

**Parliament of Australia – Joint Standing Committee on
Foreign Affairs, Defence and Trade**

*Inquiry into Australia's trade and investment
relations with Asia, the Pacific and Latin
America*

**SUBMISSION BY
WINGECARRIBEE SHIRE COUNCIL**

**SOUTHERN HIGHLANDS INTERMODAL AND
LOGISTICS HUB**

Carl Pemberton - September 2008

PURPOSE OF SUBMISSION

The purpose of this submission is to:

1. Acquaint the Joint Standing Committee on the current and future barriers to expanding export trade through NSW and Sydney specifically.
2. Acquaint the Joint Standing Committee on the current and future potential of the Southern Highlands as nationally significant and strategically important to Australia's future export trade through Port Kembla.
3. To gain recognition for the Southern Highlands intermodal as an important link in the National Freight Strategy and contributor to national productivity and economic efficiency.
4. To gain the Joint Standing Committee's support in championing the Wingecarribee Shire Council's initiatives.

This submission does not attempt to address all of the terms of reference of the enquiry but rather to focus on *'the role of the Government in identifying opportunities and assisting Australian companies, especially those in rural and regional areas to maximize opportunities in these regions'*.

ACKNOWLEDGEMENT

In preparing this submission, reference has been made from public 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; the Sydney-Wollongong Corridor Strategy, Sydney Urban Corridor Strategy, and the Sydney-Melbourne Corridor Strategy by AusLink, Port Kembla Port Corporation (PKPC), the University of Wollongong, and studies initiated or carried out by WSC.

EXECUTIVE SUMMARY

The growth in international trade over the next 10-15 years is forecast to cause a significant shortfall in intermodal capacity in Sydney that will overload infrastructure in the short and medium term and by consequence restrict the ability of industry to pursue export opportunities. The 'choke' point will be our ability or inability to move forecast volumes through our ports. Redirecting much of the projected growth trade to Port Kembla and the establishment of the Southern Highlands intermodal and logistics hub will help significantly to alleviate this problem. The closure of the three Sydney ports and the relocation of that trade to Port Kembla is just a first step to address the problems in Sydney from import/export growth activities. The NSW Government announced in August a further \$600 million upgrade to develop Port Kembla's outer harbour complex that will have the capacity to handle 3.1 million containers per annum.

The Southern Highlands Intermodal and logistics hub is uniquely placed, both strategically and geographically, to support future Sydney expansion and the current extensive developments of the Port Kembla port. The need to move more freight by rail is driven by many factors and state governments around Australia have set aggressive targets. For NSW it is 40% rail share by 2011 from the current 27%. Transferring container trade to Port Kembla and utilizing the Southern Highlands as a key intermodal and logistics hub (as well as establishing manufacturing export clusters) will help in achieving this target. The dominant mode of transport will be rail utilizing the Moss Vale to Port Kembla line that has considerable spare capacity. **ALL the major infrastructure is already in place and mostly under utilised.** Both Wingecarribee Shire Council (WSC) and Port Kembla Port Corporation (PKPC) 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 an intermodal and logistics hub in the Southern Highlands. These advantages are now being recognized by industry and transport and logistics related companies. The Southern Highlands Intermodal is complimentary both to the future growth of Sydney and Port Kembla.

All the above and many more issues discussed in this paper show a clear and distinct argument for the Southern Highlands to be considered as nationally significant for the future of NSW export trade and the growth of associated manufacturing industries.

OVERVIEW OF THE INTERMODAL INDUSTRY

Freight transport provides the link between production and consumption, generating wealth for the community. 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 to 40 % by 2011. An increase in the rail share of the freight task will require a greater role for intermodal terminals.

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.

OVERVIEW OF THE SYDNEY SYSTEM

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. These two factors, taken together plus the projected growth in container trade, suggest that future demand will overload the Sydney-centred system, even with new proposed development at Enfield. Such developments will not meet the medium and long term needs of NSW import/export trade. Major hubs will remain in Sydney itself but it is recognised that strategically located regional terminals will also play an increasingly important role if not a mandatory role.

In 2004, the combined annual capacity of Sydney's six main metropolitan terminals – Chullora, Cooks River, Yennora, Camellia, Leightonfield and Minto – was only 500,000 TEUs. Given estimates that Sydney will require an aggregate intermodal terminal capacity of at least 1.2 million TEUs annually by 2020, the existing intermodal network will soon face significant capacity constraints. The Sydney Urban Corridor Strategy acknowledges this deficiency, "*the current intermodal terminal configuration within Sydney for both interstate domestic and port-rail IMEX containers has inadequate capacity to efficiently handle forecast growth and NSW Government targets for increased rail mode share in containers to and from Port Botany*".

