

REPORT ON PROCEEDINGS BEFORE

PUBLIC WORKS COMMITTEE

**INQUIRY INTO THE IMPACT OF PORT OF NEWCASTLE SALE
ARRANGEMENTS ON PUBLIC WORKS EXPENDITURE IN NEW
SOUTH WALES**

CORRECTED

At Jubilee Room, Parliament House, Sydney on Thursday 31 January 2019

The Committee met at 9:00 am

PRESENT

The Hon Robert Brown (Chair)

Ms Cate Faehrmann

The Hon. John Graham

The Hon. Trevor Khan

The Hon. Taylor Martin

The Hon. Scot MacDonald

The Hon. Lynda Voltz

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PUBLIC WORKS COMMITTEE

The CHAIR: Ladies and gentlemen, welcome to the hearing of the Public Works Committee inquiry into the Port of Newcastle sale arrangement on public works expenditure in New South Wales. Before I commence I acknowledge the Gadigal people, the traditional custodians of this land. I pay respect to the elders past and present of the Eora nation and extend that respect to any other Aboriginal persons present. This is the first and only hearing of this inquiry.

Today we will hear from witnesses representing the Port of Newcastle, the New South Wales Government and NSW Ports. We will hear from Newcastle City Council, Hunter Joint Organisation and business and industry experts. Before we commence I will make some brief comments about the procedure for today's hearing. Today's hearing is open to the public and will be broadcast live via the Parliament's website. A transcript of today's hearing will be placed on the Committee's website when it becomes available. We do have a photographer here today and he has permission to take photographs. In accordance with the media guidelines, whilst members of the media may film or record Committee members and witnesses, people in the public gallery should not be the primary focus of any filming or photography. If you notice a camera pointed at you in the public gallery raise your hand and I will instruct them otherwise.

It is important to remember that parliamentary privilege does not apply to what witnesses may say outside of their evidence at the hearing. I urge witnesses to be careful about any comments they may make to the media, or to others after they complete their evidence as such comments would not be protected by parliamentary privilege. There may be some questions that witnesses could only answer if they had more time or with certain documents to hand. In these circumstances witnesses are advised that they can take a question on notice and provide an answer within seven days. The Committee will require answers to questions on notice by 11 February 2019.

I remind everyone present that Committee hearings are not intended to provide a forum for people to make adverse reflections about others under the protection of parliamentary privilege. I therefore request that witnesses focus on issues raised by the inquiry's terms of reference and avoid naming individuals unnecessarily. Witnesses are advised that any messages should be delivered to Committee members through the Committee staff, including the tabling of documents. Someone from the secretariat will take the document from you. To aid with the audibility of this hearing I remind Committee members and witnesses to speak into the microphones. The room is fitted with induction loops compatible with hearing aid systems that have telecoil receivers. In addition, several seats have been reserved near the loudspeakers for persons in the public gallery who have hearing difficulties. If you have hearing difficulties please indicate to the secretariat and they will place you appropriately.

I ask that everyone turn their mobile phones to silent or off for the duration of the hearing. It is not only annoying, but it can interfere with Hansard's equipment. There is something a little special about the hearing today and that is the sub judice issues. I would like to remind members, witnesses and people in the public gallery that Federal Court proceedings involving the Australian Competition and Consumer Commission and NSW Ports regarding matters relevant to the Committee's terms of reference to this inquiry are ongoing. The sub judice convention in no way obligates the Committee to forego its right to inquire into a matter.

The convention requires that Committee members assess the risk that a particular line of questioning will either prejudice proceedings or not before a court against the public interest and the right of a Committee to inquire into a matter. The Committee may decide to take some evidence in camera during the final 20 minutes of each session. Probably not the first two witnesses, but some of the Government people who are party to those court proceedings may give evidence in camera. If that is the case I will advise that the room be cleared.

JAMES FRASER MINIFIE, Principal, AlphaBeta, affirmed and examined

CRAIG LESLEY CARMODY, Chief Executive Officer, Port of Newcastle, affirmed and examined

The CHAIR: We have received submissions from you but prior to beginning members' questions to you would either or both of you like to make a short opening statement? If so please keep it to a couple of minutes.

Mr CARMODY: Yes, I will. Thank you chair and members of the Committee for the opportunity to appear at today's hearing. We are an island nation heavily dependent on trade. Australia's position as one of the top 25 trading countries in the world means international trade drives our ability to maintain and improve our Australian lifestyle. The discussion we need to be having today is about having the right investment strategy to place ourselves competitively, and of course New South Wales, in a global trade for the future. If we do not get the public policy setting right we will not be able to attract the right mix of public and private investment.

I am inspired to speak to the Committee today after my recent trip to Asia, last week, where I can confirm that Australia is missing out on some of the opportunities in global trends that are occurring in containerisation and shipping. In short, we are being left behind. This is particularly important to the present discussion today about the Port of Newcastle sale arrangements on planned public works expenditure in New South Wales. The future of global trade is bigger ships—they are more efficient and they are more environmentally friendly. We need the port infrastructure in order to enjoy the benefits of those vessels. The Port of Newcastle is uniquely positioned to provide that solution.

It is a public works committee, but I am sorry to advise you that I am not here today asking for public money. We are able to develop our container terminal using private money—\$1.8 billion of it. We can do so because we have existing mature rail and road networks that exist from BHP steel mill days. If I can have the indulgence of the Committee for a moment to explain who we are at the Port of Newcastle. Two of Australia's largest exports are coal and iron concentrates. They all leave by ship. As the world's largest coal port at the Port of Newcastle we know a thing or two about global trading and certainly about the coal industry. I can also tell you that the Port of Newcastle needs to diversify. We are highly reliant on coal and our community is highly reliant on coal. We have to diversify our economy. We are an Australian company with an Australian Chair and an Australian executive team. We employ 100 people in the port and spreading out from our network are approximately 10,000 employees who rely on work in and around the port.

Like many Australian companies, we are attuned to global market trends. We are making sound decisions on the development of this port and container terminal based on those global shipping trends. I will not go into all the details of the myriad of economic reports provided to the Committee, be they the AlphaBeta report or the Deloitte's report, all make the case. Today I actually want to release another report, which is by HoustonKemp Economics, on international containerisation trends and the Australian port capacity to take up those opportunities. If the Committee will allow me, I will table this report.

Document tabled.

I also note to the Committee that Greg Houston from HoustonKemp Economics is in the audience, should the Committee have any questions about his report. The report confirms that the global trade in containerisation is telling us that Australia does not have the right infrastructure. The world's container ships and container terminals are getting bigger while the Australian port infrastructure languishes in the previous era. The only winners out of the current trends in Australia for the east coast are Brisbane and, more broadly, New Zealand. New South Wales is missing its opportunities.

The best infrastructure projects in New South Wales' history have been the ones undertaken in preparation for future needs. Snowy hydro and the Sydney Harbour Bridge obviously are iconic examples of that. The projects that end up costing the taxpayer the most and seem to never quite get it right are those that are built after the need has become chronic. The global trends in container trade and shipping are clear: Australia needs an ultra large container vessel terminal. The Port of Newcastle is the only green field site in Australia with existing infrastructure that can do that, so let us not miss the opportunity. Thank you, Chair.

The CHAIR: Thank you, Mr Carmody.

The Hon. JOHN GRAHAM: I might begin where you started, Mr Carmody, about the future of global trade and shipping. It talks about the maxi ships that are increasingly the trend. Why can they not go through Port Botany?

Mr CARMODY: It comes down to a number of infrastructure constraints. You have container terminals at Brisbane, Botany and Melbourne and they are all restricted. In the case of Melbourne, it is restricted by the

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Westgate Bridge. Brisbane has constraints both in channel depth, width and access points. Botany is very close to the airport and that creates some difficulties. None of the three ports I have mentioned has rail to the dock. There are historic impediments, and what that means is that at the moment on the East Coast, no container terminal can handle a ship above 10,000 TEUs—twenty-foot equivalent units; they are the container boxes on trucks that you see if you drive down Botany Road. None of the ports can handle 10,000 plus. By the end of this decade, you are going to find that 45 per cent of all container ships in the world are going to be 10,000-plus vessels. That literally means they cannot visit Australia. That will have a cascading effect, which means that we will get the older and less efficient ships—you get the 5,000 to 8,000 TEUs—which have less engine power and are dirty.

The Hon. JOHN GRAHAM: I will stop you there. One of the central concerns for this inquiry is about the public infrastructure that might be required as a result of port arrangements. You say you have offered to build your port with private money, not public money. The concern of this Committee is what other infrastructure might be required. Can you give us your view about the public infrastructure that might be required under your proposal for the Port of Newcastle or the existing plans for growth at Port Botany.

Mr CARMODY: I will not speak too much to Botany's plans. You have seen in the submissions that Botany and Kembla need a lot of public money to unlock their potential. There is no public money allocated to the Port of Newcastle. Obviously, that is a State Government position and we are not in the pecking order. The point is we can do this using private money. I saw in a couple of submissions that they believe there will need to be rail or road upgrades to allow Newcastle to get the benefits. I do not know where they got that information. We cannot understand why they would say that about rail upgrades, because we use the Hunter Valley rail network, which takes 1.5 kilometre coal trains. We will also run 1.5 kilometre container trains, so I am not sure what the issue is.

The Hon. JOHN GRAHAM: The position you are putting to the Committee is there would not be public infrastructure.

Mr CARMODY: We do not need public money.

The Hon. JOHN GRAHAM: You will not ask for further public investment?

Mr CARMODY: No.

The Hon. JOHN GRAHAM: One of the key points in the New South Wales Government's submission is that 90 per cent of containers remain within 60 kilometres of Port Botany as they arrive. Please give us the background for that figure and your perspective on that key factor in the government's submission.

Mr CARMODY: Numbers you can make do whatever you want. The numbers cited are talking about boxes. You need to look at the contents of those boxes. Those boxes are broken down by industry group and sent around Sydney. When the contents are unloaded, 40 per cent of it goes north. The trucks are still heading north, but the boxes have been broken down.

The Hon. JOHN GRAHAM: That is a pretty key distinction. In your submission you say that Sydney could slash 20 million truck kilometres from its roads and reduce the combined cost of congestion and pollution by \$25 million each year. I think that is report.

Mr CARMODY: That is right. I will get Mr Minifie to answer that.

The Hon. JOHN GRAHAM: If you can give us the background on that issue.

Mr MINIFIE: That is right. With respect to traffic between Sydney and the north, effectively we have a mixture of truck and rail traffic between the port and the north of New South Wales that goes through about 70 kilometres of Sydney. At least half of that is on the road. You may be able to do significant amounts of planning to reduce the amount of the trip from the port to the distribution centres in Western Sydney by rail, but that is still a minority of the traffic. Fundamentally we have 40 to 70 kilometre trips two ways for each container load running through Sydney. To the extent that you remove that burden from Sydney, you are removing both congestion and pollution from Sydney. Our estimate of the scale of the operation is that that could be effectively taken out of Sydney's growth over the coming decades, and that amounts to the numbers that you quoted. They are quite substantial amounts of pollution and congestion.

The Hon. LYNDIA VOLTZ: Those are exports that could go out of Newcastle rather than Port Botany?

Mr MINIFIE: It is both exports that could go out through Botany and Newcastle and imports that serve the economy of northern New South Wales that could be brought in through Newcastle. Both of those effectively result in shorter trips overall, and in particular they remove trips from the most congested part of Sydney's infrastructure.

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The Hon. LYNDIA VOLTZ: The companies that spring to mind are Midal Cables in Tomago that currently has to send containers through either Sydney or Brisbane ports, which would be a trip longer than 70 kilometres.

Mr MINIFIE: That is right.

Mr CARMODY: Yes, we are seeing more. It is the same for agribusiness. We have been having a chat with agribusinesses, which have switched their exports up to Brisbane to avoid the delays of passing through Sydney.

Mr MINIFIE: The total trip savings are much bigger than just the removal of the Sydney leg, not with respect specifically to the social costs of Sydney pollution and congestion. You are talking about trips of about that length.

The Hon. LYNDIA VOLTZ: Is that not one of the crucial factors? In Sydney where you are putting the infrastructure is in the biggest growth areas, such as Arncliffe and around the airport precinct, as opposed to the Newcastle port where you are coming in from the north.

Mr MINIFIE: Yes. That is right.

The Hon. LYNDIA VOLTZ: Have you done a comparison between the infrastructure costs of the two?

Mr MINIFIE: Looking ahead, we estimate that the Newcastle option would permit the New South Wales Government to avoid hundreds of millions of dollars of road investment just in Sydney between now and 2050 and over a billion—possibly as much as \$3 billion—of rail investment. The rationale for those numbers is effectively just built into the cost structure of rail and road and the usage. When you go through a fairly standard methodology, you need to make assumptions about capacity and the growth of the overall system. You get numbers of that order. Of course, they are subject to the precise assumptions that are made. But sometime, starting in the mid 2020s, 2030s, capacity is likely to be reached on a number of pieces of Sydney infrastructure, even with the committed investment that is in the full report between now and that time.

The Hon. LYNDIA VOLTZ: Because they are like vacuums in space; they always fill?

Mr MINIFIE: That is right.

The Hon. LYNDIA VOLTZ: What has the Government's response been when you put these arguments to them?

Mr CARMODY: In relation to these particular arguments, we have not had a discussion with the Government about. We obviously have put our master plan forward and we have made submissions to the overall transport strategy in New South Wales. To be honest, you have seen the Government's strategy. That is the response.

The Hon. LYNDIA VOLTZ: Have you met with the Minister about it? Have you requested, or is it just that you have put the submissions in?

Mr CARMODY: We are in discussion with the Government, but that is purely about the port commitment deed and what might be able to be done. That is all I am focused on at the moment, to be honest.

The Hon. LYNDIA VOLTZ: Because unless you fix that part, you cannot move to the master plan?

Mr CARMODY: The caveat for that \$1.8 billion is that the people who want to invest in this have said, "You'll get the money when the port commitment deed has been completed."

Ms CATE FAEHRMANN: Thank you for appearing today. You spoke in your opening statement about the local market demand. Could you expand a little on coal, particularly what modelling has been conducted by the Port of Newcastle in relation to the long-term outlook for coal?

Mr CARMODY: The modelling is very much a matter of us taking advice from industry consultants. Our modelling is fairly consistent with what you see in public: that there continues to be strong demand for Australian thermal coal. I do not know how many know that Hunter coal is actually the highest quality thermal coal in the world. That is why we have the markets we do. Thermal coal is used purely for energy production, so almost all of our coal goes to Asia—to Japan, to China and to South Korea. That demand has not shown any weakening. But what everybody knows is that the Chinese Government is considering looking to alternative energy sources. Japan is a bit different because, obviously, of their energy mix post tsunami. But our view is that in Newcastle we went through the steel mill days. We now rely on coal. We want to diversify before the day comes when we start to see that inevitable downward trend.

Ms CATE FAEHRMANN: When you are looking at 2040 or 2050, if you are not able to diversify as a result of what is, inevitably, a global reduction in the demand for coal, what impact will that have on the port and the economy of the Hunter?

Mr CARMODY: It will be devastating. Let me put it this way: More than 90 per cent of our revenue comes from coal. Imagine you are a company that relies on one commodity. You are in trouble if that commodity starts to decline.

Ms CATE FAEHRMANN: Most of those jobs you talked about at the beginning—

Mr CARMODY: Yes. All those jobs right now rely on the port, and the port in part relies on coal. It stands to reason that there is a knock-on effect.

Ms CATE FAEHRMANN: In relation to the Carrington coal terminal lease, given that Port Waratah Coal Services holds a lease over the Carrington site from the Port of Newcastle, which is up for renewal in 2024, what is the current health burden on residential populations from the Carrington T1 coal terminal?

Mr CARMODY: I will have to take that on a bit of notice. What I can say is that I am five months into the job, so I can only tell you what I have learnt so far. There are stringent Environment Protection Authority [EPA] controls over it. I have met with the terminals. They do monitoring constantly. They have all these suppression water systems and all that. I do know when that the environmental committee meets I will say monthly, but I would have to check that that is actually correct. I know that some of my team sit on the committee. But, yes, the advice I got when I started is that there is a heck of a lot that goes on to monitor that.

Ms CATE FAEHRMANN: If you do not know the specifics in relation to the acknowledged health burden of particulate pollution, would you mind taking it on notice, considering you are five months into the job?

Mr CARMODY: Yes. Absolutely.

Ms CATE FAEHRMANN: Thank you. Is the T1 site suitable for container movements? What is the capacity of the T1 site, if it is? Are you aware of those figures?

Mr CARMODY: No. My focus at the moment is actually is on the Mayfield site. We already have existing plans, but part of the reason why we can move so quickly on this opportunity is that we have existing planning approval, and they are the ones we want to use.

Ms CATE FAEHRMANN: If the Carrington site licence is renewed in 2024 do you think that will impact on the ability of the whole port in terms of diversification?

Mr CARMODY: No, not at this stage. The Port of Newcastle economically has the most land of any port in Australia. We have a considerable amount of land sitting opposite we can start excising before we start worrying about who is currently using pieces of land.

Ms CATE FAEHRMANN: In relation to the Greater Metropolitan Plan draft, in the first draft of that plan, the Department of Planning proposed to investigate relocating coal export facilities and bulk fuel storages from the Carrington site and explore options for alternative uses, including tourism. Are you aware of that?

