

**House of Representatives
Standing Committee on Transport & Regional Services**

*Inquiry into the Integration of Regional Rail
and Road Networks and Their Interface with
Ports*

**SOUTHERN HIGHLANDS
INTERMODAL AND
LOGISTICS HUB**

**SUBMISSION BY
WINGECARRIBEE SHIRE COUNCIL**

June 2006

DISCUSSION PAPER SUBMISSION

ON



THE SOUTHERN HIGHLANDS INTERMODAL AND LOGISTICS HUB

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EXECUTIVE SUMMARY

The Wingecarribee Shire Council is making this submission to gain recognition of the Southern Highlands Intermodal as part of the national Auslink network and to gain support from the committee in its future development.

The Southern Highlands Intermodal is uniquely placed, both strategically and geographically, to support future Sydney expansion and the current extensive developments of the Port Kembla port. Both parties have entered into formal strategic cooperation for this purpose.

There are numerous strategic advantages as well as regional, state and national advantages that support the development of a intermodal and logistics hub in the Southern Highlands. These advantages are now being recognized by industry and transport and logistics related companies. The closure of the three Sydney ports and the relocation of that trade to Port Kembla is providing immediate demand from the vehicle import industry. The Southern Highlands Intermodal is the only location that offers a 'whole of industry' solution.

The growth in international trade over the next 10-15 years is likely to cause a shortfall in intermodal capacity in Sydney that can be alleviated through the ongoing development of the Southern Highlands Intermodal. Logistic efficiencies will also be achieved through its capacity to handle 1500 to 1800 metre trains, significantly longer than anything that Sydney is likely to be able to offer. Freight to/from Port Kembla can be achieved without any interruption to the load on the main Southern rail line.

As to location relative to road and rail links the Southern Highlands is uniquely positioned with the Hume Highway adjacent on the west side of the intermodal zone, the main national north south rail line on the east side as well as a direct rail line to Port Kembla, plus a grade 1 freight rail spur line bisecting the zone. The new M7 now provides direct access to the industrial heart of Sydney. ALL the major infrastructure is already in place and mostly under utilised.

All the above and many more issues discussed in this paper show a clear and distinct competitive advantage for the Southern Highlands over most other regional locations.

PURPOSE OF SUBMISSION

The purpose of this submission is to:

1. Acquaint the committee on the current and future potential of the Southern Highlands as a strategically important intermodal and logistics hub location.
2. To gain recognition for the Southern Highlands intermodal as an important link in the National Freight Strategy.
3. To gain the committee's support in championing the Wingecarribee Shire Council's intermodal initiatives.
4. To gain support for future funding of infrastructure under the Auslink programme.

Auslink National Network



ACKNOWLEDGEMENT

The research for this discussion paper has included:

- An extensive review of existing reports, company websites, and other publicly available material of relevance to the economic development of Wingecarribee Shire Council (WSC) and the Australian intermodal sector.
- Consultation with relevant state government organisations, sea freight councils, peak industry bodies, and business organisations.
- A limited number of individual industry participants were also consulted with respect to specific relevant issues.

In preparing this report, significant and extensive extracts have been made from industry reports. Particular acknowledgement must be given to the Federal Government Department of Transport and Regional Services (DOTARS) study carried out by Meyrick and Associates titled “*National Intermodal Terminal Study*”, 2006; the Sea Freight Council of NSW “*Regional Intermodal Terminals – Indicators for Sustainability*”, 2004 and the “*NSW Import Export Container Mapping Study*”, also 2004; *Illawarra and South Coast Freight Study*, 2005, by the NSW Department of Planning; and the *Feasibility Study for Wingecarribee Enterprise Zone* by Hills PDA; plus other websites and other reports.

WHY THE SOUTHERN HIGHLANDS INTERMODAL?

The primary characteristics which make an intermodal work are its location relative to a traffic base and its location relative to road and rail links. If these criteria are not met, then whatever other characteristics the terminal has will be largely irrelevant.