Ernst and Young in their submission to another enquiry were sceptical about the capacity of existing terminals to make a significant contribution to meeting the NSW Government's rail target. They claimed that all the existing terminals, with the exception of Minto, are "...constrained sites with limited capacity for growth" (Parliament of Australia Standing Committee on Transport and Regional Services enquiry – The Great Freight Task 2007).

Existing Intermodal Facilities, Sydney

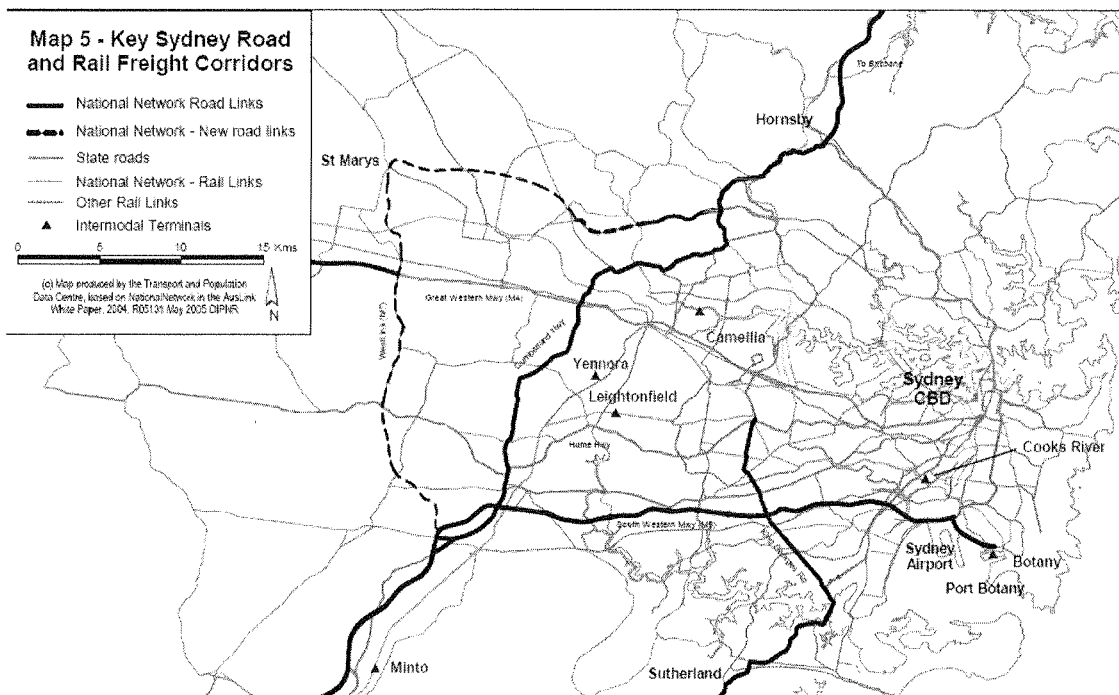


Figure 3 - Source: New South Wales Government,

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 1500m trains thus improving rail freight efficiency and competitiveness.***

As can be seen from figure 2 below, growth of NSW's container freight is forecast to grow exponentially with Port Botany unable to handle the total container freight demand from 2016 onwards. The dramatic growth is being driven by 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 proposed Enfield and Moorebank sites, should they be developed, will help, however even with their added capacity the Sydney terminal will struggle to handle the forecast growth.