Mr CARMODY: Yes, I am aware of that.

Ms CATE FAEHRMANN: Did you support that proposal of the Department of Planning, or do you support it?

Mr CARMODY: While that did occur before my time, obviously I was asked about this at the time of the release of the report. It was advised to me that it was drafted by somebody within the department. It had not been discussed with the terminal, or it had not been discussed with the Port of Newcastle. Obviously, that was not the view of the port or the terminal. Obviously we made representations to the Government during the drafting process to that effect.

Ms CATE FAEHRMANN: Do you support other options for alternative uses for the site?

Mr CARMODY: In the long term, yes.

Ms CATE FAEHRMANN: And what is the long term for you?

Mr CARMODY: Yes, that is the \$60 million question. Obviously, we are already in the early stages of negotiations with the terminal. Those are commercial negotiations, but if you accept that the diversification motivations for the port are that one day we will be needing to move away from something that will be in decline, obviously we are looking at the strategic use of that into the future. But right now, coal is still at 160 million tonnes.

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The Hon. SCOT MacDONALD: The AlphaBeta report nominates savings of anywhere from \$193 up to \$583 on a twenty-foot equivalent unit [TEU]. This latest thing just dropped on us talks about 19 per cent savings, which is the difference for those very large ships. Is there not a commercial case for proceeding for a container terminal at Newcastle, even if you pay the penalty? If the penalty cannot be avoided—and I think that penalty is the cost of the port-side costs of wharfage here in Botany—even if that has to be paid, you still have considerable savings there. Can you not proceed anyway? Why would not the Port of Newcastle proceed anyway, if you are selling to us considerable savings of at least 20-odd per cent?

Mr CARMODY: I will not go into the box rates because they are all very different based on a whole series of factors. Let us say that Botany is charging \$100. Let us say I could do the same job for \$50. I then have to put \$100 back on that, so I am now charging \$150. First of all, I am the disruptor in this. The Port of Newcastle would be coming in and playing against people who have an established lease or established networks into Botany to switch to Newcastle. I am saying, "Come to me because I can do it for you for \$50 more than they can." If I go, "All right, I'll match their price. I'm charging zero to pay Botany \$100", everybody knows that means I have just gone broke. None of the investors in this are prepared to give me a single dollar until that port commitment deed [PCD] is out of the way. Economically, it just does not work.

The Hon. SCOT MacDONALD: Even with these 20-odd per cent savings or up to \$583 savings?

Mr CARMODY: Also what happens if Botany decides to cut their price to 50? Competition will come. We are already starting to see a move into the port of Brisbane because they are just being threatened with the container terminal. If the competition, in light of that hypothetical, probably goes to \$50 what do I do then? Charge zero and still pay \$100? It just does not work.

The Hon. SCOT MacDONALD: When the contract was signed back in 2012 or 2013 we knew then that the larger ships would come in, 18,000 plus or so. Why would the port of Newcastle owners enter into a contract that is only five years old now and it is only 20-odd percent, so we are only five years out of a 99-year lease, why would they enter into a contract knowing even back in 2012-13 that the 18,000 or the megaships were coming?

Mr CARMODY: I cannot speak to the mindset of the people who made the bid and bought the port back then. What I would say, looking at it, first of all they did not really have a choice; people were desperate to buy a port; it was a condition of the sale that you had to agree to the deed, so that was what you had to agree to to even be able to play the game. I would say that at the time they bought it coal was rampant, coal was an amazing future. They did buy a coal terminal port, there was no denying that is what they paid for. You think about 2013, we were coming off the back of the global financial crisis [GFC], global containerisation rates had fallen through the floor, nobody was really moving a lot of product at that time.

Here we are five years later, we have seen containerisation growing by in excess of 18 per cent per annum, it has now settled at around about 4 and 4½; your vessels went from the average vessel being 8,000 to the average vessel is now 15,000, and Hyundai has just announced they are building 12 23,000 twenty-foot equivalent unit [TEU] vessels. Five years ago you would never have imagined that, not with the way global trade containerisation was going. So yes, realistically, the situation has changed. The owners have now brought me in because there is this incredible opportunity that has presented itself and they want to try and use it. I guess that is as far as the purchase—they knew what they were purchasing, but we would argue things have significantly changed and New South Wales can benefit.

The Hon. TREVOR KHAN: Your master plan, when was that put together?

Mr CARMODY: The current one?

The Hon. TREVOR KHAN: Yes.

Mr CARMODY: That was put together over, I think, the first half of last year because it was ready to go when I arrived. So I think all they needed to do was deliver it to the Minister. So most of last year it was being put together.

The Hon. TREVOR KHAN: That master plan provided for, if your plan came to fruition, 80 per cent of the movements being by road and 20 per cent by rail. Is that right? I will tell you that is what is in the document. NSW Ports has done an estimate based on a 50:50 movement and that puts the movement of vehicles at some 2,700 per day of vehicles. Is that right? Mr Minifie, would you agree with that proposition on 50:50?

Mr MINIFIE: I would need to take the numbers on notice.

The Hon. TREVOR KHAN: If it is 2,700 vehicle movements per day on 50:50, I suggest to you that on 80:20, which is what your document proposes—and these are B-doubles that are moving—then you are looking at some 4,000 vehicle movements per day. Would you agree?

Mr CARMODY: Based on those numbers.

The Hon. TREVOR KHAN: Again, I am just an old traffic lawyer, but I think if you work on 4,000 traffic movements per day, that would come to something like three B-doubles per minute moving along Industrial Drive for a start. That would be right, would it not? Per minute every hour for 24 hours a day?

Mr CARMODY: This is the campaign that was running in 2010 by Nathan Tinkler and others in Newcastle—

The Hon. TREVOR KHAN: No. The questions that I am asking now are based on your master plan, Mr Carmody.

Mr CARMODY: But what I was going to say is when that master plan was put together before I became the CEO. The Newcastle container terminal model that we are now developing, the one that I brought to the port, is a fully automated container terminal. What that means is you have automated—

The Hon. TREVOR KHAN: You have still got to get the boxes away from the port.

Mr CARMODY: It will be by rail.

The Hon. TREVOR KHAN: The master plan provides for 80:20, Mr Carmody.

Mr CARMODY: That is fine, that is in the master plan, but what I am saying is the actual project will be running by rail; it has to be rail. The most efficient container terminal operation automated is rail. We have got the Hunter Valley rail network, which is just a different guise to the purposes of what we are trying to do. We will use automated rail systems. It will have the distribution warehousing intermodal system inside the port boundary, which has never been done before in Australia. It will mostly be rail.

The Hon. TREVOR KHAN: Mostly be rail?

Mr CARMODY: There will always be trucks because you have got trucks that will be delivering into the local community, and within the catchment area trucks will sometimes be more efficient. You could never eliminate trucks.

The Hon. TREVOR KHAN: Mr Carmody, since you have been in your current position your position changed in an interview that you gave to the *Newcastle Herald*. At that stage you had moved your figures from 80:20 to 50:50. It was not explained how but you had moved it from 80:20 to 50:50. Without explanation, having moved from 80:20 to 50:50, are you now saying it is not 50:50, it is less than 50?

Mr CARMODY: No. I think 50:50 would be right. This is all hypothetical at the moment.

The Hon. TREVOR KHAN: Indeed.

Mr CARMODY: When the box arrives it will have a consignment. That box could potentially be going up to Evans Head or it could be going out to Moree; it could be no, we want it broken down here because it is going to be distributed to retailers within Newcastle city. I really cannot tell you until we know who are our first shipments and who are their first retailers and then we will start being able to see where the supply network will look like.

The Hon. TREVOR KHAN: So what you are saying is, "Build it and they will come." Is that your general philosophy?

Mr CARMODY: Yes, it is.

The Hon. TREVOR KHAN: Really? That is the basis of your modelling?

Mr CARMODY: I say it because right now Australia cannot handle 10,000-plus TEU vessels. If we actually offer a container terminal that can take 10,000 plus, all of a sudden the top eight shipping lines in the world will go, "Right, there might be a reason to go to Australia", because right now we get a line put through our name because they go, "Well, I need a 10,000 or above" because that is the most productive return on investment for a shipping line. Australia cannot handle it, Australia does not get anybody to look at it.

The Hon. TREVOR KHAN: The position is, is it not, that really if a ship of that size is to come, not only does it have to service a port in New South Wales, be it Botany or Newcastle, it also has to service Brisbane and it will have to service Melbourne?

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Mr CARMODY: That depends. Now we are moving into what does not happen in Australia, which is transshipment.

The Hon. TREVOR KHAN: Land bridging, is that what you are now going to propose?

Mr CARMODY: Transshipment. Transshipment is actually the model that Europe, North America and Asia uses incredibly successfully, but it all starts with the ultra-large container vessels, because when you have got the big vessel, 15,000 or a 12,000, they dump the boxes then and they are dispersed out through transshipment.

The CHAIR: I will now move to the Opposition for three minutes.

The Hon. LYNDIA VOLTZ: I just want to go back to the arguments that the Hon. Trevor Khan was putting forward on the traffic movements. That assumption of the 4,000 if you are going from Newcastle to the port of Sydney is not 4,000 that are currently travelling in there. Would that be correct?

Mr MINIFIE: There is certainly an overall reduction in truck movements in New South Wales because the overall land freight distance would be substantially reduced. All importers and exporters are closer to Newcastle than they are to Botany. Of course there is going to be some movement and activity from Sydney to Newcastle, and the ratio of that that will be road and rail depends on whether it is export or import and the model that is used, but overall there will be a very substantial reduction in road kilometres of containers in New South Wales as a result of moving traffic to Newcastle.

The Hon. LYNDIA VOLTZ: How much of that 4,000 would be picked up from current exporters in the Hunter region, the mid North Coast, and how much would be the other way round? Do we know that or we do not know that until people have access to the port?

The Hon. TREVOR KHAN: Build it and they will come.

The Hon. LYNDIA VOLTZ: I know it is an argument that is used a lot but I am trying to get to how much export is actually coming out of the Hunter-Newcastle region and the mid North Coast that could use the Port of Newcastle as opposed to that that is abiding in Sydney, having to be trucked down to Sydney from that area, or Brisbane, because I understand they use the Port of Brisbane now?

Mr CARMODY: Our modelling says—and it was in both the Deloitte's reports—that 350,000 twenty-foot equivalent units [TEUs] import-export will come out of the catchment area of the Port of Newcastle. Obviously I do not expect to get 100 per cent of that but we will get a significant part of that, particularly if we can offer the significant reductions in transport costs that will be provided from the shorter distances and the heavy rail reliance. Yes, it is 350,000. Botany currently does 2.4 million. But honestly, we have not gone into detailed design to that level. You have to remember what we are doing at the moment is showing that there is a feasibility case that makes financial sense to build a container terminal in order to get at least the approval for investment because a detailed design for a container terminal would cost about \$30 million. And it keeps getting back to the owners. The investors are saying, "We are not going to give you \$30 million until we know that you actually can build this thing and not to have to pay an extra \$100 per box." So we are at a bit of an impasse.

Ms CATE FAEHRMANN: Mr Carmody, in a statement to the *Newcastle Herald* in September last year you responded to a question by Minister Melinda Pavey when she stated that basically the arrangements in relation to the ports had been set by saying, "Because that is what the market wants us to do." Can you tell me what you said in response to the Minister at the time?

Mr CARMODY: I do not actually recall what I said at the time but what I will say is that the market has changed since 2013.

Ms CATE FAEHRMANN: You have also said that there is obviously a lot of investment. This was also the story about DP World which essentially was in response to the Minister saying it was because of geography. What is your response to the Government—

Mr CARMODY: DP World walked away. They had a memorandum of understanding [MOU] with us to develop a container terminal if it was possible. DP World walked away because the port commitment deed [PCD] made it economically unviable. Obviously that is fine; that is exactly what we are being told by the new investors. But my view is I am trying to prosecute this case as far as I can get to show people that the removal of the port commitment deed is actually in the benefit of New South Wales, particularly northern New South Wales.

Ms CATE FAEHRMANN: When the Minister said it was geography, not the Newcastle restrictions, that led DP World to walk away from negotiations with Newcastle, she was incorrect?

Mr CARMODY: Probably what I would say instead is if you look at New Zealand, Auckland and Tauranga are two ports next to each other. Tauranga is a new entrant port in New Zealand. They do ultra-large

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container vessels. They are an amazing success story. They are 200 kilometres south of Auckland, a bit similar to Newcastle being 200 and something kilometres north of Sydney. You can have two container terminal operations coexisting and be competitive and actually both be thriving. To be honest, we are studying the Tauranga model very closely.

Ms CATE FAEHRMANN: So you are refuting the Minister's claim that it was geography not the Newcastle restrictions that led to DP World walking away?

Mr CARMODY: Geography does not have to be a part of it. DP World walked away because of the deed.

The Hon. TAYLOR MARTIN: Mr Carmody, you were discussing earlier in response to the Hon. Trevor Khan's questions the impact that a container terminal in Newcastle may well have transporting imported containers from the Hunter. It is our understanding that the majority of imported containers are destined for the western and south-western areas of Sydney. Would you not agree that it is an unacceptable increase in industrial traffic for both Novocastrians and also users of the F3 or the M1? You said earlier that this investment would be entirely private money but would it not require significant public investment at taxpayers' expense to make your \$1.8 billion investment work through the road network?

Mr CARMODY: No, not on all our existing infrastructure and access points. The only thing I would say is I am a little confused because right now 40 per cent of those contents go up to the north, so they must go along the M1, or a lot of it would go along the M1. So the trucks are going north. Let us say we did get a complete flip, which we would not straightaway. I mean there is no way we are going to capture 100 per cent of that market. But even if you did a complete flip that means the trucks are now coming south instead of going north. The congestion is still there. As Jim Minifie said, it is dispersed across more areas because not all those boxes will come to Newcastle; many of them will still go to Botany. Botany is 2.4. At our stage three level that will be two million. We are never going to be the size of Botany; it just stands to reason, the population base being what it is.

Our best catchment area is going to be southern Queensland, northern New South Wales and out west. That is our catchment area. Obviously, I have broader plans stage three with the transshipment stuff but that is commercial and that is for another day. I see the trucks being dispersed across a broader pattern of New South Wales than on this north-south supply chain.

The CHAIR: Most of these highly technical inquiries probably need a couple of hours but we just do not have the time. Gentlemen, thank you very much for agreeing to see us today. I guarantee that there will be questions on notice. Could we have your responses back by 11 February because we are on a tight deadline to get the report done.

(The witnesses withdrew)

RODD ANDREW STAPLES, Secretary, Transport for NSW, sworn and examined

JAMES GEORGE BETTS, Chief Executive Officer, Infrastructure NSW, affirmed and examined

KENNETH JOHN KANOFSKI, Chief Executive Officer, Roads and Maritime Services, affirmed and examined

GEOFFREY WALTER RUMBLE, Executive Director, Transport, Infrastructure, Planning and Environment Division, New South Wales Treasury, sworn and examined

The CHAIR: Before we proceed, there may well be questions from members today that could be argued as being sub judice. You will be given the opportunity, if you wish, to try to answer them. However, you can also state that you cannot answer them and we will foreshorten the public part of the hearing by about 20 minutes and clear the room to take evidence in camera. You have that option. Everyone should understand that sub judice in no way obligates the Committee to forgo its right to inquire. Members must understand that if witnesses do not wish to answer their questions, there will be no badgering or pushing. However, please indicate whether you can answer the question but that you wish to do so in camera and we will do that. If not, we will proceed to a third round of questions. Would one of you like to make a brief opening statement?

Mr STAPLES: Thank you for the opportunity to participate today. The New South Wales Government is focused on providing confidence and certainty that encourages continued investment in the freight industry to support economic growth. Freight infrastructure investments have long payback periods. This means industry needs certainty about New South Wales Government priorities so that it can be confident in its long-term investments. The first freight and ports plan for New South Wales was released in 2012. This provided a plan for much-needed investment in our freight networks and raised awareness of freight across government. The plan recognised investments in and around Port Botany over the past two decades, which have been coordinated through a consistent and bipartisan approach by the New South Wales and Australian governments.

I understand this inquiry is looking into the impact of the Port of Newcastle sales arrangements on public works expenditure in New South Wales, including the nature and status of the port commitment deeds. I note that that transaction was not an outright sale of the Port of Newcastle. It was a long-term lease following a competitive process during which the port commitment deed obligations were disclosed to all bidders. The bidders had the opportunity to seek their own independent legal and expert advice during the process. It is a commercial agreement entered into by the parties of their own volition.

The Australian Competition and Consumer Commission [ACCC] was consulted before the lease was entered into and was aware of the State's intention to pass through its container compensation liability under the Botany and Kembla port commitment deed to the Newcastle lessee. As the Committee will be aware, the ACCC has recently commenced Federal proceedings against NSW Ports in relation to the port commitment deeds. As set out in the Government's submission to this inquiry, we have identified the scope of sub judice matters. In accordance with the principle, Treasury is limited in what it is able to say in relation to the port commitment deeds. Out of respect to the court and so as not to prejudice those proceedings, I note the Chair's comments about giving in-camera evidence.