For import/export terminals, the traffic base is most obviously a port. Port Kembla is directly accessible via rail (grade 1 – heavy freight) and by road on the Hume Highway via Wilton. A key element to the Southern Highland’s future success is related to support from the port stakeholders themselves. ***The Port Kembla Port Corporation (PKPC) at their June 2006 board meeting agreed to pursuing strategic cooperation with the Wingecarribee Shire Council (WSC) to promote the Southern Highlands intermodal concept. A formal Memorandum of Understanding (MOU) is scheduled to be signed by the Chairman of PKPC and the Mayor of WSC on July 20 2006.***

Prior to discussions with WSC, PKPC intended commissioning a study to establish an inland intermodal to support their operations as they have constraints on industrial land availability. An inland intermodal is key to PKPC’s future success. The Southern Highlands Intermodal represents the most strategic and best geographical position within the Illawarra for such an operation.

As to location relative to road and rail links the Southern Highlands is uniquely positioned with the Hume Highway adjacent on the west side of the intermodal zone, the main national north south rail line on the east side as well as a direct rail line to Port Kembla, plus a grade 1 freight rail spur line bisecting the zone. The new M7 now provides direct access to the industrial heart of Sydney. ***This is a distinct competitive advantage for the Southern Highlands over most other regional locations. ALL the major infrastructure is already in place and mostly under utilised.***

To date in 2006, a number of major international logistics companies and industrial development companies are in the process of evaluating the Southern Highlands intermodal zone as a potential location to establish their operations. There is some anecdotal evidence to suggest that the Southern Highlands has already been recommended as the preferred location for some of these companies. Negotiations between three of these companies and land holders have already led to ‘exchange of contracts’. These opportunities are far from being a ‘done deal’ – there are a number of

issues still to be overcome. *What this does indicate is that industry and logistics companies themselves see the strategic advantages of the Southern Highlands intermodal in relation to Port Kembla, Port Botany and Sydney.*

Strategic Advantages of the Southern Highlands

- Proximity to Sydney, Canberra, Illawarra and South Coast NSW - over 25% of Australia's total population within 2 hour drive
- Straddles main north south national rail line
- Direct rail line (GRADE 1) link to Port Kembla port – 1.5 km trains
- Port Kembla rail trade will not impact on current main southern line – freight from Port Kembla to the intermodal only requires intermittent use of one kilometre of the main line
- Moss Vale the only east/west rail link from the Illawarra on a freight dedicated line – no priority to passenger rail
- There are no road and rail restrictions as with connections to Sydney intermodals
- Rail spur line (GRADE 1) bisecting industrial corridor already exists
- Next to Hume Highway - Sydney/Canberra/Melbourne road freight corridor.
- M7 benefits – quick direct access to Sydney's industrial heartland
- Zone can also service Port Botany via rail and road (M5)
- Three Sydney ports closing and trade moving to Port Kembla
- Can provide a 'whole of industry' solution to the NSW vehicle import industry.
- Port Kembla unsuitable for long term vehicle storage
- Strategic cooperation with PKPC.
- Relatively low cost large industrial sites available.
- Education facilities to support logistics industries through the University of Wollongong (the Business School specialises in logistics studies) and the establishment of an Australian Technical College campus in Moss Vale.
- Intermodal grant submissions for linking infrastructure development have been made with DOTARS under the Auslink programme

Regional Advantages

- Provides alternative distribution channels for Illawarra industry other than having to go through Sydney.
- Provides a 100% Illawarra solution to the vehicle import industry and fosters regional employment.
- Provides capacity to accommodate 'land hungry' industries in the Illawarra such as vehicle logistics.
- Preserves Metropolitan Wollongong industrial land for higher density employment industries.
- Fulfills PKPC need for an inland intermodal hub.
- Enhances PKPC ability to develop, expand and diversify.

- Promotes regional response to future Illawarra employment and industry growth.
- Leveraging off the geographical strategic position of the Southern Highlands to develop future export industries.

State Advantages

- Counters potential loss of vehicle cargo to Brisbane or Melbourne.
- Supports NSW ports strategy.
- Assists NSW achieve rail mode share targets from 27% to 40 %
- Reduces congestion on Sydney infrastructure - relocating vehicle import logistics will take up to 50,000 truck movements yearly off Sydney roads.
- Allows relocation of large Sydney industries that are under residential pressure to relocate to an alternative competitive location while at the same time can significantly reducing capital set up costs.
- Contributes to regional development and employment growth.
- The Southern Highlands intermodal would provide an ideal terminus for B-triple trucks and road trains between capital cities, i.e. Sydney and Melbourne/Adelaide/Perth.

