	\$150	
Total	\$1218	\$1166	\$52

2.12 A second import gateway from Newcastle reduces congestion in the Port Botany precinct, Sydney basin and eases existing pressures on the rail network.

2.13 A second import gateway from Newcastle eases pressure on government expenditure connected to the Port Botany precinct and freight rail network.

- 2.14 A second import gateway from Newcastle services Northern Sydney and Central Coast growing populations with direct delivery of imports to BFO's more effectively.
 - 2.15 A second import gateway from Newcastle can be used by shipping lines to discharge import containers bound for Acacia Ridge Industrial zone in Brisbane. This would reduce the costs of a shipping lines calling both Brisbane and Newcastle. This can be done by either a direct rail service from NCT or the import containers could be transferred to Intermodal trains run by multiple rail operators between Melbourne/Sydney/Newcastle/Brisbane. Loading import containers unloaded in Newcastle to capacity on Intermodal trains could be done at low prices making the initiative competitive due to the fact that limited rail is available between Fishermen Islands (Brisbane Container Terminal) and Acacia Ridge.
 - 2.16 Empty Container services can be replicated in the Hunter Region which are comparable to Sydney based services.
 - 2.17 All processes from NCT are biased towards rail which reduces the emission footprint of the existing supply chains which are dominated by road.
- 3. A Newcastle Container Terminal provides a significant advantage to Exporters to direct containerised freight to the Port of Newcastle (PoN) as a competitive choice based on comparative service levels with the existing supply chain performance to Port Botany.**
- 3.1 Transit times for rail movements of containerised freight between regional NSW and Newcastle Port are significantly better compared to Port Botany which reduces costs to exporters and allows speed of produce to market.
 - 3.2 The Hunter Valley Coal Chain network already provides significant Tonne Axle Loads ("TAL") to move heavy export trains from regional NSW.
 - 3.3 Rail corridors to Newcastle Port from regional NSW have significantly less rail conflicts with passenger trains and passenger networks.
 - 3.4 The network to Port Botany has a single point of failure for rail, whereas a second international gateway provides more resilience and more reliability for exporters.

- 3.5 The Hunter Valley Rail network is mature and will experience more capacity with coal volumes declining over time.
 - 3.6 Faster run times to PoN when compared to Port Botany have significantly less emissions and therefore more environmentally favorable.
 - 3.7 The benefits of Inland Rail will not be realised by New South Wales unless exporters have effective pathways to the coastal ports of Newcastle and Port Botany. The construction inconvenience of Inland rail on citizens of regional NSW will benefit Queensland and Victorian Ports if supply chains to the coast of NSW remain uncompetitive. Lowest cost to port will be the overriding consideration for regional exporters and freight trains with exports to the interstate ports will be incentivised to return imports to regional NSW from those interstate ports at a significant disadvantage to New South Wales.
4. The Newcastle region is well placed to provide infrastructure to facilitate multiple logistics precincts which are scalable and faster to market.
- 4.1 The departure of BHP from Newcastle has resulted in vast areas of land available for development of warehousing and distribution centers.
 - 4.2 With the forecast reduction in coal volumes through the Port of Newcastle over time, more capacity will become available for freight and Intermodal Terminals along the rail network.
 - 4.3 With the declining volumes of production of coal over the coming decades, available labour supply for logistics is not in short supply in the Hunter region.



Donald Murray CSC

Director

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