However, as the Government's submission makes clear, the terms of the leases for Port Botany, Port Kembla and the Port of Newcastle reflect the Government's freight and ports policy, which was first released in 2012—prior to the ports transactions. The essence of this policy is that the community is best served by utilising the significant capacity that already exists at Port Botany and that Port Kembla will be the next location of development once Port Botany reaches capacity due to its proximity to the growth areas of western and south-western Sydney and supply chain infrastructure. Fully utilising the existing capacity at Port Botany will maximise the benefits to industry, consumers and taxpayers.

A key objective of the first freight plan was to provide certainty to industry about realising the full capacity of Port Botany with its new third terminal and where future capacity would be provided when required. The New South Wales Government policy position is that Port Kembla is the preferred location for the development of a future container terminal to augment capacity at Port Botany when required. The NSW Freight and Ports Plan was updated in 2018 and continues to apply this policy. The plan was developed in close consultation with industry. Recent statements made in relation to a container terminal at the Port of Newcastle overstate the catchment area for container freight in Newcastle. They also overstate the amount of avoided congestion in Sydney and understate the investment that would be needed in additional land-side infrastructure. We do not believe there is a case for a change in policy at the current time.

Leasing arrangements and clear and consistent government policy since the release of the draft NSW Freight and Ports Strategy in 2012 have been critical in creating certainty for investment in ports by the private

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sector. Our submission provides evidence of this. The proceeds from the leases, along with other asset recycling proceeds, have allowed an unprecedented level of investment in freight and infrastructure in New South Wales. The freight plan permits the continued delivery of key freight programs, including the \$543 million Fixing Country Roads and the \$400 million Fixing Country Rail programs. The programs provide direct benefits to regional producers who export freight through ports in New South Wales. This current level of investment places New South Wales ahead of all other Australian States.

The CHAIR: We will commence with 12-minute rounds of questions and see whether there is any need to take evidence in camera. I will make that decision at the time.

The Hon. LYNDA VOLTZ: I wish to seek clarification. Your submission states that in the next 15 years growth will be concentrated in Western Sydney, which will have one million more people. Is that correct?

Mr STAPLES: That is reflected as part of the overall Greater Sydney Commission future transport strategy.

The Hon. LYNDA VOLTZ: Did the Government provide those figures to you; that is, that there will be one million more people in Western Sydney?

Mr STAPLES: Yes.

The Hon. LYNDA VOLTZ: So a city the size of Adelaide will be placed on top of existing housing?

Mr STAPLES: As you can see, substantial plans were released last year by the Greater Sydney Commission, Transport for NSW and Infrastructure NSW outlining how we will manage that growth.

The Hon. LYNDA VOLTZ: So you dispute the figures provided by previous witnesses indicating that 40 per cent of container movements move to the north?

Mr STAPLES: That is a surprising figure. I have difficulty understanding that when you look at the proportionality of the population in New South Wales and where that number comes from.

The Hon. JOHN GRAHAM: Mr Rumble, the ACCC has been absolutely scathing about this deal; it has called it anti-competitive and illegal. That is an extraordinary statement from a very serious body. When was the last time the ACCC took court action as a result of a privatisation exercise undertaken by the New South Wales Government? Can you recall another instance in which it has intervened in this way?

Mr RUMBLE: I cannot recall; I would need to check that. Again, as our submission makes clear, there was significant consultation with the ACCC throughout 2012-13.

The Hon. JOHN GRAHAM: But you would agree that it would not have taken this step lightly?

Mr RUMBLE: Obviously it would not have taken the step lightly. On the other hand, we again had significant contact with the ACCC throughout 2012, 2013 and 2014. At the end of 2014, when we had given a lot of information to the ACCC in relation to this transaction, it made a decision that no further action was required. Then a period of four years plus went by before this action was taken. Again, we were open and transparent with the ACCC and the bidders in relation to all of the transactions when they were undertaken.

The Hon. JOHN GRAHAM: However, as a Treasury official you must be concerned by the ACCC using that strong language—anti-competitive and illegal?

The CHAIR: I rule that question out of order. The member is asking the witness to give an opinion that may prejudice a case in which New South Wales is involved.

The Hon. JOHN GRAHAM: I want to ask about the restrictions that were put in place. I do not want to ask about the circumstances in which they were applied. I do want to understand if the view of the ACCC is agreed or not agreed by the Government. They state, "During the bidding process a bidder requested the State to provide assurance that a container terminal would not be developed at the Port of Newcastle." It was the bidder's request.

The Hon. TREVOR KHAN: Point of order: Notwithstanding his introductory observations the member then goes to statements contained in the ACCC's submission and seeks to have these witnesses answer that. That plainly goes to the matters previously addressed.

The Hon. JOHN GRAHAM: To the point of order: I am not intending to ask about the circumstances, but it is reasonable that the Committee knows whether that it is something commonly understood by the Government and ACCC or whether it is contested. That is as far as I am seeking to go.

The CHAIR: I will allow the witnesses to decide whether they shall answer or not answer the question.

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Mr STAPLES: I think the response we are going to give you regularly in relation to that is that we respect the ACCC's role, its right to conduct the proceedings it is embarking on, and we will participate fulsomely in that. We are not in a position to start commenting on the specifics of our views around that at the moment because we want to participate in that process constructively.

The Hon. JOHN GRAHAM: Mr Rumble, there was a price premium paid for the arrangements that were put in place. That is understood. What was the modelling done by Treasury to say how much more the State got as a result of putting these restrictions in place in that privatisation deal?

Mr RUMBLE: I would need to take that on notice and come back to you. Again, what I will say about arrangements like the port commitment deeds is it is quite common in relation to major infrastructure transactions like this for bidders to look for arrangements that reflect government policy and provide investment certainty going forward. It is not just a question of value. We have seen, in the terms of the Government submission, that the significant \$2 billion plus of infrastructure investments since these arrangements—

The Hon. JOHN GRAHAM: I am happy for you to take that on notice. Can you confirm that Treasury did model the price premium that would have occurred as a result of the restrictions at the time?

Mr RUMBLE: I will need to take that on notice and speak to people within the team involved at the time.

The Hon. JOHN GRAHAM: Essentially, I would characterise the position by multiple government Ministers as saying that the Port of Newcastle should go ahead and develop the terminal regardless of the restrictions. The Port of Newcastle has said that is uneconomic. That is a point the ACCC agrees with. Does the Government accept that it is uneconomic for the Port of Newcastle to develop a container terminal under these restrictions? Is that accepted or not?

Mr RUMBLE: I would say in terms of major container port investments a significant issue which we can speak to is that it is not just a matter of a port operating, it is a matter of the landside investments required. Part of what needs to be looked into is the mix in terms of these arrangements. The Government policy signals the investment framework within which investments need to be made. That comes down to whether the Government or private sector invest into logistics and landside. It is impossible to look at one element. You need to look at the overall port and does it make sense. The Government's policy is clear that in terms of leveraging the investments that have already been made, leveraging the spare capacity at Botany, that the policy that the Government has provides that investment certainty to allow those kind of investments to proceed.

The Hon. JOHN GRAHAM: I accept your point, Mr Rumble and Mr Staples, about the importance of long-term policy in the area. The question for the Committee is: Are these restrictions the result of long-term policy or the result of a short-term deal to drive more money into this privatisation result? That is the concern.

Mr STAPLES: If you look at the chronology of the policy development Botany, as a container port, has been a long-term policy position for Government. It was developed in the seventies with a long-term intent of moving containerisation out of Sydney Harbour as congestion and pressure came in there. Through the nineties and two thousands there was bipartisan support around that. In 2012 a draft freight and ports strategy plan released by the Government was open about its position on the ports and privatisation around that. That was reflected subsequently in the lease arrangements in 2013 because the market sought the certainty in relation to the policy position that government put out. If you look closely at the order, at the chronology, it is clear that the policy decision was made before the lease arrangements were entered into.

The Hon. TREVOR KHAN: Look at the submission to the 2005 inquiry.

The CHAIR: Order!

Mr BETTS: I back that.

The Hon. JOHN GRAHAM: The area around Port Botany is reasonably congested as it is at the moment with the number of containers coming through. It is 2.4 million twenty-foot equivalent unit [TEU] at the moment. That is projected to grow in the NSW Ports' submission to 7.2 million TEU. How are we possibly going to cope with the level of congestion that brings?

Mr STAPLES: I am happy to defer to Mr Kanofski in relation to the road network. We have a long-term ongoing investment from government and industry in supporting the landside aspects of container movement in and out of Port Botany. That has been ongoing for decades and has been built up and there is further to come online in subsequent years. We want to make sure we utilise all the capacity on that. It is not just the Government's investment, it is the industry's investment. We have now a dedicated rail link between the port and a number of the intermodal facilities in Western Sydney where a lot of the market is. That is the point we make strongly in our

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submission: Port Botany is best located for servicing the market of containers and the containers are largely moved into Western Sydney and then unpacked and dispersed.

The Hon. JOHN GRAHAM: You have made the point, and the point is made in the Government submission, that all the bidders knew about this—the Government knew and the bidders knew—why was this kept from the public?

Mr STAPLES: In relation to?

The Hon. JOHN GRAHAM: These restrictions, the port commitment deeds that were signed up. Why was not the public aware? You made it clear that everyone knew except for the public.

Mr STAPLES: Let us be very clear, the policy around our priority for Port Botany and then Port Kembla was in the public domain. There is no question around that.

The Hon. JOHN GRAHAM: Why was the public not allowed to know about the restrictions?

Mr STAPLES: I cannot comment on the specifics of the transaction. I am happy to take on notice any issue around that. The critical point is that we are very transparent about our priority for community and industry and the supply chain, which is a critical part of this whole conversation. It is not just the port, it is waterside supply chain and landside supply chain.

The Hon. JOHN GRAHAM: The policy might have been clear, but there was a massive attempt to cover the restrictions up. You have provided no reason for that.

Mr STAPLES: I do not accept that there is evidence that there has been a massive attempt to cover this up. The bidders were aware in the lease of Port Botany, as well as in Newcastle, that we had conditions in those and those conditions were reflective of what we trying to achieve from a policy outcome.

The Hon. LYNDA VOLTZ: That is not what NSW Ports said. NSW Ports said, "NSW Ports is not a party to this deed and was not aware of its existence until recently."

Mr STAPLES: I think let us be very clear, what I said was the bidders participating in the bid process were clear about the conditions.

The Hon. LYNDA VOLTZ: Only the bidders were clear; NSW Ports did not know?

Mr STAPLES: NSW Ports were aware that we had given them an undertaking about prioritising Port Botany as the container development port. That is the commitment we gave to them and we are very transparent around that. That was before the lease of Newcastle port went in. That was when it was in Government ownership. We gave that commitment at that stage. We subsequently backed that down as part of the lease process, as you would expect us to do.

The Hon. LYNDA VOLTZ: But, they did not know anything about the pass-through payments, did they?

Mr STAPLES: They were aware of the Government's commitment to prioritise Port Botany and provide a mechanism for—

The Hon. LYNDA VOLTZ: They were not aware of the pass-through payments, were they?

Mr STAPLES: They are aware of the payments as they are described in the deed.

The Hon. LYNDA VOLTZ: Well, they are not because they say in their submission they were not.

The Hon. TREVOR KHAN: Point of order—

The CHAIR: No point of order required. The witness has answered. I will move on to The Greens.

Ms CATE FAEHRMANN: Mr Staples, you talked about government support in regard to policy for both Port Botany and Port Kembla, and said that that was quite apparent for some time. Is that what you told the Committee before? Did the Government make that quite clear?

Mr STAPLES: Yes, certainly before the transactions occurred, because the question that was put to me was that the conditions in the deeds were not related to policy. The point I made in answering that question was that that, in fact, was the policy position outlined publicly in a draft strategy in 2012.

Ms CATE FAEHRMANN: Yes, and the Government had also made quite clear that it supported the Port of Newcastle being a container terminal as well before 2012, did it not?

Mr STAPLES: The document I am referring to primarily is the draft freight and port strategy, which was released in 2012. That document made it clear that Port Botany was our number one priority and then—

Ms CATE FAEHRMANN: I understand the Port of Newcastle did gain approval from the Government in 2012 to go ahead with the Mayfield precinct concept plan, which was a development proposal for a \$1.2 million container terminal on that site.

Mr STAPLES: That is a concept plan. I think the broader policy position—

Ms CATE FAEHRMANN: I have heard plenty from government reps at various committees that concept plan is pretty much the step taken before final approval is given.

Mr STAPLES: We were in the phase in 2012 of policy development, and certainly we would have been listening to what would have been essentially a corporation within the New South Wales Government advocating for certain things to happen on the port facilities. At that stage we would have been prepared to allow organisations like that to develop proposals, but that was by no means a commitment by government that we would develop a container port in Newcastle. I go back to my point that the clear policy came out in the draft 2012 freight and ports plan.

Ms CATE FAEHRMANN: Mr Rumble, the New South Wales Government is spending, according to one of the submissions we have received from the Port of Newcastle, around \$27 billion for transport infrastructure spending around Sydney, essentially intending to allow freight to move more freely around Sydney. We have just heard from the Port of Newcastle that they can move freight from their port in containers without any government spending on infrastructure, so that is zero versus \$27 billion. Do you think it makes good economic sense to deny the Port of Newcastle the ability to move some of those containers?

Mr RUMBLE: First of all I would say that the vast majority of the \$27 billion that we are talking about is being spent on projects that will be required to support population growth in Sydney, regardless of what happens on the container terminals. Those are in general projects that have very strong economic cases around travel time savings and delivering net economic benefits to people in Sydney that do not rely on freight travel. That is a very minimal part of the investment case for a large number of those projects. If we look at projects like Sydney Gateway and WestConnex, the main thing driving benefits for those projects is population growth and travel time savings as well as access for commuters to the gateway of Sydney Airport. The vast majority of that investment has very limited connection to freight and very strong connection to making Sydney a more livable city and delivering economic benefits to the people of Sydney and New South Wales. In relation to Newcastle port, I will pass it to Mr Kanofski, who might want to talk about the land side. Our view, from what we understand, is that we cannot see the contention that no investment will be required to support that container terminal. That does not seem to make sense to us.

The Hon. TREVOR KHAN: That is a nice way of putting it, I suppose.

Mr KANOFSKI: I might pick up the first point. About 1 per cent of the traffic on the M4 and M5 are container trucks. Are container trucks part of the business case for those major transport projects? Yes, they are a part of it, but a very small part of it. I would estimate—and this is a rough estimate—that the economic benefits of those projects, probably of the order of 2 per cent is made up of containers.

Ms CATE FAEHRMANN: When you say 1 per cent, do you know the number of container trucks?

Mr KANOFSKI: I would have to take the exact number on notice, but roughly the M5 carries about 100,000 vehicles a day.

Ms CATE FAEHRMANN: In regard to Sydney's overall roads, please take that on notice as well, not just the M4 and the M5.

Mr KANOFSKI: Yes, absolutely. To reinforce Mr Rumble's position, these transport projects benefit all users including container traffic, but container traffic is a very, very small proportion. If I go to the land side, there is not enough detail to really assess what the landside costs of this are, but I would make a few observations. There is a debate about the traffic numbers, but I think it is safe to say there would be at least 2,500 heavy vehicle movements; it could be 5,000 heavy vehicle movements from such a facility.

Ms CATE FAEHRMANN: Are you not talking about the Port of Newcastle or Port Botany?

Mr KANOFSKI: I am talking about the Port of Newcastle. I am answering the question that there would be zero landside investment. I do not know of any development of that scale that has not required road investment; that is the first thing I would say. We do not have enough detail.

Ms CATE FAEHRMANN: I think Mr Carmody said it would be the first time that a port would have an intermodal inside the facility. You were probably here for his evidence.

Mr KANOFSKI: I am aware of his evidence. I would say that there is debate about how much would go on rail, and there are various other debates, but you are going to have somewhere between 2,500 and 5,000 trucks per day. If I can make the point—

Ms CATE FAEHRMANN: Quickly, please.

Mr KANOFSKI: —as to how significant that would be, if you are travelling 90 per cent of those back down the M1 to a distribution centre in Western Sydney, currently just north of Gosford, at Somersby, there are 10,000 heavy vehicles a day on the M1. If that were to increase by, let us call it somewhere between 2,500 and 4,500—

Ms CATE FAEHRMANN: You have just said 90 per cent, but I think they said 40 per cent goes north.

Mr KANOFSKI: No, they are different numbers. The distribution centres for freight are based in Western Sydney, so the traffic goes to Western Sydney first and then it is distributed from there. The point I am making is that whether you are talking about Industrial Drive in Newcastle, which has seven or eight intersections in close proximity to the Port, or John Renshaw Drive or Newcastle Link Road or the M1, somewhere between 2,500 and 5,000 heavy vehicles a day is a substantial number. While we have not been able—

Ms CATE FAEHRMANN: We will get some responses to that from witnesses today. Thank you, but I have questions on another issue.

Mr KANOFSKI: —to develop what the costs would be, it would be highly unlikely, in my view, that it would be zero.

The Hon. TREVOR KHAN: Point of order: The witness is being generally relevant on something central to this inquiry and the witness should be entitled to answer without interruption from the member.

The CHAIR: I uphold the point of order. Mr Kanofski, I ask you to get on with it and conclude your statements, please.

Mr KANOFSKI: What I was about to say was that it would be highly unlikely that investment would not be required.

Ms CATE FAEHRMANN: I refer now to the New South Wales freight and ports plan. I am sure you are aware of the New South Wales Government's stated objective in terms of net zero emissions by 2050. How has climate change mitigation being considered in this plan?