National Advantages

- Greater utilization of existing freight infrastructure, i.e. Hume Highway, main Southern rail line and the Moss Vale to Port Kembla rail line. There is **NO** investment required in new major infrastructure like with Sydney intermodals or the proposed new Maldon–Dombarton rail link proposal.
- Contributes to the competitiveness of other industries like Grain export by reducing the level of overhead they are required to shoulder for rail infrastructure particularly the Illawarra line. Overall greater use of the rail infrastructure reduces costs for all users.
- Increasing Australian exports – in its MOU with PKPC the WSC has agreed to give primacy to the establishment of export industries to support the intermodal activities.
- Contributes to the competitiveness of Australian exports through improved efficiency in freight logistics.
- Contributes to improved rail mode share targets.
- Supports the national freight strategy of developing spur lines from the main rail lines to access regional ports and communities.

BACKGROUND

Wingecarribee Shire Council (WSC)

The potential need for a significant Industrial Enterprise Zone was first identified by the Council as far back as 1989. The area between Moss Vale and Blue Circle was acknowledged as suitable for future industrial development and consequently included in the 1989 Local Environment Plan as a cross hatched area of 630 hectares. This area has now been rezoned industrial 4a under the Council's new Local Environment Plan.

Wingecarribee Shire is experiencing increasing growth as outlined in Council's recently adopted Strategic Town Plan (Growth Strategy). Council recognises that it needs to respond by providing employment opportunities for current and future residents. To this extent, this was the original purpose of the Enterprise Zone that has the potential to provide an employment zone for the whole region. The Council's growth strategy directly recognises the importance of transport and logistics hubs.

The outstanding (and continuing) economic growth of Australia and the world in general is providing some unprecedented opportunities to bring to commercial reality many of the above production industries within the Shire. For the first time in history, **every country** in the world is in an economic growth phase – normally there are a significant percentage stagnant or in recession. As a result, investor confidence is high and companies are looking to expand especially in international trade. Additional to this, the restructuring of Sydney's international trade infrastructure with the closing of three Sydney ports and the relocation of that trade to Port Kembla, and the new Sydney M7 tollway that opens up the industrial heart of Sydney to the Southern Highlands is bringing increasing inquiries in regard to industrial land.

The area of greatest potential is in the logistics industry and the establishment of the 'intermodal and logistics hub' at Moss Vale.

In 2005 WSC commissioned a study on the feasibility of the Enterprise Zone by Hills PDA. This study has been completed and fully supports the establishment of the intermodal and logistics hub at Moss Vale.

Port Kembla Port Corporation (PKPC)

The NSW Government has determined that three Sydney Ports – Darling Harbour, White Bay and Glebe Island - are to close and the international trade move to Port Kembla. Glebe Island will be the last to close in early 2008 and handles nearly all the vehicle imports into NSW. For the past couple of months the WSC has been in discussion with the PKPC to identify areas where the WSC could benefit from leveraging off the extensive development and upgrade of the port.



Port Kembla Inner Harbour Development

Current Economic Benefit to the Illawarra

- Economic value of Port throughput is approx \$3 billion
- Creates > 3900 direct and indirect jobs
- Significant contributor to the regional economy
- Multiplier 2.7 times

Current Port Developments

- 130 metre extension to MPB – completed 2005
- Total Project cost \$140 million
- \$30 million private land side development behind the berth April 2006 – Dec 2006
- Construction of MPB 3 currently in progress – cost \$40 million – expected completion mid 2007
- Planning for new berth EB 4 – cost \$30 million expected completion – mid 2008
- Further land side development – cost \$30 million expected completion mid 2008
- Road Relocation
- Relocation of rail line to perimeter of the development
- Capital dredging for new berths
- Commencement of planning for future Outer Harbour reclamation