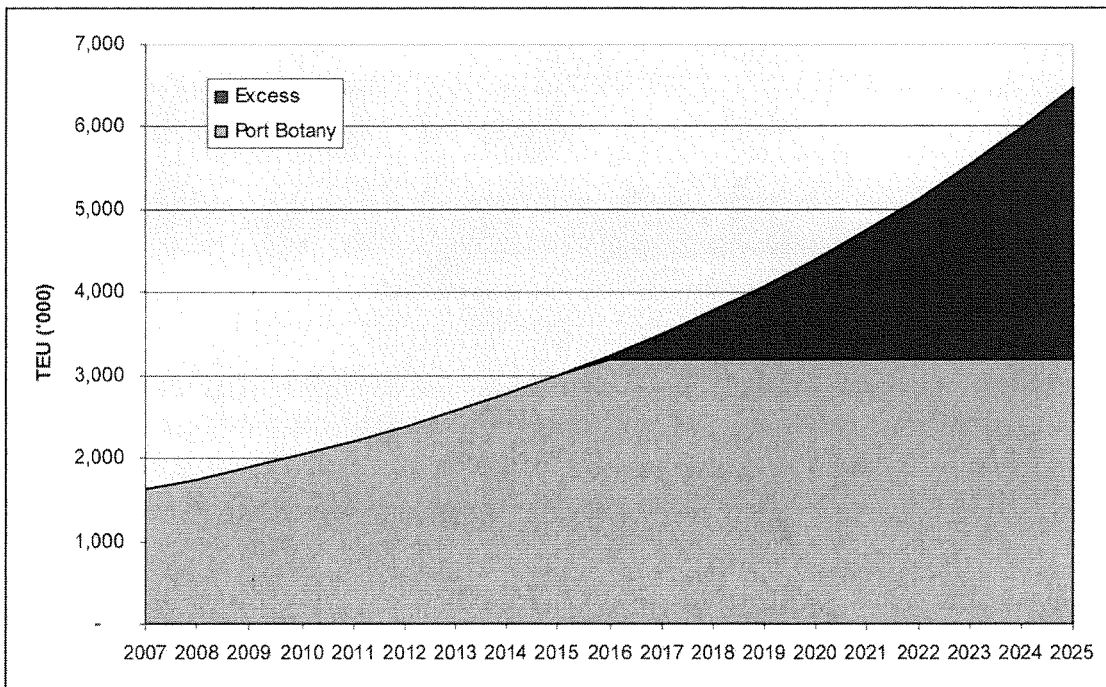


Figure 2 - Source: Port Kembla Port Corporation 2008

This problem is further exacerbated by the corresponding growth (and problem) of empty container storage which is additional to the figures indicated above. Additionally, the global trend to move to forty foot containers provides huge challenges for Sydney to move such large loads by road which is the dominant method used today as most of the above terminals do not have rail access.

In their submission to the Parliament of Australia Standing Committee on Transport and Regional Services study (The Great Freight Task 2007) the Australian Rail Track Corporation (ARTC) predicted this situation developing *“If I were doing a prioritisation of intermodal hubs on a national basis, I would say we have a major crisis in Brisbane, Sydney and Melbourne. I do not think people realise the catastrophic framework of intermodal hub problems for Sydney, Brisbane and Melbourne that they are going to come across in the next 10 years.”*

Other factors also contribute to the challenges facing industry and Port Botany. According to the Sydney Urban Corridor Strategy, over the next 20 years *“the growth of Sydney airport is expected to lead to a doubling of passenger movements and tripling of freight throughput”*. As a consequence of all the above the strategy also identifies further peak period deficiencies in that General Holmes Drive, the Airport Tunnel, and the M5 East are around capacity and demand is expected to exceed current levels by 30% by 2016. Also the M5 Motorway between King Georges Road and Liverpool is around capacity and demand is expected to exceed current levels by between 20-50 % by 2016.

Urban solutions to the above problem will require massive investment in infrastructure coupled with the social and environmental problems generated and then not solve the entire problem.

PORT KEMBLA PORT CORPORATION (PKPC)

Congestion of Sydney's ports has driven a search for alternate port capacity. Initially Newcastle was considered as a potential overflow port however capacity bottlenecks in and around the Port of Newcastle (A\$2B/year foregone in export coal sales alone, Robertson et al, 2007) plus north of Sydney rail corridor congestion, plus F3 freeway congestion, plus distance from Sydney, made Port Kembla an overall more attractive option.

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. WSC has been in ongoing discussion with the PKPC to identify areas where the WSC could benefit from leveraging off the extensive development and upgrade of the port.



Figure 6 - Graphic Impression of Port Kembla \$600m Outer Harbour Development

In August 2008 the NSW State Government announced a \$600 million expansion to Port Kembla with the development of the Outer Harbour. Due to the rapid take-up of facilities at the Inner Harbour this development has been brought forward 15 years.

THE SOUTHERN HIGHLANDS INTERMODAL AND LOGISTICS HUB

The outstanding (and continuing) economic growth of Australia and the world in general is providing some unprecedented opportunities to bring to commercial reality the development of significant regional export industries. Complementing this, is 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.

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

In 2008 WSC commissioned a White Paper study by the University of Wollongong on the logistical and economic feasibility of establishing an 'Inland Port' in the Moss Vale Enterprise Zone. The report also supports and validates the vision of Council.