Mr STAPLES: The fifth objective in the plan talks about sustainability. You will see that some of the broader future transport strategy objectives around emissions are referred to in that objective. That is our primary objective around reducing emissions.

Ms CATE FAEHRMANN: Are there targets in here?

Mr STAPLES: No, there are not targets, but there is an intent and we are clearly making an intent to work with industry. This is obviously not all within government ownership, so we have to work with industry on how we reduce emissions. We are signalling through that plan to do that.

Ms CATE FAEHRMANN: The only thing in the plan about reducing emissions is talking about some move towards electric vehicles. It will be interesting to see how many electric vehicles would be adopted in the freight plan, but the adoption of low emissions vehicles and fuels will largely be led by industry and the Government will encourage improved environmental performance of vehicles through a number of policies and programs. There are no targets, so you would think that the freight and ports plan would not be contributing to the New South Wales Government stated objectives of achieving net zero emissions.

Mr STAPLES: I just go back to objective five, sustainability.

Ms CATE FAEHRMANN: There is no target to reduce emissions regarding the overall emissions from New South Wales freight.

Mr STAPLES: What we have committed to is a key action to work with industry, because industry own these vehicles, to reduce emissions. There are different options like electric vehicles as well as reduced emissions vehicles.

Ms CATE FAEHRMANN: Currently, how are you working with industry to reduce emissions? What is happening at the moment?

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Mr STAPLES: We will go through an engagement process with industry and talk to them, because it all comes down to the life-cycle of their vehicles. They cannot just stop using vehicles that they have invested in, so we need to work with them about what is practical.

Ms CATE FAEHRMANN: Is there currently a program that you are working on with industry to reduce their emissions, or is this all still in the future?

Mr STAPLES: The plan was released in the second half of last year and it is a plan out to 2023, so this is one of the actions that we will undertake over the course of that period.

Ms CATE FAEHRMANN: So very little, if not nothing, is being done by the Government to reduce emissions of freight travelling around the State.

The Hon. TREVOR KHAN: Is that your attempt at outrage?

The CHAIR: Mr Kanofski, would you have any figures on the predicted number of truck movements would be coming off Pennant Hills Road into NorthConnex?

Mr KANOFSKI: About 5,000 a day.

The CHAIR: Is it the intent that that would reduce fuel consumption and emissions?

Mr KANOFSKI: Yes.

The CHAIR: Do you know how much?

Mr KANOFSKI: I do not know. I would have to take on notice how much. But, clearly, if you take out of stop-start traffic and you put it into free-flow traffic, and on better grades—the motorway has better grades than does Pennant Hills Road—then you will get a reduction in fuel. I would have to take on notice the estimate. It would be in the benefit-cost ratio [BCR] for the project.

The CHAIR: I guess that could be regarded as a Government attempt to start this process of trying to reduce emissions, could it not?

Mr STAPLES: To be clear on that, I think the other thing is that the shorter the trip, the lower will be the emissions. That is one of the rationales we are applying.

The CHAIR: That would apply northbound or southbound.

Mr STAPLES: Yes.

The CHAIR: In other words, if there were trucks coming out of the Port of Newcastle to go to distribution centres in Western Sydney, they would be coming along the M1, NorthConnex and then the M2 and the Western Distributor, would they not?

Mr STAPLES: As our submission outlines, 80 per cent of the containers go within 40 kilometres of Port Botany before they are opened up, unpacked and distributed.

The Hon. LYNDA VOLTZ: Actually, your submission says 60 kilometres.

Mr STAPLES: Sixty kilometres, 90 per cent, and 40 kilometres is 80 per cent. We have got both those numbers. I think the point there is that we are trying to limit the distance they have to travel, and that has sustainability benefits.

The CHAIR: We have roughly 25 minutes remaining for your participation. I predict that the Committee will not be holding an in camera session. If the Government cannot answer a question because it prejudices its case, just state that that is your position and the Committee will support your position.

Mr STAPLES: Yes.

The CHAIR: Having said that, we will now move on for 12 minutes of questioning by Government members, and then we will have another round of questions.

The Hon. TREVOR KHAN: You have heard the evidence of Mr Carmody, who seemed to use different figures. He used a 30 per cent figure for containers being allocated to Newcastle and north-west and I think the figure he was using was 40 per cent today. How does that sit with both your submission and NSW Ports' submission that 90 per cent of containers find their home within 60 kilometres of the Port of Botany?

Mr STAPLES: Those figures do not align, essentially. I do not know what is the basis of the 40 per cent. We are strongly engaged with industry and we went through a very deep consultation process last year with industry and updating our freight and port plan. We would not have seen any evidence that suggested that 40 per

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cent of the freight is heading north towards Newcastle. I absolutely respect that there is a market in Newcastle-Hunter and in regional New South Wales, but the way the freight logistics companies work is that they have to have central points where they unpack and distribute and they want to put them close to the large volume. Western Sydney is the most appropriate place for that. Hence Port Botany's linkage to that is key and we have very good transport links into that.

Mr KANOFSKI: The only thing I would add to that is that when you look at how the supply chain works, even if goods—final goods—are destined for northern New South Wales, there is a good chance that they would have to go to Western Sydney to be broken down.

The Hon. TREVOR KHAN: That is, they are in a container—

Mr KANOFSKI: Because that is where the distribution centres—all the main distribution centres—are. The nature of the way goods come in means that they are not going to get partially broken down in Newcastle to break down the Newcastle bit and then send it north. Whatever the demand is in northern New South Wales—and I think we are saying that 40 per cent looks unlikely—there is at least a proportion of that that will come to Western Sydney first and then go back north again, if it lands at the Port of Newcastle.

The Hon. TREVOR KHAN: Just to clarify that for me, you have got a container coming in that is filled with handbags, for example. It goes to a distribution centre. If some of them are to go to DJs at Kotara, the vast bulk of those handbags in that container are probably for the population centre, which is in Sydney. Is that the general drift?

Mr STAPLES: Yes. That is the point that both Ken Kanofski and I were making.

The Hon. TREVOR KHAN: You then extract those, put them in a smaller truck, and send them up the highway.

Mr STAPLES: Yes.

The Hon. TREVOR KHAN: Whereas, if you said simply because there are handbags in that container in Newcastle, which have landed in Newcastle, you would end up either breaking it down in Newcastle and trucking the vast majority of the container down to Sydney, or you truck the whole container down to Sydney.

Mr STAPLES: That is our assertion. The thing that I would put to back that up is that the Port of Newcastle is asserting a certain position, but there is an industry that sits around that from the manufacturer's overseas that are importing through to the logistics companies that provide the transport services to the shipping companies to support that and that come into Australia through various ports, through to the landside truck companies and rail companies, and then the logistics centres and the distribution centres.

If you look at our consultation last year, we had about 110 submissions around the port freight strategy. No-one is flagging that the Port Botany strategy is wrong—no-one from the supply chain. We are not seeing that. If you had a big issue about there not being enough capacity, that would have come through loud and clear. From looking at your submissions that you have received, we are not seeing that in that either. I respect the Port of Newcastle's advocacy of what they want to do, but it does not reflect the broader logistics chain and the industry's position on what it needs at the moment. What it needed was certainty about where Government would prioritise its investment so that they could build their logistics centres in places where they needed to minimise travel for their customers overall.

This is a volumes game for industry. They want to locate close to the larger volumes and then they will distribute the smaller volumes where they need to—to the Hunter, to Newcastle, and to regional New South Wales, which are all important customer bases as well. But I think if you look at the nature of the submissions we received and the submissions that you have received, there is a reflection to be done about that as well.

The Hon. TREVOR KHAN: I put this to you: The proposition that Newcastle ports is putting forward is somewhat similar to the considerations that Victoria had in consideration of its port strategy in dealing with the Port of Hastings where Victoria moved away from the Port of Hastings because the supply chain was too long and the logistics were just all wrong, compared to the Port of Melbourne.

Mr STAPLES: Yes, and it works in reverse.

The Hon. TREVOR KHAN: I think Mr Betts might like to say something.

Mr STAPLES: Mr Betts will certainly have something to say about that, I am sure, but it works in reverse for coal because coal into Newcastle provides the shortest logistics chain. Now we have put as a priority about motor vehicles through Port Kembla because of the large number of them coming to Sydney so it is close. It is a close link and that is one of the reasons that Port Kembla is our second priority—because of its geographic

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vicinity to Sydney. It is closer so the transport links landside are closer as well. I do not know whether Mr Betts wants to comment a bit more on Melbourne or Victoria.

Mr BETTS: I will not go into too much detail about Victoria in the New South Wales Parliament.

The Hon. TREVOR KHAN: I will table the Victorian report in due course.

Mr BETTS: The price tag associated with the landside infrastructure for the Port of Hastings was, in the end, found to be prohibitive after months and months, if not years, of independent analysis by our sister organisation, Infrastructure Victoria, down there. The important point that Mr Staples has made is that the choice of location of a port, particularly a container port, needs to be seen in the context of the ultimate demand side. What the Port of Newcastle is doing is very effectively advocating their little bit of supply side, but it is the end consumers that really count. The big markets are going to be in Western Sydney, and that is not going to change.

The most important thing about what governments can do—although competition is important—is provide certainty for the market to be able to invest over the long term, which is really important. That is what the longstanding strategy of the New South Wales Government, endorsed by independent Infrastructure NSW, has enabled the market to do, which is why we have seen such significant investment going into Botany and why Kembla is the next logical choice—because that will serve the south-western Sydney market more effectively than, with the best will in the world, Newcastle will ever be able to do.

The Hon. TREVOR KHAN: There are only two more things I wish to address. The first is that in your submission you deal with the question of rail. If you heard Mr Carmody, you will be aware that he first off had a figure of 80-20. Then, in newspaper reports, he has referred to 50-50. Perhaps in some of his oral evidence here today, he has said less than 50 per cent of it would travel by road and the rest of it would travel by rail. We have not really talked about the implications for rail between Newcastle and Sydney. Are you able to comment on what would be moving, on one analysis, some one million TEUs by rail and how that would affect both freight movements and passenger movements on that northern line? You might not have anything to say but it just struck me as a bit odd.

Mr STAPLES: I think there are two parts. It always starts with where do you want to go? If there was a view that there was a strong market for logistics facilities in the Hunter because the volume was so large, just for the Hunter, and you had facilities there, then moving containers by rail out of there into Hunter logistics centre would be short. He talked about that in his evidence. I guess we would contest that there is not a lot of capacity in that area because of the volume of coal, but there is some capacity there. But if you want to go to Sydney, if the view is—and our view is very strongly—that most of the containers will need to come to Sydney, then you are faced with either using the road or bringing it down the main north line from Newcastle into Sydney.

I can say that that is our most challenging corridor for freight. We spent a lot of time with the Commonwealth investing in Sydney to get dedicated freight so that they can run 24 hours a day and we have that from the port into Western Sydney, and that has come with a lot of challenge but it has been able to be achieved, but the main north line from Strathfield up to Newcastle we have continued to invest in, but the topography—anyone that goes down the Cowan bank across the Hawkesbury River and into Gosford knows how challenging that topography is.

The Hon. TREVOR KHAN: It is very scenic.

Mr STAPLES: It is a beautiful train ride but it is very challenging to sort of upgrade, invest and provide more capacity. So we are very constrained; we have got limited train paths, we run intense passenger services there, so we cannot run freight through 24 hours a day. There certainly are a number of paths in the middle of the night; obviously that presents noise issues, but it also presents the fact that the industry needs to be able to travel at various times of the day and not just be travelling in the middle of the night. So we see significant challenge in relying on that corridor from a rail point of view in the long term.

The Hon. TREVOR KHAN: Let us just be clear. If he says this can be done essentially, as it seemed to me that he was saying, at nil cost to the public of New South Wales, that is a ludicrous proposition, is it not?

Mr STAPLES: I would say there is a lot of devil in the detail.

The Hon. TREVOR KHAN: Mr Betts, will you agree with me that it is a ludicrous proposition?

Mr BETTS: Yes.

The Hon. TREVOR KHAN: Mr Staples is too kind.

Mr BETTS: He is.

The Hon. TREVOR KHAN: It just cannot be done. If you up it by the amount they are talking about it is going to require massive expenditure by the New South Wales Government, irrespective of its colour.

Mr BETTS: Correct.

The Hon. TREVOR KHAN: In your submission you refer to a brief paper entitled "A pre-mortem exploration of the Port of Hastings development project". Can I just show you a document? Will you accept from me that that is the document that you refer to, and I take it that you want to table that? It demonstrates why the port of Hastings is such a lemon.

The Hon. LYNDA VOLTZ: He cannot table a document you have handed him.

The CHAIR: I will leave that up to you, Mr Staples, as to whether you want to be led, but if you do wish to table the document that is now in your possession you can go ahead. I would suggest that it is not normal procedure.

Mr STAPLES: I think we will just note that we have been handed it.

Mr BETTS: And that the author of this document is a very creditable author.

The Hon. LYNDA VOLTZ: Who signed the deed of commitment on behalf of the New South Wales Government?

Mr RUMBLE: I would need to check and confirm that.

The Hon. LYNDA VOLTZ: You will take that on notice and come back with who actually signed it?

Mr RUMBLE: Yes, I will take that on notice.

The Hon. LYNDA VOLTZ: Mr Staples, if industry was deciding where it would go anyway and it would go through the Sydney ports why did you need to put a pass-through clause in the agreement?

Mr STAPLES: Because the industry wanted certainty that this is where the priority would remain for government.

The Hon. LYNDA VOLTZ: But you just said that the reason Newcastle will not work is that industry would be deciding to go through Sydney anyway.

Mr BETTS: Yes. Remember that the port of Newcastle was in public ownership at the time, so as much as anything it was put in there as a safeguard against a non-commercial government intervention which may or may not materialise and as a backstop to give investor certainty. I imagine that was the context in which it was requested.

The Hon. LYNDA VOLTZ: A non-commercial government intervention?

The CHAIR: They thought Labor was going to get back in.

The Hon. LYNDA VOLTZ: And why put a port in there.

Mr RUMBLE: I just want to add that in terms of these kinds of transaction, particularly with international bidders, they quite often look for the terms within the contracts to reflect government policy to give them certainty in relation to investment and also soften risk. If you look at Sydney Airport and the fact that when the long-term lease of Sydney Airport took place there was in that document a first right of refusal for the acquirer of that lease in relation to any other airport developed in the Sydney basin. If you look at even something recently like the Cross City Tunnel where there was a renegotiation clause which provided for the fact that if a decision was made to reduce the traffic speed below 80 kilometres an hour then there would be a renegotiation under the contract to try to provide the equity—

The Hon. LYNDA VOLTZ: But they are all exclusion clauses to exclude within a certain area, and the light rail was a good example where public transport could not go in within a certain area around it. This is actually a clause, according to Mr Betts, that has been put in to preclude a future government making a decision, is it not?

Mr BETTS: I did not say to preclude.

The Hon. LYNDA VOLTZ: It was on the basis that a future government might make a decision to do it.

Mr BETTS: Yes. As it is characterised in the NSW Ports submission, which I agree with, it is effectively a pre-payment of the landside costs that were associated with doing that, but it was designed to give greater certainty around future government intentions. There is nothing that precludes any government—

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The Hon. LYNDIA VOLTZ: That is the NSW Ports submission that says they did not know anything about it, is it? They say they were not aware of its existence until recently.

Mr BETTS: My point is that that clause does not preclude—which was your word—container traffic going through Newcastle, but it does provide greater certainty, which is the main game for investment in Botany and, in the longer term, Kembla.

The CHAIR: I will now move to Ms Faehrmann for three minutes.

Ms CATE FAEHRMANN: Mr Rumble, we heard from Mr Carmody earlier, who said that essentially the impact on the Hunter community would be devastating in the Hunter region in terms of the economics of the region would be devastating if the port of Newcastle was not able to diversify due to the weakening global demand for coal. I am interested in your response to that.

Mr RUMBLE: What I would say first of all is that the port and the uses that the port would be put to was all open and transparent at the time of the transaction and at the time that the long-term lease was entered into. There was no doubt over what the Government's policy was in relation to both Newcastle port, Port Botany and Port Kembla and I understand that there is continuing work to look at diversification around the port and what can happen going into the future, and that work is still underway and it is still happening. We are talking about something that even with the capacity of Port Botany in terms of a future container port there was no likelihood anyway of that happening until 2040 or 2050 based on existing capacity. I think diversification of Newcastle will happen over time and is happening over time, but I do not think that it is a fair contention to say that a port operation which was entered into in an open and transparent commercial deal has led to a situation which will be devastating. I think it was well-known to everybody at the time the transaction was entered into what Newcastle port was doing and what the Government's long-term strategic plans were.

Ms CATE FAEHRMANN: Yes. I think you have just alluded to it in your response but diversification is necessary to avoid an impact down the track that could be devastating for the Hunter economy due to the weakening global demand for coal.

Mr STAPLES: I think we are talking about markets now. Obviously when we reviewed the port and freight strategy consultation last year we took advice from industry about the long-term forecast in terms of coal demand. We still think that there is strong demand. Obviously that is a future so we are not certain on that. We support the port in wanting to diversify its markets. We are simply saying with containers, in that particular market, there are a number of dynamics around that both landside and portside, and the seaside, that we need to take account of and therefore we are prioritising Port Botany. But there are other bulk goods opportunities for them. There are more opportunities for passenger tourism type things. We will continue to explore all of those with the port very actively.