Future Trade Potential

- Break bulk & dry bulk – growth opportunity
- Containers – study to assess capability
- Motor Vehicles – mid 2008
- Opportunity to establish fibre/steel cluster precinct – proposal received
- Bulk liquids – pre-feasibility assessment

Additional Economic Benefit from Port Development

- Additional jobs approx direct/indirect 1000
- Additional Traffic Mt Ousley 0.6% - 0.8%
- Increase in Ship Visits by approx 250 pa
- Project Benefit > \$370 million

OVERVIEW OF THE INTERMODAL INDUSTRY

The concept of an intermodal (inland port) is not new, there are literally hundreds in the USA, South America, Europe and Asia, even New Zealand have three. The largest under construction is in Dubai and covers over 25 square Kilometres. The concept is however new to Australia but growing rapidly, and provides opportunity for the Southern Highlands.

Freight transport provides the link between production and consumption, generating wealth for the community. The Illawarra Freight Study suggests the impetus for developing an Illawarra (Southern Highlands) regional freight plan should be the exclusion of the region, in the main, from the Federal Government's Auslink National Network. One of the purposes of this submission is to ensure that the Southern Highlands is 'on the radar' of these organizations so that we are considered in future as part of the freight network. The study also highlighted that the Illawarra is burdened by the isolation created by its topography – ***the Southern Highlands intermodal proposal offers solutions in this area as indicated by the current interest of the Port Kembla Port Corporation (PKPC) and logistics companies.***

The high growth scenario of the *Illawarra Freight Study* for the Moss Vale line confirms the views of RailCorp and the ARTC that incremental future growth can be accommodated on the existing network without recourse to major new capital investment. The current rail freight load inland from Port Kembla is virtually zero.

As the movement of freight by a variety of modes becomes a dominant model, and pressure mounts to ensure that the integration of these modes is efficient and effective, the role of intermodal terminals in the national distribution system becomes more prominent. In addition, in response to increasing community concern at the impact of increasing truck numbers on road congestion, residential amenity, and the environment, state governments have responded by establishing targets for the greater use of rail in freight transport. For NSW the target is to increase rail share from the current 27% to 40%. An increase in the rail share of the freight task will require a greater role for intermodal terminals. ***The bulk of freight between the port and the Southern Highlands***

Intermodal is proposed for rail freight and therefore will contribute to NSW achieving the target.

This provides impetus for the Southern Highlands intermodal to be recognised as nationally significant. An intermodal terminal of national significance is defined as ‘a facility at which in excess of 10,000 TEU per year (or the equivalent of general cargo) is transferred between road and rail, or between rail and a seaport terminal. ***The Southern Highland intermodal shall far exceed this number. The car industry alone will be importing 250,000 vehicles per year through Port Kembla from 2008 onwards.***

The Australian intermodal sector consists of two distinct subsystems:

- A subsystem that primarily serves international imports and exports (the port-oriented system).
- A subsystem that is concerned primarily with the inter-state movement of non-bulk cargoes (the national system)

These systems are not entirely distinct. A number of terminals – Yennora in Sydney is an example – play an important role within both systems. But to a significant extent (and increasingly) the two systems operate independently of each other. ***The port oriented system is where the Southern Highlands has a strategic advantage over other regional areas.***