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. As to location relative to road and rail links and shown in figure 4 below, 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 bisecting on the east side as well as a direct rail line to Port Kembla, plus a grade 1 freight rail spur line also bisecting the zone. The Hume Highway and new M7 now provide direct access to the industrial heart of South West Sydney.



Figure 4 - 630 hectare Moss Vale Enterprise Zone enclosed in red border

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 in 2006 signed a Memorandum of Understanding with Wingecarribee Shire Council (WSC) for strategic cooperation to promote the Southern Highlands intermodal project.*

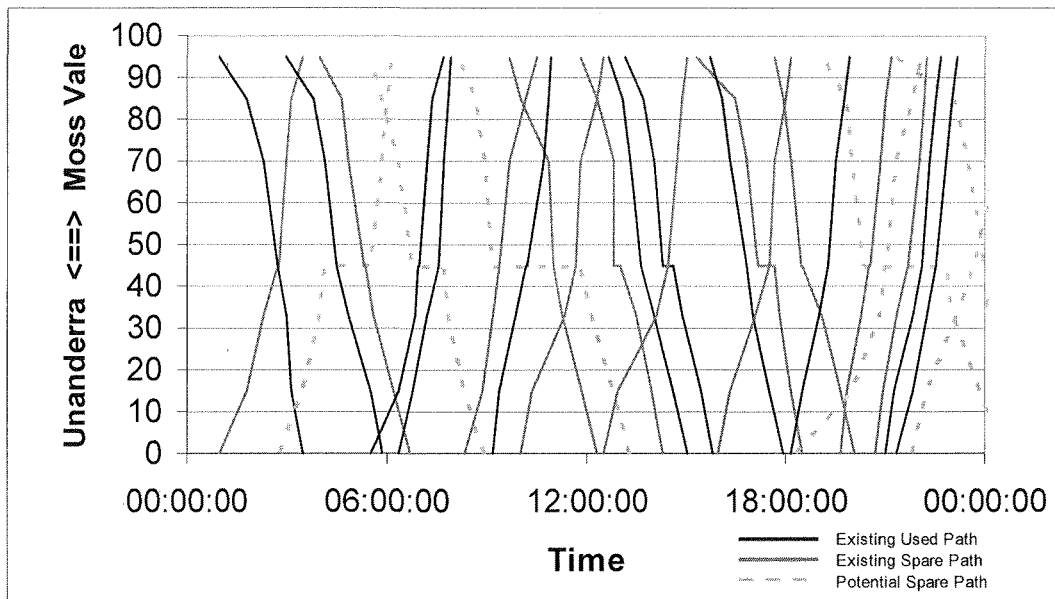


Figure 7 – Current spare capacity on the Moss Vale to Port Kembla rail line
Source: University of Wollongong White Paper 2008

The bulk of freight between the port and the Southern Highlands Intermodal is proposed for rail freight and therefore will contribute to NSW achieving its rail mode share target. The high growth scenario of the Illawarra Freight Study for the Moss Vale line confirms the views of RailCorp and the ARTC that 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. In the Sydney Wollongong Corridor Strategy, improving the capacity, efficiency and productivity of the Moss Vale to Port Kembla rail line has been identified as one of the short term priorities, further strengthening the case for using the link between Moss Vale and Port Kembla.

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 with the potential to handle well over half a million containers annually.*

An inland intermodal is key to PKPC’s own port efficiency and its future success, and consequently to NSW’s and Australia’s export performance. The Southern Highlands

Intermodal represents the most strategic and best geographical position within the Illawarra for such an operation.