The Hon. SCOT MacDONALD: Mr Rumble the Committee heard recently of a case that was being mounted about a conspiracy over the port container deed. Just to be clear in my mind, the strategy and the framework that these contracts and deeds were entered into was a port strategy going back sometime—I think we heard even to 1970 but certainly the 2005 port strategy. Is it fair to say that this deed is a reflection of a longstanding strategy?

Mr RUMBLE: What I would say is that the strategy is definitely in place in terms of Port Botany being the location for the main container terminal. Leveraging the private and public investments that have been made there had been a long-term policy, so that is correct. That was reflected both back in 2005 and also in the strategy in 2012. That reflected the primacy placed on Port Botany in supporting private and public investments around Port Botany for containers and also the logistics network.

The Hon. SCOT MacDONALD: In 2003 the Port Kembla Container Terminal Task Force broadly had the same strategy about the priority of where containers go?

Ms CATE FAEHRMANN: And Newcastle. You might as well throw that in while you are at it.

The Hon. SCOT MacDONALD: Yes. Essentially, the contract, the PCD, is a reflection of that strategy?

Mr RUMBLE: Yes, that is correct. What we would say is that the port commitment deeds were a reflection of existing government policy at the time that they were entered into. We provided in the government response a plain English version of the PCD which is basically along the lines of 30,000 TEUs at that time, escalated at 6 per cent. If container volumes went over that in relation to Newcastle over that threshold then there would be a pass through of the wharfage costs. There are also a number of qualitative factors that needed to be met too. That needed to be for over a period of two years but there also needed to be a causal connection between the increased movements in Newcastle and a drop-off in Kembla or Botany.

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The Hon. SCOT MacDONALD: I think that is in the submission. Mr Rumble, in your experience in Treasury it would be unusual not to have those sorts of protections that we are talking about for potential investors; in other words, locking in government policy?

Mr RUMBLE: As I was mentioning before, obviously it is on a transaction basis based on what is commercially negotiated but it is quite common across a range of contracts to reflect government policy to provide investment certainty to the market.

The Hon. JOHN GRAHAM: I thank the witnesses and Mr Rumble in particular for taking on notice some of those questions. I want to be specific about what the Committee is asking to be taken on notice. Who signed the commitment deeds and in what capacity did they sign in relation to both deeds?

The CHAIR: As long as the secretariat understands the detail that will be the question that will be sent in writing to the witnesses. I wish we had more time but we do not. Questions on notice will be sent to you as quickly as possible and we would like answers to those questions by 11 February.

(The witnesses withdrew)

(Short adjournment)

MARIKA CALFAS, Chief Executive Officer, NSW Ports, affirmed and examined

The CHAIR: Do you wish to make a brief opening statement?

Ms CALFAS: Thank you for the opportunity to address the Committee today. I have worked in the New South Wales ports sector for the past 18 years, and for the past three as the chief executive officer of NSW Ports. NSW Ports is 80 per cent owned by Australian superannuation investment funds that invest on behalf of six million Australians. In 2013, we acquired the 99-year leases for Port Botany and Port Kembla from the New South Wales Government for \$5.1 billion. Over the past 40 years Port Botany has become the backbone of the New South Wales economy, contributing more than \$3.7 billion a year to the State's economy and supporting more than 25,000 jobs.

Our submission to the inquiry and other submissions argue that a container terminal at the Port of Newcastle does not make sense now. It is the wrong place and now is the wrong time. We say it is in the wrong place because 80 per cent of the incoming containers at Port Botany travel no further than 40 kilometres from the port gate. At that location, they are delivered to businesses and warehouses and the goods are unpacked and then delivered. They are delivered mainly to the Sydney market because that is where 60 per cent of the population of New South Wales lives. If those containers were to be delivered to a port at Newcastle, they would have to travel 160 kilometres to 200 kilometres back to the Sydney market instead of 40 kilometres. Less than 2 per cent of the containers coming into Port Botany are destined for the Newcastle, Hunter and Central Coast catchments. That is fewer than one container in every 50.

It is not only about the location but also the timing. It is premature for a fourth container terminal anywhere in New South Wales at this time. Port Botany is less than half full. The port handles 2.6 million twenty-foot equivalent units [TEUs], and it has the capability to handle more than seven million. Port Botany also has three competing stevedores. They not only compete with each other but also with Port Melbourne and the Port of Brisbane. Introducing a fourth container terminal prematurely into New South Wales would mean higher prices for New South Wales importers and exporters. We would have more capital and operating costs that would need to be spread over the same number of boxes or containers we are now handling. That means higher prices for New South Wales families and businesses.

In fact, a container at port at Newcastle would require billions of dollars of extra taxpayer investment to support the more than 2,700 extra truck movements a day that would be generated by the proposed container terminal, and most of those trucks would be travelling on the F3 between Newcastle and Sydney. That assumes that half the container volume would be on rail, which is not possible without billions of dollars in public funding to duplicate the main north rail line to separate passenger and freight rail. A container terminal now at the Port of Newcastle would add to public works expenditure and increase costs for importers and exporters.

The port commitment deeds mirror the well-planned New South Wales Government strategy for port development. The Port of Newcastle port commitment deed is an arrangement between the Port of Newcastle and the New South Wales Government willingly agreed to by the Port of Newcastle shareholders. NSW Ports is not a party to that deed. The Port of Newcastle is now seeking to increase its business value by claiming that the sale conditions are unfair without negotiating with the New South Wales Government in compensating New South Wales taxpayers. To date, no credible evidence has been presented to support a change to existing government port strategy.

Imposed retrospective changes to government agreements impact on investments in this State. They affect the State's reputation and its attractiveness as an investment destination and have the potential to impact our prized credit rating. Making these sorts of changes should be approached with a great deal of caution. I thank the Committee for inviting us to be part of this inquiry and welcome the opportunity to discuss the New South Wales container market and the importance of dependable port planning that underpins this State's economic growth and our standard of living.

The Hon. LYNDA VOLTZ: You refer to close proximity to the container market within 40 kilometres of the port. Given that I live 15 kilometres from Parliament House and takes me more than one hour to drive here, what does that mean in travel time compared to the Port of Newcastle?

Ms CALFAS: There is obviously a direct relationship between distances and travel time. The reality is that there are issues at certain times of the day in terms of congestion. A number of container operations at the port operate outside peak hours; the port traffic is spread flatly across the day. It is the peak-hour commuter and non-port traffic that affects the peak periods. Broadly speaking, the container traffic is affected by commuter congestion. That is why it is important there is investment in infrastructure to support all of Sydney's growth and not only Port Botany.

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The Hon. LYNDIA VOLTZ: But there is specific investment to support Port Botany as part of the WestConnex project, is there not?

Ms CALFAS: No. There has been investment to support Port Botany since the late 1900s, and it has been identified as the State's container port since that time. There was further investment by the State as well when the port was expanded. That was approved in 2005 and it brought extra capacity on line. There has been road and rail infrastructure investment over the past 40 years that has given Port Botany quite good road and rail connectivity. There continues to be investment in that rail—

The Hon. LYNDIA VOLTZ: I wonder why you are arguing against public investment in the Port of Newcastle and arguing for it in Port Botany. What is the difference in your argument?

Ms CALFAS: We are not arguing against public investment in the Port of Newcastle. We are saying that additional investment would be required in order to support a container terminal at Newcastle.

The Hon. LYNDIA VOLTZ: But additional investment has also been required since the 2012 changes at Port Botany.

Ms CALFAS: The projects currently on foot—WestConnex and Sydney Gateway—do not materially impact on the traffic to and from Port Botany. Port Botany will benefit tangentially from them. For example, WestConnex and the gateway do not connect to Port Botany; the WestConnex gateway connects WestConnex to Sydney Airport. There will be some flow-on benefit for traffic departing from and arriving at Port Botany. However, on the whole those investments are being made to address the broader Sydney growth needs and the broader population and business needs of this State. They do not directly connect to Port Botany or provide significant additional benefit to the port.

The Hon. LYNDIA VOLTZ: Your argument is that none of the investment in WestConnex has been specifically about Port Botany?

Ms CALFAS: The investment in WestConnex will have a benefit to Port Botany but Port Botany is not the driver of those investments. As you heard from Ken Kanofski in the previous submission, 1 per cent of the volume on the M4 and the M5 are container trucks. Around Port Botany only 14 per cent of the traffic on the roads immediately around Port Botany are container trucks. Once that moves from the immediate gate of Port Botany to the M5 East it drops down to 2 per cent. The majority of the traffic on the roads around and connecting to and from Port Botany are not container trucks; they are commuter vehicles, commercial non port related vehicles.

The Hon. LYNDIA VOLTZ: What about the exits to the container holding areas off WestConnex at Tempe and Saint Peters?

Ms CALFAS: Could you explain that a little more?

The Hon. LYNDIA VOLTZ: There is a container terminal down where the Nigel Love Bridge comes across, which is now getting an exit off WestConnex straight into the container terminal, the holding area. Is that about Port Botany?

Ms CALFAS: I am not aware of the exit that you are referring to. If you are referring to the Tyne empty container park my understanding is the majority of the land that the container park sits on is going to be resumed as part of the WestConnex gateway. I am not sure if I understand exactly what you are referring to.

The Hon. LYNDIA VOLTZ: You said in your submission that 80 per cent goes to businesses and warehouses within 40 kilometres of the port, which then mainly goes to the Sydney market. What proportion goes to the Sydney market and what is then carried outside the Sydney market?

Ms CALFAS: I do not have the stats on exactly the amount of goods proportionally that would travel outside the Sydney market. In terms of containers, there are less than 2 per cent that travel to the northern part of New South Wales in the Hunter, Newcastle, Central Coast catchment. But the goods in those containers are serving the population needs of this State.

The Hon. LYNDIA VOLTZ: The point I am making is that you are saying 80 per cent go to warehouses and businesses in Western Sydney, but they are not stopping there, are they? If they are going to warehouses they are going out somewhere else after that—you say mainly to the Sydney market. What is the proportion that is mainly staying in the Sydney market and what is the proportion going outside the Sydney market?

Ms CALFAS: The goods in the containers are serving the people, the population centres. Sixty per cent of the State's population is in the Greater Sydney region. The majority of the goods are serving those people. The rest of the goods go out to—

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The Hon. LYNDA VOLTZ: What is the proportion?

Ms CALFAS: Outside of Sydney I do not have the answer to what proportions.

The Hon. LYNDA VOLTZ: Could you take it on notice and see if you could find out?

Ms CALFAS: No, I do not have access to that information.

The Hon. JOHN GRAHAM: It is closer to 60:40 rather than 90:10. It is closer to the population share?

Ms CALFAS: It would be closer to the population, absolutely.

The Hon. LYNDA VOLTZ: That is an assumption you are making?

Ms CALFAS: About the goods?

The Hon. LYNDA VOLTZ: Yes.

Ms CALFAS: Well, it would be. So 42 per cent—

The Hon. LYNDA VOLTZ: I am asking is it a statistic you have seen or is that an assumption you are making?

Ms CALFAS: The nature of the goods in the containers reflect where they are going to. They are clothing, they are shoes, they are furniture—

The Hon. LYNDA VOLTZ: I understand that. What I am asking is whether you have seen a figure or are you making an assumption?

Ms CALFAS: The figure that we have is that 42 per cent of all goods in a Sydney household have come in through Port Botany, almost half. It means that if 60 per cent of the people live in Sydney then at least 60 per cent of the goods are for the Sydney market and the remainder of the goods will be distributed according to population outside of that.

The Hon. LYNDA VOLTZ: You do not have a figure?

Ms CALFAS: I do not have a figure.

The Hon. LYNDA VOLTZ: You say, "NSW Ports is not a party to this deed and was not aware of its existence until recently." When were you aware of the existence of the pass-through payments?

Ms CALFAS: When it was mentioned in the *Newcastle Herald* back in 2016.

The Hon. LYNDA VOLTZ: That is not recently, that is a few years ago.

Ms CALFAS: That would be within two years.

The Hon. LYNDA VOLTZ: Was it 13 September 2016?

Ms CALFAS: I could not give you a date, but we learnt about it through the media releases.

The Hon. JOHN GRAHAM: That seems quite extraordinary. One of the arguments this morning has been whether or not the arrangements were secret. It seems quite extraordinary that you found out when this was in the paper.

Ms CALFAS: We have our port commitment deeds. We have the Port Botany and the Port Kembla port commitment deeds, which are deeds between ourselves and the New South Wales Government. We are aware of those deeds and we are aware of the conditions that are included in those. The fact that the State entered into a separate deed with the Port of Newcastle does not involve us, it is a matter entirely between the State and the Port of Newcastle.

The Hon. JOHN GRAHAM: You were paying close attention to this. You had a commercial interest in doing it. If it had been possible to find out you would have known earlier.

Ms CALFAS: We did not take an interest in trying to find out, to be honest. We had our arrangement.

The Hon. JOHN GRAHAM: If it appeared in the newspaper it would have been drawn to your attention; you certainly would have known then. But it was not until that occurred some time later that you were aware these commitments had been made in the deed?

Ms CALFAS: That is correct. We were not aware until we read about them in the newspaper.

The Hon. JOHN GRAHAM: When the government agencies turned up this morning and described this as an "open and transparent commercial deal," do you have a view that you want to volunteer today to explain why the public was not told?

Ms CALFAS: I could not speculate on why the public was not told and whether the Government had a particular reason or how they approached it. What I could say is that the parties—as the Government said in previous submissions—all knew about the deeds they were signing up to. The Port of Newcastle knew about their deed. The Port of Newcastle knew about our deeds. We signed our deeds obviously prior to the Port of Newcastle signing theirs.

The Hon. JOHN GRAHAM: Do you accept that the effect of the commitments being made is to make a Port of Newcastle container terminal uneconomic? That is the purpose and effect of these arrangements. Do you agree with what I think is a commonsense fact, but one that seems to be contested?

The Hon. TREVOR KHAN: Point of order: My point of order goes to the issue of sub judice. What the member is using is a precise terminology and it may go to the heart of the proceedings currently before the court. It would be most inappropriate for this witness to speculate on these matters.

The Hon. JOHN GRAHAM: To the point of order: My colleague knows I always attempt to be precise. It is up to the witness to make a judgement about whether or not it is sub judice.

The CHAIR: I will decide that.

The Hon. LYNDA VOLTZ: It does go to a point that Mr Betts made in his submission earlier in the hearing.

The CHAIR: I ruled on a similar point of order earlier. Ms Calfas, you are free to be unable to answer the question. If that is the case let us move on.

Ms CALFAS: Thank you. What I can say about the port commitment deeds is that the port commitment deeds do not drive the suitable locations for container terminals in this State. The container supply chains and the container markets drive the suitable locations for container terminals. Given that 80 per cent of all incoming containers travel within 40 kilometres of Port Botany, that remains unaffected by the port commitment deeds. The other point I would make about the port commitment obligations that the Port of Newcastle reportedly have—and it goes to a point made by Mr Carmody earlier today—he says that the Port of Newcastle knew they were buying a coal port and they paid for a coal port. The Port of Newcastle paid for a coal port. They paid for a port that had certain conditions associated with it for containers. NSW Ports paid for a container port. We paid \$5.1 billion for that port on the understanding of what was longstanding bipartisan government policy about supporting container terminal development at Port Botany until it was nearing capacity. The Port of Newcastle is trying to plead that they need those conditions removed four years after purchasing the port.

The CHAIR: I call you to order, Ms Calfas. You are starting to hypothesise as to what a party in legal proceedings may or may not present as a case.

Ms CATE FAEHRMANN: Ms Calfas, I refer to the Port of Newcastle's submission. They outline details of a Deloitte Access Economics report, "New South Wales container and port policy plan." Are you aware of that report by Deloitte Access Economics?

Ms CALFAS: I am aware of that report.

Ms CATE FAEHRMANN: They have outlined in their submission that by 2050 one third of New South Wales' total container trade will come from or go to the Port of Newcastle catchment area. The figures you used in your opening statement were Newcastle City or the Hunter, but the catchment area is much bigger than that. It says that container trade will equal around 1.1 million TEUs in 2050 and that Port Kembla's catchment of southern New South Wales will only produce and receive 450,000 TEUs in 2050. Are we expecting a greater share of TEUs or demand in regional areas in 2015? Why is there such a stark difference between what the Port of Newcastle is saying and what you are telling the inquiry today?

Ms CALFAS: I cannot comment on where the Port of Newcastle is getting its figures from.

Ms CATE FAEHRMANN: This is a Deloitte Access Economics report.

Ms CALFAS: I think we need to question—and I am pleased at the inquiry is doing that—and scrutinise some of the statements made not just by Port of Newcastle but also by their consultants. The Deloitte Access Economics report, for example, indicates that the Port of Newcastle catchment is about half of New South Wales and that the Port of Newcastle will attract 100 per cent of volume from that half of New South Wales, which includes Western Sydney. If you take the view that a container from Western Sydney will travel 160 kilometres

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to the Port of Newcastle, as distinct to 40 kilometres to Port Botany, then you will have the view that the market support for Newcastle is huge. We do not agree with that view. The goods in the containers are going to the population centres. The volumes will grow for regional New South Wales and for metropolitan New South Wales as the population grows.