SOUTHERN HIGHLANDS INTERMODAL– DEMAND FORECASTS

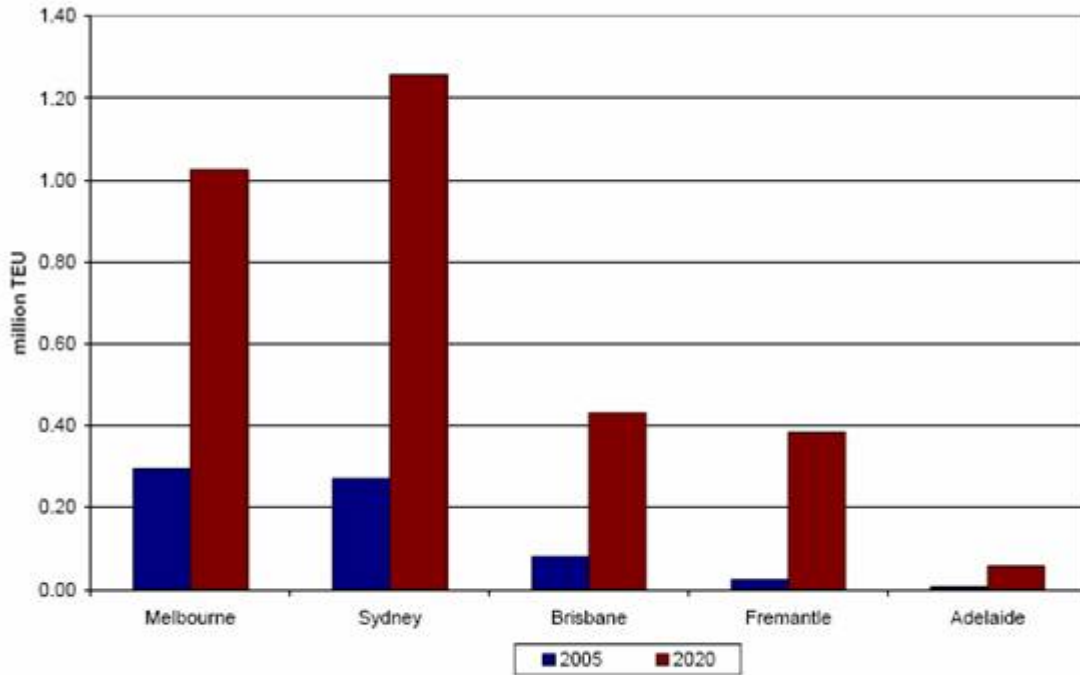
The underlying demand for the Southern highlands intermodal will be driven by developments in three trade elements:

- The level of container trade passing through Port Botany and Port Kembla international container ports.
- The increase in non-bulk freight demand along the main interstate Sydney Melbourne and Moss Vale/Port Kembla freight paths.
- The level of the vehicle imports directed to the Southern Highlands.

The level of future port-related intermodal traffic will depend not only on the scale of import/export container volumes, but also on the share of rail in the transport of these containers. A number of state governments have set rail mode share targets for port related cargo movements – as stated earlier for NSW the target is 40%.

This dramatic growth shown in the graph below is being driven by globalization and world economic growth which is forecast to remain constant over the next 20 years. Container growth is forecast to be 6.71% annually over the next five years. ***The Southern Highlands is well positioned to support this growth.***

INTERMODAL TOTAL DEMAND FOR IMPORT/EXPORT 2005-2020



Source: Meyrick and Associates

In estimating future intermodal terminal demand, the DOTARS study has assumed that rail volumes will increase in accordance with ‘reform’ forecasts of the Australasian Railway Association (ARA) until 2014, and will grow in line with the total market growth from then through to 2020. Similarly, it is assumed that state targets, such as the NSW target of 40 percent of port containers on rail, for port- related containers, will be met. According to the Sea Freight Council of NSW study, rail transport accounted for only 25-27% of the overall movement of containers in 2004 so there is a considerable way to go to achieve the NSW target.

CONTAINER INTERMODAL CAPACITY AT 2020 (TEU MILLION)					
	Inter-state	Import/Export	Intra-state	Bass Strait	Total
Melbourne	3.38	1.54	0.40	0.20	5.52
Sydney	2.95	2.01	0.40		5.36
Brisbane	2.78	0.78	0.50		4.06
Adelaide	0.97	0.61	0.20		1.78
Perth	0.55	0.09	0.03		0.68

Source: Study estimates

Source: Meyrick Study estimates

The above table indicates that there will be a significant shortfall in terminal capacity in Melbourne, Sydney and Brisbane by 2020. *The Southern Highlands Intermodal can assist to eliminate the future shortfall for Sydney.*