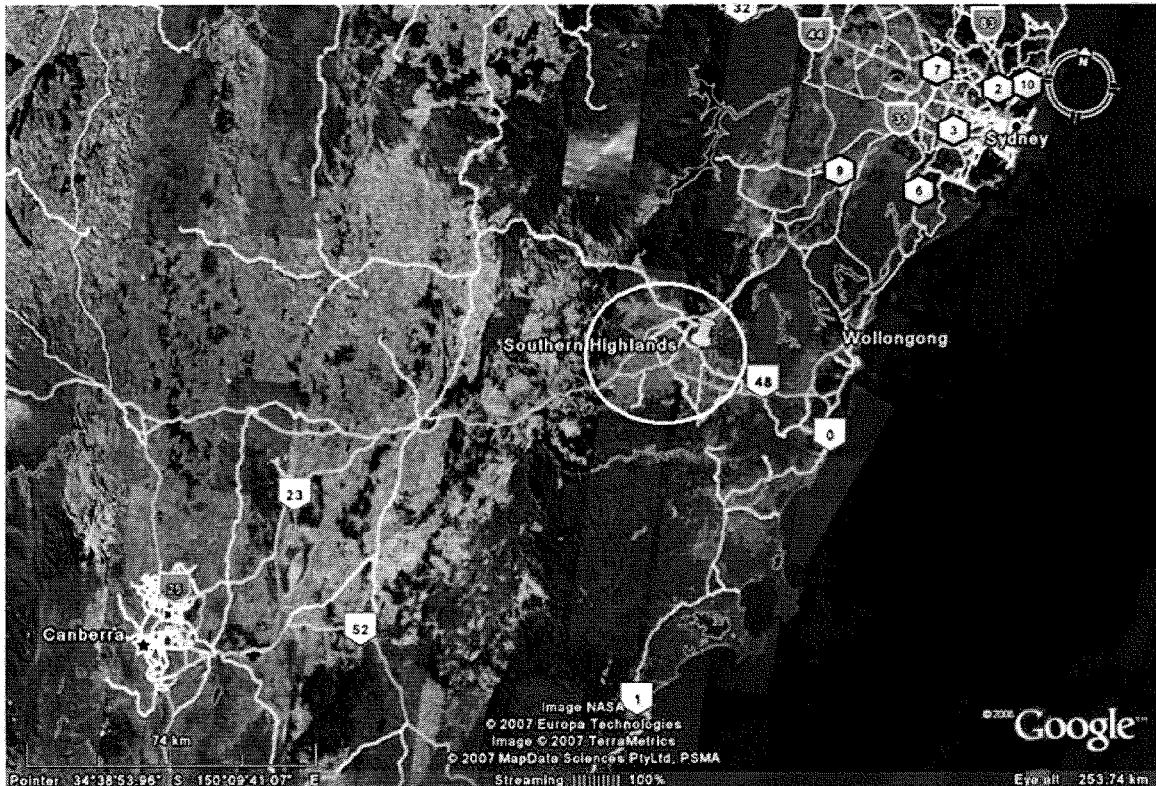


Figure 5 - Strategic geographical location to Sydney, Canberra and Wollongong

Strategic Advantages of the Southern Highlands

- All the major heavy freight infrastructure is already in place and under utilised.
- Port Kembla rail trade will not impact on current main Sydney Melbourne rail line – freight from Port Kembla to the intermodal only requires intermittent use of one kilometre of the main southern line
- Moss Vale is the only east/west rail link from the Illawarra on a freight dedicated line with no priority to passenger rail
- There are no road and rail restrictions as with connections to Sydney intermodals
- Next to Hume Highway - Sydney/Canberra/Melbourne, Adelaide and Perth road freight corridor and can handle B-triple trucks.
- M7 benefits – quick direct access to Sydney’s industrial heartland
- Zone can also service Port Botany via rail and road (M5)
- Strategic cooperation with PKPC.
- Relatively low cost large industrial sites available.
- Already has large private sector investment.

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, heavy freight spur line. There is NO investment required in new major infrastructure as distinct from other proposed Sydney intermodals.
- 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 Port Kembla 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 port activities and thereby contributing to its growth.
- Contributes to the competitiveness of Australian exports through improved efficiency in freight logistics particularly the use of longer train sets.
- 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.

State Advantages

- Supports NSW ports strategy.
- Assists NSW achieve rail mode share targets from 27% to 40 %
- Reduces congestion on Sydney infrastructure through relocating import/export logistics with the potential to remove over one million 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 improving long haul road freight economic efficiency. Interstate freight between Sydney and Melbourne alone is forecast to grow by 70% over the next 20 years (Sydney Melbourne Corridor Strategy).

Regional Advantages

- Provides alternative distribution channels for Illawarra industry other than having to go through Sydney.
- Fosters regional employment.
- Provides capacity to accommodate 'land hungry' industries associated with import/export growth including empty container storage.
- Preserves metropolitan Sydney and 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.

EMPLOYMENT GENERATION

The establishment of an inland port/intermodal within the Southern Highlands has the potential to develop significant regional 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.

Further significant benefit will be that this industry will be the catalyst to develop a viable and extensive manufacturing export cluster.

HOW GOVERNMENT CAN HELP

1. Recognition of the Southern Highlands as nationally significant and strategically important to Australia's future export trade through Port Kembla.
2. Support for export related companies wanting to relocate to the Moss Vale Enterprise Zone.
3. Assisting the local Council to develop in-fill infrastructure in the Enterprise Zone through Infrastructure Australia funding.

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