We know that only 2 per cent of the incoming containers currently service what we say is a broader Port of Newcastle market, the Hunter; that is, the Central Coast and Newcastle, the north and north-western part of New South Wales. In terms of longer term growth, we have looked at some analysis that says if you are going to have container growth, how does it move with the changing demographics and economics? The Greater Sydney Region plan shows that the population and economic hubs of New South Wales are shifting west and south-west of Sydney, so they are getting closer to the Port Kembla region. The analysis that we have done shows that post 2040—and 2046 was the number that popped out—when New South Wales is handling 6.5 million TEUs, if it is handling that volume, 5 million of that would preferentially go to Port Botany and 700,000 of that would preferentially go to Port Kembla and 400,000 of that volume would preferentially go to Newcastle. Yes, there will be growth in the Newcastle catchment area, but it is not at the same rate as metropolitan and south-western Sydney.

Ms CATE FAEHRMANN: Mr Carmody also spoke, during his opening statement, about the international containerisation trend towards much bigger ships. The number of other submissions also referred to the limits of Port Botany to accommodate what are called Panamax and maxi-sized ships. Is Port Botany able to accommodate those ships?

Ms CALFAS: What Mr Carmody said was interesting. Port Botany is actually a premium container port including for the country. Port Botany has depths capable of handling vessels that are greater than 10,000 TEUs. We currently have berths that are capable of doing that. We have quay cranes at those berths that can handle vessels upwards of 12,000 TEUs. I am not 100 per cent sure of where he is getting those statistics from. The other point I would like to make is that right now Newcastle cannot. Newcastle's channel has declared depths, which are publicly available, of 15.2 metres, which is shallower than Port Botany. Newcastle's Mayfield berths are 7.8 metres and 12.8 metres. You need 16.5 metres to 17 metres for those very large vessels Mr Carmody was talking about. Port Botany has 16.5 metre depths at berths. You have questions around whether the channel of the Port of Newcastle can even accommodate those 18,000 TEU vessels. You should see them; they are absolutely enormous. They have huge box fronts—

Ms CATE FAEHRMANN: Are there limitations on the number of big ships that can fit in Port Botany at any one time?

Ms CALFAS: Of course, there are always limitations on what a port can accommodate, limited by infrastructure.

Ms CATE FAEHRMANN: What is that limitation for those maxi ships?

Ms CALFAS: Port Botany has 12 container berths and at least four of those berths have 16.5 metre depths—

Ms CATE FAEHRMANN: What is the capacity of Port Botany to accommodate the larger container trains? Various submissions suggest that 1,500 metre trains are most efficient at carrying containers and Port Botany cannot accommodate those trends.

Ms CALFAS: You have to be mindful that the logistics supply chains are unique to every market; you cannot pick up one from somewhere else in the world and say that that is going to apply here as well. Port Botany is geared towards 600 metre trains, short haul rail that goes to intermodal terminals—Enfield, Moorebank, Minto, and the future Western Sydney intermodal. They are within the 40 to 60 kilometre catchment from Port Botany. That was reinforced in 2005 with a report by the Freight Infrastructure Advisory Board, led by Laurie Brereton with a recommendation to Craig Knowles, the then Minister for Planning and Infrastructure. The recommendation was that government policy should focus on 600 metre port shuttles with intermodal terminals at Enfield, Moorebank and a future Western Sydney. That is what all the planning has been geared up to do. Remember, that was 2005; we are now 2018. Enfield only came online in 2016. Moorebank has yet to come online. These things take time. The whole strategy is around 600 metre short haul port shuttles, and that is unique to our market because we have a specific market need. As NSW Ports, we have a target of 3 million TEU on rail. We just announced \$120 million of investment—

Ms CATE FAEHRMANN: By when?

Ms CALFAS: It is a long-term target; we have set we are trying to get there over 30 years. Do not forget, volume is going to grow. We are already at 18 to 20 per cent rail mode share; 450,000 TEUs are already on rail. That is where we are driving. We committed just a couple of months ago to investing \$120 million at Port

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Botany for further rail investment to improve the rail capacity. I would like to make one other point, in response to something else Mr Carmody said. He said there are no ports on the East Coast that have on-dock rail. Port Botany has on-dock rail; all three stevedores have on-dock rail. We are the envy of the ports on the East Coast of New South Wales.

Ms CATE FAEHRMANN: I would like to check on the statistics. You said three million TEUs by rail within 30 years. What is the TEU by trucks within 30 years?

Ms CALFAS: By trucks, I think somewhere between 6,000 and 8,000 trucks.

Ms CATE FAEHRMANN: Is that per day?

Ms CALFAS: Yes, correct.

Ms CATE FAEHRMANN: Those trucks will be coming out of Port Botany by 2048.

Ms CALFAS: It is going to come down to what the volumes are. Our master plan, which we released in 2015 and is public because it is on our website, shows that if we are handling 7.4 million TEUs in 2045, which was a number we used, we are aiming for 40 per cent of that on rail, which is about 3 million.

Ms CATE FAEHRMANN: How many TEUs on average on trucks?

Ms CALFAS: At the moment the number is about two TEU. Ideally, we want to shift that number up, and part of the objective is to get more on trucks.

Ms CATE FAEHRMANN: Bigger trucks?

Ms CALFAS: Better utilised trucks is the opportunity. Some of them are bigger, but there is also the opportunity to utilise them better so you have full loads going in each direction to reduce the number of trucks that you need.

Ms CATE FAEHRMANN: You mentioned undertaking traffic modelling. How have you modelled the expected increase in containers? Has NSW Ports conducted any studies in relation to traffic and congestion impacts around the port, or is that all the work of the Government?

Ms CALFAS: We undertook some analysis of the actual truck and non-truck movements around Port Botany last year or the year before. We have done it in the last two years. That is why I can say to you that 14 per cent of the vehicles around Port Botany are port container trucks. The remainder on non-port commercial vehicles.

Ms CATE FAEHRMANN: Considering what the Committee is looking at, that analysis would be very useful. Is it a public document?

Ms CALFAS: It is not, but I am happy to provide it.

Ms CATE FAEHRMANN: Thank you very much.

The Hon. TREVOR KHAN: Can I just go back to the new Panamax, and larger, container vessels? That is the correct terminology, is it not? They are plus-10,000 TEUs. Is that right?

Ms CALFAS: I think the Port of Newcastle is saying that they are looking at 18,000 TEUs.

The Hon. TREVOR KHAN: Right. Let us just deal with what is the normal-size vessel that is coming into Port Botany now.

Ms CALFAS: Our average vessels are probably between 5,000 and 6,000 TEUs, but we have vessels coming in at 8,500 or 8,700 TEUs and they are more recent addition into the fleet, but they are coming in and they are being serviced. The importance here is that they have got to be able to be serviced and Brisbane, Melbourne and Sydney. The introduction of these larger vessels is coming off the back of the three east coast container ports being able to handle that size vessel.

The Hon. TREVOR KHAN: Let us be clear about this. When an importer or a shipping company is coming into Australia, are you saying that they want to be able to service the three major ports on the east coast. Is that right?

Ms CALFAS: That is correct. We are a small market. Australia is a small market by global standards and we are far away, so actually you need to have an ability to call Brisbane, Sydney, Melbourne, or at least Sydney, Melbourne.

The Hon. TREVOR KHAN: Port Botany is capable of handling vessels up to what size at the moment?

Ms CALFAS: In our master plan we have said we can handle vessels around 12,500 TEUs. That is what we said.

The Hon. TREVOR KHAN: That is the new Panamax size. Is that right?

Ms CALFAS: I want to avoid getting caught in definitions because different places use different definitions. If I can stick with the number of TEUs, that would help.

The Hon. TREVOR KHAN: But they are not coming here now, even though Port Botany can service them?

Ms CALFAS: They are not coming here now for a few reasons. One is that the market does not need it. The market does not have the volume for it. The other is that you cannot get the vessels in at all ports. We are really are at the point of 8,500 TEU vessels, which is where we think the market is. We think that the 10,000 TEU vessels are still some decades away.

The Hon. TREVOR KHAN: Some decades away?

Ms CALFAS: Yes.

The Hon. TREVOR KHAN: So the concept of "Build it and they will come" suggests "Build it and they will not come." Is that what you say?

Ms CALFAS: I think if you look at the market for containers and the container supply chains and where the volume is going, I think you work out pretty quickly where the container terminals are best located in this State.

The Hon. TREVOR KHAN: Even if you had a Port Botany that is capable of doing 16,000 TEUs, are you saying that the ships would not be here for decades?

Ms CALFAS: That is our view, yes.

The Hon. TREVOR KHAN: Let us just go to Newcastle if the 16,000 TEU vessels go up the channel, what sort of tonnage are these vessels?

Ms CALFAS: I do not have the information on the tonnage, but they are very, very large vessels.

The Hon. TREVOR KHAN: In terms of "very, very large", like 400 metres long, or thereabouts?

Ms CALFAS: Yes, about 400 metres long. They would be at least 58, 60 or even more metres wide. They are quite deep and it depends whether they are fully laden or not fully laden. There are a number of considerations for container vessels in actually being able to get up the rivers. A good parallel is actually Melbourne at the moment where they are trying to deal with whether the eight and a half thousand TEU vessels and larger can even get up their channel. It is not just about having water. You actually have to have quite a wide expanse of water, and Newcastle has a river so it is constrained in its width.

The turning circle would have to be, by rule of thumb standards, one and a half times the length of the vessel in good weather conditions as a minimum. You have got questions around the turning circle: Can the vessels turn in the river? When you have got swell conditions, you have got to have deeper depths as well. The Port of Newcastle may well be tidally limited also. But as this enormous vessel goes up the river, it forms like a big plug going up and then you have got the hydrodynamic forces of the water that is pushing against adjoining ships and against the infrastructure. All of that needs to be considered.

The Hon. TREVOR KHAN: Let me just stop you there. Where this container terminal is to be apparently receiving these 16,000 TEU vessels is approximately opposite the coal-loading facilities on the river. Is there potential for effect upon the ships berthed on the opposite bank, effectively?

Ms CALFAS: It would definitely need to be looked at in a lot of detail.

The Hon. TREVOR KHAN: If they have to dredge as you have described to get to those depths, do you know what the impact on the Hunter River of dredging would be in that area?

Ms CALFAS: No. I would have no idea about that. It is a substantial amount of dredging, though, to get to that 16 metres or deeper depth. I know that at the moment Newcastle already has to dredge 600,000 cubic metres a year, just to keep the channel free of impediments for shipping. At Port Botany we do not have that impediment. We have a naturally deepwater channel, which makes it such an attractive port to operate in.

The Hon. TREVOR KHAN: You are aware of the Victorian infrastructure assessment done for the port facilities in Victoria, are you?

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Ms CALFAS: Yes I am, but at a broad level—not in detail.

The Hon. TREVOR KHAN: The basic position the Victorians have taken in terms of the development of a second port for Victoria, which would be West Bay, I believe, is the intention that that be developed only once the Port of Melbourne is at or near its capacity. Is that right?

Ms CALFAS: My understanding is that that is the recommendation from Infrastructure Victoria and they have indicated that that time is about eight million TEUs at the Port of Melbourne.

The Hon. TREVOR KHAN: That strategy of allowing the existing port to reach at or near its capacity is because of the economics and the supply chain logistics. Is that what it is?

Ms CALFAS: That is correct. It is the fact that you have enormous amounts of investment that is required to get a container terminal up and running. It is billions of dollars. Even Mr Carmody said that the Newcastle one would be \$1.8 billion, just from the port-end investment. So you have got billions of dollars of investment that you then have to recover somehow. The best way to do that to keep the prices low is to recover it over the maximum number of containers that you can possibly do so, so that you do not push up the prices.

Scale is really important. The Australian Competition and Consumer Commission [ACCC] in its container stevedoring monitoring report in 2014 pointed to the fact that scale in stevedoring at ports is essential. Basically they identified that if you do not have that scale you will run at losses, and initial entrants will run at losses for a number of years. That is the situation we have at Port Botany at the moment. The new third operator came in in 2013. They have made consecutive losses five years in a row. Last year's loss was even bigger than the one before. They are handling 13 per cent of the market share at Port Botany, which is about 360,000 TEUs. So at 360,000 TEUs, they cannot make their terminal profitable. They have to get more scale to make it profitable. Introducing a fourth container terminal now makes absolutely no sense because all you are going to do is have, potentially, two stevedores that cannot actually get profitable operations.

The Hon. TREVOR KHAN: Or indeed you will have four stevedores all cutting each other's throats and all making no money.

Ms CALFAS: That is entirely possible, at which point you may lose one or more of those. If you do that, you actually set back decades of government planning around introducing competition into the stevedoring market to improve productivity. That has been a bipartisan longstanding plan.

The Hon. TREVOR KHAN: You were involved in ports infrastructure, if I can describe it that way, in 2005, were you not?

Ms CALFAS: I was; correct.

The Hon. TREVOR KHAN: The position of the former Labor Government was to develop Port Botany and not proceed with any other container terminal before Port Botany had reached at or near capacity. Is that not right?

Ms CALFAS: That is correct, in the 2003 ports growth plan.

The Hon. TREVOR KHAN: I am not being rude: That was Mr Carr's ports growth plan.

Ms CALFAS: It was Mr Carr; correct.

The Hon. TREVOR KHAN: The consistent position of governments of both political colours has been concentrate on Port Botany, get it at or near capacity—seven million TEUs—and only then move on to the development of another port. Is that right?

Ms CALFAS: And it goes back before that too. It goes back to the mid-1900s.

The Hon. TREVOR KHAN: What? The 1950s?

Ms CALFAS: The 1950s.

The Hon. TREVOR KHAN: The position that Victoria has taken is develop your port up to at or near its capacity before moving on to a second. That is right?

Ms CALFAS: Correct.

The Hon. TREVOR KHAN: And the same position, perhaps unsurprisingly, has been the position of governments of both political colours in New South Wales.

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The Hon. LYNDA VOLTZ: Point of order: I do not mind the Hon. Trevor Khan using comparisons with previous Labor governments, but ignoring things such as caps on container ports and the past repayments in sweeping statements—

The Hon. TREVOR KHAN: That is not a point of order, Chair.

The CHAIR: Order! The Hon. Lynda Voltz will please continue.

The Hon. LYNDA VOLTZ: To make such a sweeping statement that this has been the position of previous governments without looking at the agreements that were in there and are in now is not accurate. Really, it is misleading to link those statements.

The CHAIR: I have heard enough. I do not uphold the point of order. The Hon. Trevor Khan is asking the witness for the witness's recollection of her own involvement in planning. I will allow the question but let us not carry on too long with the hypothesis.

The Hon. TREVOR KHAN: Ms Calfas, this is how intimate your knowledge of this is: you even gave evidence before an inquiry in 2005 before this very Parliament, did you not? That is how intimate your knowledge of how this works is, is it not?

Ms CALFAS: I did. I think it may have been 2003. It was at the time of the considerations around the Port Botany expansion project.

The Hon. SCOT MacDONALD: What would be the consequence for NSW Ports if there was a U-turn on government policy? You have got a \$120 million plan for the rail around Port Botany, a change of government, if you like, and we have got noises from the Opposition that they are going to turn Newcastle into a container terminal. What would be the consequence for NSW Ports?

Ms CALFAS: It is an important point. Since taking over the management of the ports, together with the tenants we have invested \$1.6 billion over the last five to six years. We have already got \$400 million in the pipeline still for investment. So obviously decisions that are made that are imposed and they are retrospective do affect business confidence and the ability of businesses to rely on that long-term strategy. A lot of our leases, because it is such big investment our leases with third parties are quite often 20 to 30 years long, some of them are even longer. So it does affect the appetite and the confidence that other parties also have wanting to invest in the ports in New South Wales.

The CHAIR: I will now allow one question from each group. Ms Voltz?

The Hon. LYNDA VOLTZ: How would the inclusion of a cruise terminal at Port Botany impact on your operations?

Ms CALFAS: We have said that the two areas that we are looking at in terms of cruise activities is their interface with current port operations and forecast port operations. So it is very important that any cruise terminal that may or may not be built does not impact on the ability of the port to grow to handle the future needs of both containers and also bulk liquids for the State over the longer term. The other area that is obviously important to us is traffic movements to and from a cruise terminal and that would be something else that we think needs to be paid particular attention. They are the two areas that we see the biggest interface between a cruise terminal and the port operations.

Ms CATE FAEHRMANN: Just in reference to the Ports Assets (Authorised Transactions) Act 2012, as you are aware does it authorise the Government to make support payments to NSW Ports and, if so, what section of the Act?

Ms CALFAS: I am not familiar with whether the Act itself authorises the New South Wales Government to make payments.

Ms CATE FAEHRMANN: Would you be able to take that on notice?

Ms CALFAS: I can take that on notice, yes.

Ms CATE FAEHRMANN: And also whether there is any limit on the amount of support payments by the New South Wales Government within that?

Ms CALFAS: Within the Act?

Ms CATE FAEHRMANN: Yes.

Ms CALFAS: Yes.

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The CHAIR: I just make one observation. Ms Calfas, you quite correctly said that there has been generally bipartisan support for a policy that is now approaching 70 years in its time frame. Would it not be wonderful if we had such continuity and such agreement on issues like power and water? So at least the ports seem to be being well thought about. There will be some questions on notice, I have no doubt. If you could provide us with answers to those questions by 11 February we would be appreciative. Thank you; you have been a very, very good witness.