EMPLOYMENT GENERATION

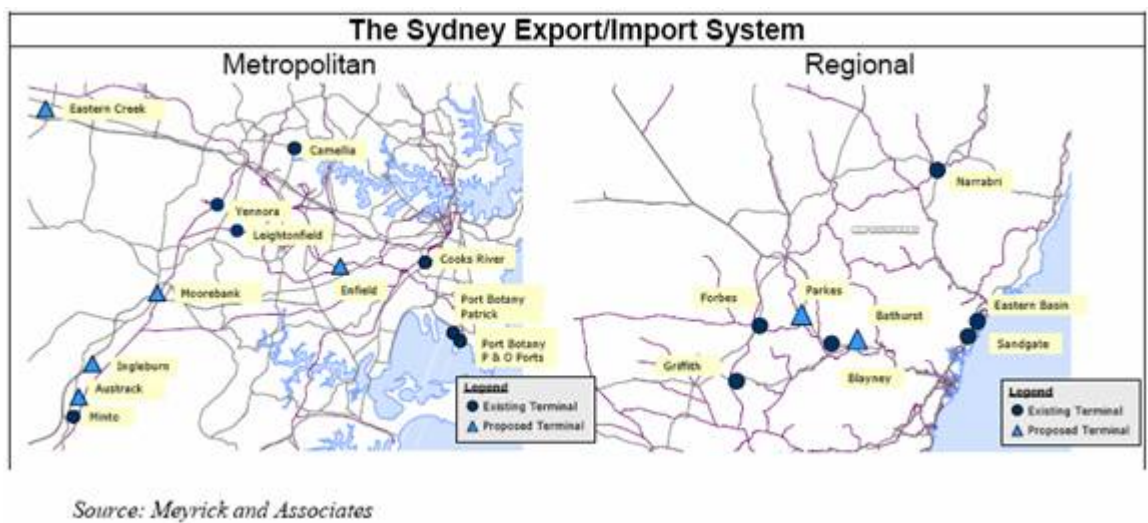
The establishment of an inland port/intermodal within the Southern Highlands has the potential to develop significant employment opportunities associated with its operation. However the greatest employment generator will come from ancillary activities and support businesses such as:

- Import/export facilitation
- Warehousing and storage
- Road to road cross docking
- Container storage
- Preparation of containers for food transportation
- Road, rail and equipment repairs
- Cool chain management of sea freight exports
- Industry park/cluster development.

Major Australian development companies and international logistics companies are currently evaluating the Southern Highlands as a viable location and are seeking large tracts of land –

Further significant benefit will be that this industry will be the catalyst to develop a viable and extensive manufacturing export cluster. *Already one heavy engineering manufacturer has indicated that they will consider establishing their national warehouse here rather than the Hunter Valley if the intermodal goes ahead.*