(The witness withdrew)

NUATALI NELMES, Lord Mayor, City of Newcastle, affirmed and examined

ROBERT JOHN PYNSENT, Mayor, Cessnock City Council, and Chair, Hunter Joint Organisation, affirmed and examined

The CHAIR: Would either or both of you like to make an opening statement? If it is both of you could I ask you to be brief please?

Ms NELMES: Certainly. I would like to begin by acknowledging that we are meeting today on the traditional country of the Gadigal people of the Eora nation and that the port of Newcastle is on the land and water of the Awabakal and Worimi peoples. I thank the Committee—some of the members I do know quite well—and also the Chair for giving us the opportunity, inviting me from the City of Newcastle as well as our joint organisation, to appear before you today. Just to recap, I know that each Hunter-based member of Parliament has worked tirelessly to highlight the effect of the 99-year lease of the port of Newcastle as well as highlighting the anti-competitive contract that effectively compensates Port Kembla and Port Botany if the port of Newcastle develops a container terminal. I acknowledge the work of the members here today in that advocacy and I share the concerns of both my State and Federal parliamentarians regarding this deal.

I would also like to note that recently that concern was vindicated when it was finally revealed that the State Government had leased the port of Newcastle for \$1.75 billion, but it also required the port of Newcastle to reimburse the Government for any compensation paid to NSW Ports, and we continue to look forward to the Australian Competition and Consumer Commission [ACCC] continuing their pursuit of this matter in the Federal Court. Just to be clear: it is the City of Newcastle's view, and it is backed by independent analysis and investigation, that the port commitment deeds have contributed to additional costs for New South Wales industries who are importing or exporting from New South Wales, especially those industries based in Newcastle and northern New South Wales; that is for a range of goods—groceries, clothing, consumer electronics but also agriculture, forestry, food processing, manufacturing, including machinery and world-leading mining equipment.

The City of Newcastle simply wishes to ensure that our city and the Greater Newcastle metropolitan area are not unfairly penalised for developing a container terminal in the port of Newcastle. There are a couple of good reasons for this. The independent analysis that has been presented through the process of this parliamentary inquiry indicates that a container terminal can create a \$6 billion uplift in economic activity and create almost 5,000 jobs across a very diverse range of industry. They are similar numbers to the type of jobs that are predicted within aerospace innovation at Newcastle Airport that is also strongly backed by the New South Wales Government. Exports from the Hunter region and northern New South Wales could increase by up to \$1 billion by 2050.

Newcastle is also very fortunate geographically. It is the only place in regional New South Wales where there is national road, rail and trade routes that intersect with an international trade port. The Greater Newcastle Metropolitan Plan, which is a New South Wales Government document, outlines opportunities to better connect those trade movements across New South Wales and nationally via those significant motorways and national rail network links directly to the port of Newcastle, as well as the long-proposed Lower Hunter freight corridor, which has also been a funding commitment of the New South Wales Government and is also in Infrastructure Australia's five to 10 year commitments. Exporters, including New South Wales farmers, will save up to \$1.3 billion in freight costs by accessing a less congested and more efficient port, closer to production with world-class stevedoring capabilities. That is outlined in Glen Williams' Maritime Union of Australia submission to this parliamentary inquiry.

Lastly, but definitely not least, I note that The Nationals strongly support it. In October 2108 Deputy Premier John Barilaro said that the New South Wales farmers would absolutely benefit from being able to export through a container terminal in Newcastle. A spokesperson for the Deputy Premier elaborated on this by saying that the New South Wales Government is supportive of the diversification of the Port of Newcastle into new markets, especially if it results in greater outcomes for businesses and communities within New South Wales. We genuinely look forward to the New South Wales Government making good on this support and enabling the diversification of the Port of Newcastle rather than this anti-competitive deal that currently exists.

Mr PYNSENT: Thank you for the opportunity to address the Legislative Council's Public Works Committee inquiry into the impact of the Port of Newcastle sale arrangements on public works expenditure in New South Wales. I am the chair of the Hunter Joint Organisation of Councils, a group that represents the interests of the people that reside in the local government areas of Cessnock City Council, Dungog Shire Council, Lake Macquarie City Council, Maitland City Council, Mid Coast City Council, Muswellbrook Shire Council, the City of Newcastle, Port Stephens Council, Singleton Shire Council and the Upper Hunter Shire Council. As a group

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we come together to share a united vision on strategic planning and priority setting with a focus on delivering for our communities.

We believe that the Hunter region and its city, Greater Newcastle, has the potential to be one of Australia's great cities with a globally connected, diversified economy, talented and skilled people and a pristine natural environment. The Port of Newcastle and Newcastle Airport offer the State of New South Wales a pair of international gateways that can increase productivity, regional access and stimulate regional economic growth. I mention the airport to raise awareness of the nationally significant infrastructure in our region. The port, the airport and our national road and rail links create an opportunity for the New South Wales Government to invest in areas of the State that have capacity to grow.

The inquiry is considering issues relating to productivity, additional network investment and cost implications for the industries in the Port of Newcastle catchment. I welcome this inquiry. These are issues relevant to our members and their communities and this information will be useful in critiquing existing decisions in the current situation. No doubt the engineers and economists will offer the Committee expert opinions on the technical implications of limiting container operations at the port. Similarly, the lawyers and financiers will offer a view on the port's commitment deeds and their implications for future activities. While I will not comment on the technical elements of this topic, I can offer insights into two emerging regional growth themes. These are strategic issues for the Parliament to consider.

New South Wales is bigger than Sydney. The Hunter can take more population growth and attract economic development in a more affordable and less disruptive way compared to the recent experience in dealing with Sydney's growth. As the Hunter region's group of councils, we have invited the New South Wales and Commonwealth governments to work with us, to explore growth opportunities that attract investment while maintaining the region's livability and character. We want to collectively explore how to maximise and make resilient the current and future connectivity of the Hunter region with the global marketplace. Options for improved utilisation of the port and land surrounding the port should be fully explored as part of this exercise in order to create jobs and improve regional productivity, getting supplies to our industries and goods to market.

Similarly, the question of public works expenditure associated with freight movements must be explored in the strategic context of the inland rail project. Inland rail risks diverting economic activity from regional New South Wales to Brisbane, without adequate connections to seaports such as the Port of Newcastle. Our region is reaching out to the adjacent regions to explore how we can work together to take advantage of the opportunity offered by inland rail to strengthen regional New South Wales and create choice and competition in moving product to our markets. We need long-term planning and short-term action to create and access opportunities for the people of New South Wales. The Hunter Joint Organisation will welcome an opportunity to bring our local stakeholders into a broader conversation on how the Hunter can do more for New South Wales if New South Wales invests wisely in the Hunter.

The Hon. JOHN GRAHAM: Lord Mayor, earlier I think you heard a strong defence of the existing arrangements by the New South Wales government agencies to say that a lot of the growth will be in Western Sydney which really is what is driving this policy. A number of witnesses have been careful to provide this clarification. They have been careful to emphasise that this is the wrong time for the Port of Newcastle development. Obviously though these arrangements tie the hands of the Port of Newcastle for 50 years, not just at this time. What does that mean for the Hunter and for the north-west of the State if these arrangements are in place over that significant period?

Ms NELMES: I was here for a fair part of the Roads and Maritime Services and Transport for NSW presentation. What was concerning from my perspective, the City of Newcastle and the Hunter area, was the premise for the decision-making around why an anti-competitive agreement had to remain in place was that their predicted growth was all around Western Sydney and their distribution market was all around Western Sydney. Being regional but in a metropolitan city that has done a lot of planning work with the New South Wales Government, the Greater Newcastle Metropolitan Plan being one of those documents which feeds into the Hunter Regional Plan, which also takes from the Future Transport Plan 2056 which identifies three global gateways for transport in New South Wales. One of those is Canberra, recognising that it is in the middle of New South Wales, one of those is Sydney and the other one is Newcastle. So transport's own planning documents actually identify Newcastle as a global gateway in itself.

My concern is the premise for the decision-making and the reinforcement and the justification that they were giving was all based around a predication that all growth in New South Wales and the market was all around Western Sydney, with no future thinking or thought of other regional areas. A good example is that it is my understanding there have been on and off again plans to try to get a freight rail link or a rail link from west of the

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Great Dividing Range, around the Lithgow-type area, through to ports at either Kembla or Port Botany for quite some time. Apparently it has been one of those ongoing things in Sydney.

The Port of Newcastle—and it is identified in a number of submissions and a lot of strategic planning—actually offers the Central West that capacity. To get their goods to market is a lot cheaper and more productive to invest in linking the Port of Newcastle around the Great Dividing Range because the Hunter Valley is where the Great Dividing Range steps in on the eastern seaboard. You have that alluvial valley.

The Hon. JOHN GRAHAM: I want to ask about another bipartisan policy, that is, decentralisation in New South Wales. There is a lot of talk about it by both sides of politics and by agencies in New South Wales. One of the concerns presumably is that that policy is compromised by the fact that these restrictions restrict jobs growth and restrict population growth not just in the Hunter Valley but also in the north-west of the State. What is your view on that question?

Ms NELMES: It is exceptionally restrictive and almost counterintuitive to have a justification of these decisions being still the right decisions for Newcastle and New South Wales based on a situation that was in situ a number of years ago and then make a decision essentially to privatise that sector but still assume the decisions that were made when the ports were in government hands was going to be the right model. I think there needs to be an understanding that that has changed due to their own Government's decisions. You need to be looking at future markets. A lot of the discussion was around the container terminal movements to the distributors in and around Port Botany which, on my understanding, wanted to make sure that their investment into their distribution networks in and around Port Botany were protected. I can understand from a commercial perspective why they would want to do that.

However, none of this thinking allows any future markets and channels to open up. There is a lot of discussion about the potential and support across a number of different political spectrums for inland rail and the opportunity that that opens to the Port of Newcastle for diversification, one of those being container terminals. If that opportunity is then cut off to Newcastle for the next 50 years, or the full term of the lease depending on what happens in the future, we will lose that economic development opportunity not only for Newcastle but also for the Central West and the northern part of the State. Those containers will go to Brisbane.

The Hon. JOHN GRAHAM: We have heard a lot about bipartisan support for this policy for a long time. You have referred to the Deputy Premier's comments and I will outline them in more detail. He was asked whether western district farmers and primary producers would benefit from a container port at Newcastle. He replied, "Absolutely." He then referred to an expansion of the Port of Eden on the South Coast and was reported as saying, "Here in Newcastle you could do exactly the same in the same area." Why is the Deputy Premier turning up in the Hunter and making these statements in support of the expansion despite the fact that the Government's policy says the exact opposite?

The Hon. TREVOR KHAN: Point of order: I think that is probably the longest bow I have seen drawn. Unless this witness is going to suddenly jump into the shoes of Deputy Premier Barilaro, it is purely speculative—

The Hon. JOHN GRAHAM: I am following on from your questioning about bipartisan policy.

The CHAIR: Order! There was an element of the hypothetical and opinion. I do not think you can go down that line with the witness. I rule the last part of the question out of order.

The Hon. JOHN GRAHAM: Understood. I would like you to expand on your observations about the Deputy Premier's views on the bipartisan policy

The CHAIR: I will allow that.

Ms NELMES: I am happy to expand on that, although clearly I am not John Barilaro, with all due respect. The Deputy Premier has been fierce in his advocacy for regional communities. I believe he has an understanding of the Port of Newcastle being able to diversify like any private organisation would want to in its own market with its own capital. That should be allowed because of the benefit not only to Newcastle and the Hunter but also to New South Wales as a whole. It is my understanding—you would have to check for yourselves—that the Federal member for the Tamworth area has a similar view. They can see the benefits for businesses and economic development for northern New South Wales in being able to export to their local port in Newcastle.

The Hon. LYNDIA VOLTZ: Mr Pynsent, you would be aware of the Resources for Regions government policy, which relates to mining-affected communities. The associated projects promote the development of the economic and social infrastructure, and economic infrastructure includes roads, rail and facilities that improve the movement of freight. Given that that is government policy, how does it marry with what the Government has done in the Port Botany deed and the Hunter, and have you raised that with the Minister for Regional NSW?

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Mr PYNSENT: Not specifically. I fully support Resources for Regions. We are a coal-affected community and have benefited from a number of substantial projects under that government program. If we talk about infrastructure, we have feelers out at present on the expectation of the inland rail being a major game changer for all of the communities in the Hunter. It so important that we take that opportunity with both hands and look at export opportunities for the area.

The Hon. LYNDA VOLTZ: The intention is that the inland rail will go between Brisbane and Victoria.

The Hon. TREVOR KHAN: Melbourne.

The Hon. LYNDA VOLTZ: Which is in Victoria. Resources for Regions is focused on improving road and rail freight infrastructure. Have you applied for funding for projects in your region?

Mr PYNSENT: Very much so.

The Hon. LYNDA VOLTZ: Where have those funds been invested?

Mr PYNSENT: In road projects around the vineyard district. We have two proposals awaiting an announcement very shortly.

The Hon. LYNDA VOLTZ: Is the basis of those projects that they involve economic infrastructure and moving goods as freight to the local port?

Mr PYNSENT: And to transport tourists around our area to take full advantage of the spend. I point out that most of the wine produced in the Hunter Valley and exported does not come out of the Port of Newcastle.

The Hon. LYNDA VOLTZ: If the Government's policy is based on the improvement of freight, job diversity, growth and economic output in the Hunter region, when did you first become aware that it had a deed on the port that included a passes-through concession?

Mr PYNSENT: I was aware only through the media.

The Hon. LYNDA VOLTZ: So the Government did not consult you at all?

Mr PYNSENT: No.

The Hon. LYNDA VOLTZ: Nor the local industry?

Mr PYNSENT: Not that I am aware.

The Hon. LYNDA VOLTZ: Have any industries approached you about the need for a container terminal in Newcastle as part of its operation?

Mr PYNSENT: Yes. We have an identified transport hub on the border of Cessnock and Newcastle councils around the Black Hill region. A number of businesses are keen to invest there on the premise of the expansion of the port.

The Hon. LYNDA VOLTZ: The pass-through concession will need to be paid to the Sydney port if there is an expansion. Has that slowed investment?

Mr PYNSENT: It could well be doing that.

Ms CATE FAEHRMANN: I direct my question to both of you. Earlier today Mr Carmody talked about the potential impact on the Hunter and Newcastle regions as a result of the weakening in global demand for coal. He that said if the Newcastle port could not diversify down the track it would be devastating for the region. Do you agree with that statement?

Ms NELMES: Yes, and it is in line with a lot of thinking around policy development not only with regard to the diversification of the Port of Newcastle. When you look at planning to grow a region, and particularly the metropolitan area of Newcastle, a lot of that hinges on the growth in jobs. You are looking at not the plateauing of the volume of coal exports, because even in recent times that has increased, but the construction boom in the Hunter around mining coming off and the job numbers plateauing in line with the current extraction levels allowed as per the permits in the valley. We will still see coal being extracted for a number of years. However, if you do not plan to diversify your economic base through a wide range of job opportunities, you will stifle the growth of the city of Newcastle and the Hunter for decades to come.

Decisions that preclude private investment to diversify economic opportunities like a container terminal in the city of Newcastle, which opens up all sorts of new markets, do not necessarily compete directly with Kembla or Botany. It is about looking at agriculture, wine exports and all of the opportunities that could be unlocked through northern New South Wales and the Central West. Markets will be unlocked and products will be

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developed, but we do not know what they are today. All of this lovely history that I heard about this morning regarding government policies back to the 1950s does not relate to what I think about the future of the city of Newcastle, New South Wales or the nation. We need to be preparing our regional centres, like the City of Newcastle, to not only take population growth through the diversity of opportunity of jobs but also plan for the impact of climate change and diversification of energy needs in the future.

Mr PYNSENT: Diversification is a real challenge. Of the 10 local government areas that the Hunter Joint Organisation [JO] represents, the majority of those are affected by the coal industry. As that changes, as the demand decreases over the next 10 to 20 years, unless those communities diversify their employment opportunities they will not be viable. I used the term "opportunities" before. Every opportunity for the wider Hunter to develop and grow needs to be taken up. That is one of the roles of the JO, to advocate with governments to better advance the economic viability of all of our communities.

Ms CATE FAEHRMANN: Do you think the diversification of the Port of Newcastle is one of the major opportunities then that you can see over the next couple of decades for those jobs? When you are talking about coal-affected communities do you see diversification of the port as one of the major opportunities?

Mr PYNSENT: I do.

Ms CATE FAEHRMANN: Thinking of road and rail congestion, what measures does the City of Newcastle support to reduce the impact of a potential future container terminal in Newcastle's suburbs through road and rail congestion, should one be built?

Ms NELMES: There is obviously already an existing road and rail network and that is one of the competitive advantages that the Port of Newcastle has. With significant investment there is still at least 50 per cent capacity in port-related land that is unused at the moment. There is great opportunity around the Port of Newcastle. Part of that land should and could be used for a container terminal as the Port of Newcastle has proposed. There are other opportunities for that land. One of the projects that has been on the books, as I mentioned in my opening statement, is the freight rail bypass. That is a priority I believe for the region for a myriad of good outcomes and one of these outcomes gets all freight rail out of the inner city suburbs of Newcastle and Lake Macquarie.