OVERVIEW OF THE SYDNEY SYSTEM



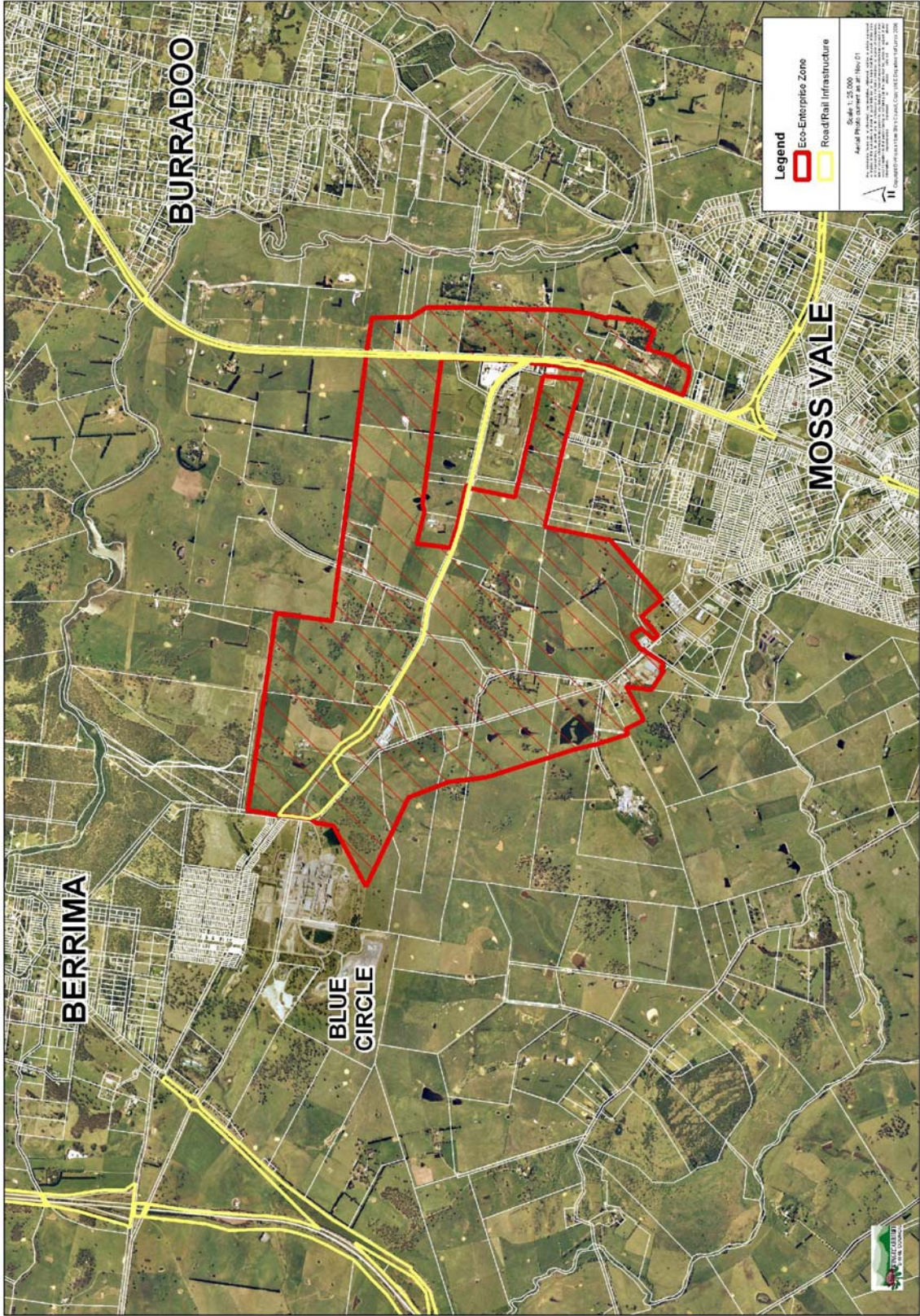
The Sydney import export subsystem is characterized by relatively small trains – often 600m or less – and short haul distances (sometimes as little as 20-30 km). While many of the terminals in Sydney are located either within or very close to ports, the preference particularly for export oriented terminals, are located at some distance inland. Transport efficiency generally involves the operation of significantly larger trains – the norm is 1200m; the aspiration is for 1800m – running over much longer distances. ***This is another competitive advantage for the Southern Highlands that has the capacity to handle 1800m trains. According to Pacific National the Port Kembla to Moss Vale line can handle 1500m trains.***

Sydney has the most extensive network of urban intermodal terminals, however, pressures on land availability for the urban terminal network are extreme. At the same time road capacity problems in Sydney are severe, and the roads in the vicinity of Port Botany very congested. As a result the NSW government has set an exceptionally aggressive target for future rail mode share. These two factors, taken together, suggest that future demand may overload the Sydney-centred system, even with new developments. This has been a significant consideration in the closure of the three Sydney ports (White Bay, Darling Harbour, and Glebe Island) and the relocation of that trade to Port Kembla. The Australian government will also invest \$110 million to improve rail access between Port Botany, the intermodal facilities at Chullora/Enfield and the interstate connections to these freight facilities. The Australian Rail Track Corporation has undertaken to invest almost \$432 million on the mainline rail track between Sydney and Melbourne over the next five years.

These developments are highly significant for the management of increasing trade and for promoting the movement of freight by rail. The initiatives will enable Sydney Ports to further facilitate freight movement. They will also help to link Sydney's key south-western industrial areas to Port Botany. ***However, these developments will also inadvertently improve the rail access between the Southern Highlands and with Port Botany – an additional competitive advantage for us over just accessing Port Kembla.*** Major hubs will remain in Sydney itself but it is recognised that strategically located regional terminals will also play an increasingly important role.

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EEZ between Moss Vale and Blue Circle

Industry Clusters