It provides an opportunity if you were looking at extending where that freight rail bypass went and looking at the future planning of where the opportunities exist—there have been proposals put forward. It is not currently part of a proposal that you can bring freight rail into the Port of Newcastle that precludes coming in through any residential areas and comes in on the southern side of the harbour. There are lines in there at the moment that carry some coal to some terminals, but the opportunity to take freight rail out of all of the residential areas in what is the second city of New South Wales actually exists. For a lot more than the benefit of a container terminal, it is for the benefit of the future population needs and the growth of the City of Newcastle. If you let me elaborate.

Ms CATE FAEHRMANN: You are talking about the Lower Hunter freight corridor?

Ms NELMES: Yes. I am talking about the currently planned Lower Hunter freight corridor but I am also talking about not bringing it in on the northern side of the Hunter River, but bringing it on the southern side. Talking to Roads and Maritime Services locally recently through the Greater Newcastle Metropolitan Plan Steering Committee there is opportunity to at the moment bring that corridor in on the southern side. But, windows close in terms of planning and land availability. It needs to be done in conjunction with the M1 extension and the M1 interchanges on the southern side which also feed the airport.

You could be looking at gearing up quite a successful regional airport in New South Wales with a port with freight rail capacity that does not exist at the moment and at the same time giving a huge benefit to not only current residents. The amount of infill housing that you can accommodate in a growing metropolitan city where current freight rail going through the city affects quality of life and health and takes up a huge amount of land. What we want to see is we have this great opportunity in Newcastle and the Hunter to protect the quality of life. It is not over developed yet, as Sydney is, to keep the diversity of living and livability index where you have jobs and also opportunity in that 30 minute livability radius.

Ms CATE FAEHRMANN: There was \$14 million put towards an investigation and studies in relation to the corridor. Can I check the level of consultation that has occurred with the Newcastle City Council and potentially your region as well, Mr Pynsent, in relation to that freight corridor and as far as you know where those investigations are up to?

Ms NELMES: There has been limited amounts of consultation at this point in time, because it is my understanding that the freight rail bypass investigations and consultation or process and program is not at the same

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stage as the M1 extension. I have put to State government agencies a number of times—I am not privy to those details—that basically where the freight rail bypass goes and where the M1 extension goes are in the same planning area and it should be done concurrently.

Ms CATE FAEHRMANN: Are you saying that not much has happened?

Ms NELMES: You would have to check with the relevant State government agencies. I believe that there has been more work done on the M1 than there has been on the freight rail, but again that is Federal and State government agencies.

Ms CATE FAEHRMANN: Have you had an opportunity to formally feed into the investigation? According to the website when I had a look at the Lower Hunter freight corridor in July last year, when the website was updated for the last time, it said investigations were currently underway in regard to where that would go. Has the council formally submitted or been asked to submit your preferred route for that?

Ms NELMES: Not through a resolution of council. However, I tend to express my opinion whenever given the chance. I have expressed that opinion probably 12 months ago to bureaucrats who asked for my opinion, and I gave it, but they have not come back through a formal process.

Ms CATE FAEHRMANN: Do you have anything to add to that?

Mr PYNSENT: The committee of the JO involving the five inner Newcastle councils has been briefed by Transport for NSW. That was one of the items that was explained. There were probably more details back to the extension of the M1 and the effect that would have on transport around Hexham.

Ms CATE FAEHRMANN: When was that briefing, can you recall?

Mr PYNSENT: Probably November.

Ms CATE FAEHRMANN: Last year, 2018?

Mr PYNSENT: Yes.

The Hon. TREVOR KHAN: Two months ago.

Ms NELMES: That was specifically for the Greater Newcastle Metropolitan Plan Steering Committee and it was mainly about the M1. It did not contain any detail when we asked about freight rail.

Ms CATE FAEHRMANN: To expand on that, what opportunities do you see for the expansion of the proposed Lower Hunter freight corridor to maximise economic diversification of the port and region more generally? You spoke broadly. Is there anything further you would like to add in relation to economic opportunities?

Ms NELMES: The economic opportunities could be measured in today's value. Like I have already stated, Newcastle has developed a reputation as a smart city using technology and attracting investment around new thinking. There is significant IP in the area around engineering and mining equipment. There are opportunities around the energy sector as well in the Hunter region and a lot of those opportunities go to import and export out of the port. Precluding Newcastle from having a container terminal as an export-import option actually impedes the potential growth of that region, because businesses need to be able to collocate where those opportunities are. Mayor Pynsent alluded to it before; there is the opportunity to actually have much higher population targets for our region, given the existing land and the way it is owned at the moment as well as the opportunities for well-placed industrial land to service the operations of the port within very short travel times.

Mr PYNSENT: One of the issues that we are contending with is that it is very expensive to do business in Western Sydney. The Hunter is close, it is connected and it is far cheaper per square metre, whether it be for large sheds that do intermodal transitions. There is a real demand at present to move businesses to the Hunter. It is one of the opportunities I referred to before.

The Hon. TAYLOR MARTIN: Lord Mayor, I must say you seem well briefed compared to the witnesses from the Port of Newcastle, who this morning could not really give us a view on what would happen to containers once they leave the port gates. Quite frankly, it seemed that they did not see it as part of their problem. You have gone to great lengths to tell us what it might look like in terms of rail. What would you say to residents looking at this proposal and realising that on a 50:50 road and rail split they are looking at 2,700 or 3,000 containers every day on John Renshaw Drive, Industrial Drive and the Link Road onto the M1? How do we solve that problem?

Ms NELMES: When you mentioned the problem about road movements, I think you have not factored in the opportunity that exists for rail directly into the port outside the suburbs that was brought up by one of your

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colleagues this morning. It is something that we are aware of in the Hunter, and obviously we talked about through the joint operations [JO] process. Obviously, we have the adopted Greater Newcastle Metropolitan plan, which is a Cabinet-endorsed document by the New South Wales Government. It looks at the future planning and all the potential environmental, social and economic impacts of key catalyst sites in Newcastle and the link between those sites.

One of those sites is the Port of Newcastle and another important transport site is the airport. Dealing with the bureaucracy is the State Government, and we have gone and started to look at what is actually happening with some of the road planning, particularly for the airport on the southern side of the harbour. In my opinion, it is not happening as it should be happening, because it cannot happen when four bureaucrats from the State Government sat here this morning and only talked about Western Sydney and the needs of Western Sydney. There is not enough thinking and strategic thought about how to solve not only Western Sydney's congestion problems but how to put in infrastructure not just for the benefit of a container terminal but for the benefit of future Novocastrians and residents of the Hunter.

In my opinion, Sydney has a much worse congestion problem compared to the problem you are asking us to solve. I think it is absolutely solvable. When I looked at one of the submissions I saw that Sydney has potentially 20 million truck kilometres that could be reduced and a combined congestion and pollution reduction of \$25 million a year just by taking away that dump of freight in and around Port Botany. I do not know the number off the top of my head, but it is probably, according to some of these submissions, around \$700 million of infrastructure investment going into Western Sydney on things like the orbital road and WestConnex, all around partially unlocking congestion problems in and around Sydney. The roads you are talking about are already arterial roads, and I would welcome the same investment that is going into WestConnex and arterial roads in Sydney going to Newcastle and the Hunter.

The Hon. TAYLOR MARTIN: To accommodate more trucks each and every day?

Ms NELMES: To accommodate the needs of a growing city and future-plan it so when you are putting truck movements on the road or potentially looking at a different way to get rail on the southern side of the harbour to reduce that split, plan it properly and get in that Southern Link so you are not going through any of the suburbs but are pushing out to a rail distribution point in terms of logistics. If you could push out through rail, which is absolutely possible, the majority of your movements—not just for a container terminal but for most of your freight—you are getting a win-win. You are taking congestion out of Sydney and you are moving freight rail off the streets of Newcastle without necessarily adding to truck movements.

The unique opportunity that already exists in terms of logistics is the way that the coal-chain coordination works. Nowhere in the world do we have a coordinated coal-chain logistics operation that is opt in with competitors voluntarily. There is a network of organisation that operates with the rail network in the Hunter and it is renowned around the world in terms of logistics. Having a container terminal with potentially different operators coming in offers a great opportunity, because it is already a unique type of logistics system. It does not happen at any other port in Australia or around the world.

The Hon. TAYLOR MARTIN: I must say what you are saying is quite different from what witnesses said this morning. Witnesses from the Port of Newcastle fronted up to say that it is all private money, with no public investment. Now you are talking about the need for hundreds of millions of dollars to take trucks away from Western Sydney and put them on Hunter roads.

Ms NELMES: I am just saying I am happy to take the \$700 million being spent in Sydney and spend it in Newcastle. I do not know that the Port of Newcastle is saying the same thing, but I will take it.

Mr PYNSENT: In regard to John Renshaw Drive, I identified a transport hub around the Black Hill area that is on John Renshaw Drive. It is also identified in the Greater Newcastle Metropolitan Plan. One of the reasons for that road being there is that it links to the Hunter Expressway. The Hunter Expressway is something that our wider area is fortunate to have. It has been a game-changer since 2014, and it is a different world right across the Hunter Valley brought about by the Hunter Expressway. Why would transport links on the Hunter Expressway not distribute right across northern New South Wales?

The CHAIR: Thank you very much for providing evidence, which has broadened our knowledge by plugging into the back end of the needs and interests of the commercial operation in a particular site and what could happen to the wider area.

Ms NELMES: You are very welcome. I will table the *Sydney Morning Herald* story about The Nationals' commitment to the port.

(The witnesses withdrew)

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(Luncheon adjournment)

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PUBLIC WORKS COMMITTEE

STUART JOHN TIGHE, Board member, GrowerCo, affirmed and examined

ROBERT JOHN HAWES, Chief Executive Officer, Hunter Business Chamber, sworn and examined

The CHAIR: You are empanelled together but, with separate submissions, you may have separate opening statements. If that is the case, I ask you to be brief.

Mr TIGHE: Yes, the submissions are separate. GrowerCo, who I represent, was formed by farmers in the Moree region who were grain and cotton producers as a whole to find efficiencies in the supply chain. That was the sole reason for forming GrowerCo. Our supply chain is becoming less and less efficient since deregulation of the wheat industry and the Australian Wheat Board [AWB] to the point where from our region it is 500 kilometres to 600 kilometres to a port. The majority of that produce is being moved by trucks. Not only is that expensive from the point of view of being inefficient as opposed to rail, but from a New South Wales Government point of view there is a known approximate million to 1.2 million tonnes that is lost over the border. It is grown in New South Wales and then trucked to a Brisbane port. Therefore, the Queensland Government is gaining the benefits of that.

It is GrowerCo's belief that in the long term, for farmers to be viable in the future in this region and in Australia in general we will find it harder and harder to compete on a bulk commodity scale as regions such as the Black Sea become more efficient. Therefore we need to find smaller more niche markets, growing markets and remote markets. The only way you can get that produce in there for a lot of those markets is through containers because they are not set up for bulk ships. A saving in a supply chain, as the AlphaBeta report showed, of \$20 a tonne by having the containers to be able to be loaded in Newcastle not only for the million tonne that is crossing the border into Brisbane, but also because of the export market, is driving the domestic price. If the export market has risen \$20, then all tonnes produced and sold domestically have risen by \$20.

Therefore that is a huge amount of saving and money that may be channelled through all the different ways—whether the farmer is making it or the trader—through the communities where it is grown and needed. Therefore we see it as an efficient way of getting funds into the community as opposed to grants or other government schemes. The money made in the region will stay in the region. That is what I am trying to get at there. Approximately 2.4 million tonnes is grown in our region that our members represent. We believe this is a huge benefit not only to government but also to local regions.

The CHAIR: Thank you. Mr Hawes, would you like to make an opening statement?

Mr HAWES: I would, thank you very much, Chair. Thank you for the opportunity to appear before the Committee today. I commend our submission to you, but I am not going to go through the detail of that in this opening statement. However, I would like to say that the concept of diversification of the economic activity in the Port of Newcastle is not new and no-one should be drawn into thinking that that is the case. The proposal for the Newcastle port to include a multipurpose terminal [MPT] goes back to the late 1990s when the region experienced the closure of the BHP, and hence why history would show that container trade was not evident before then.

The steelworks occupied a site that is in excess of 150 hectares that is arguably the most significant port side landholding on the east coast of Australia. The multipurpose terminal proposal was considered by the chamber and others is an opportunity that would underwrite long-term industry and economic growth not only in the Hunter region but also in New South Wales and the nation. Sadly, the MPT plans never materialised. I suggest the weight of the measures outlined in the New South Wales Government's submission to this inquiry go a long way to understanding why this was the case. Equally sad is that 2019 represents the 20-year anniversary of the closure of the steelworks. Notwithstanding that approximately 100 hectares of that 152 hectares former steelworks site is now part of the lease of the land to the Port of Newcastle, more than 52 hectares, which is still in government ownership and control, sits vacant with no clear plan for its future.

The New South Wales Government's submission refers to documented ambitions for Port Kembla to include container capability dating back to 2003. This was supposed to help justify the current port policy. In Newcastle, we had government agencies doing the same thing at the same time. The Newcastle Port Corporation and the Regional Land Management Corporation were working hard to develop visions for the reuse of the redundant post port land post-BHP occupancy. This was some 15 to 20 years ago. Whilst the sections of government have not progressed their ambitions, the capability, capacity and suitability of diversified development, including container facilities, has not been lost on others, including the chamber. I am disappointed that the Government's submission chose not to acknowledge these facts. From submissions to the inquiry it seems that New South Wales has now reached a point that despite the plethora of strategies, plans and projects there are extensive areas of disagreement concerning the future and how to best accommodate what the future will bring. What do we agree on? I think everyone agrees that the State's population is going to grow over the next 10 to 20

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years, the freight task will continue to grow, Sydney will increasingly rely on its surrounding regions to help achieve its ambitions and objectives so it does not experience the stresses and strains of growth, and a team New South Wales approach is going to be required if the State wishes to keep its number one status.

It is on this last point that you could be forgiven that in consideration of the submissions to the inquiry we are not quite getting that right. The chamber recognises history cannot be changed, and the New South Wales freight economy is what it is. Does that make it right or the best for the future? Have business cases been proffered to support projects, considered all options and given the regions a fair ranking? Why are we not talking about opportunities, strengths, comparative advantages, competitiveness instead of constraints, costs, threats, weaknesses and unmitigated impacts? I am disturbed it is reflected in submissions that Newcastle lacks some pivotal infrastructure to allow or facilitate growth and diversification of the port when government has a responsibility in this realm. For example, it is suggested that the missing link from the M1 from Black Hill to Raymond Terrace constrains thinking around the development as a regional economy should be an embarrassment to successive governments and not a line in a report.

To think that this could be the last link in the national highway improvement in New South Wales to be implemented is disappointing, to say the least. To close, I recognise a statement in the submission by NSW Ports to this inquiry, which I agree with 100 per cent. Freight is the lifeblood of the New South Wales economy. However, we would go on to say that if you strive for a healthy economy surely you must do all you can to ensure that the blood is flowing to all its parts. Thank you.

The CHAIR: Before I move over to the Opposition to open the questioning, just a bit of a technical background for me, Mr Tighe. Containerisation of bulk goods, such as wheat or whatever, what is the appetite for that like in the receiving ports? Is the infrastructure in place to generally receive it or is it a brand-new idea that has not been tried? What is the story there?

Mr TIGHE: No, very much; it is the most common way most white goods and everything else is moved around through containers. So there are a lot more ports open for containers than bulk.

The CHAIR: No. I was talking about the use of containers for bulk. Do you load your containers vertically—stand them up to load them—or what do you do?

Mr TIGHE: There are many different ways.

The CHAIR: And at the other end there are facilities. What I am trying to ask is whether there is a market for bulk goods to be transported in containers.

Mr TIGHE: Yes, very much so.

The CHAIR: We will move over to the Opposition. Ms Voltz?

The Hon. LYNDA VOLTZ: Mr Hawes, in 2012 there was a container limit on Port Botany that was removed. Did the Government give you any explanation why that was being removed?

Mr HAWES: That predates my time with the chamber, but as I recall at the time in Newcastle it would have been about the time that the port obtained a development application for what it then had with the multipurpose terminal, which did include container freight.

The Hon. LYNDA VOLTZ: It would have been around the time that Newcastle had a development application to expand its container terminal?

Mr HAWES: Yes, which basically comprised that BHP site that I referred to earlier.

The Hon. LYNDA VOLTZ: And that was at the same time that Morgan Stanley Bank was advising the Government on the sale of the ports in New South Wales?

Mr HAWES: Yes, it would have been about that time.

The Hon. LYNDA VOLTZ: In fact, Morgan Stanley put the case to the Government that if it lifted the restriction of the containers there would be an extra \$1.5 billion to the State from the sale of the ports.

Mr HAWES: I could not comment. I am not aware of that detail.

The Hon. LYNDA VOLTZ: Do you know if the Chamber of Commerce ever sought an explanation from the Government in regard to that lifting of the cap?

Mr HAWES: I could not comment. I would have to go back to check records to see if that was the case. But the chamber was very vocal and ambitious in trying to support moves to diversify and reuse the former BHP site at Mayfield.

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The Hon. LYNDA VOLTZ: In fact, you had a company—I think it was Midal—that were doing coaxial cable out of Tomago, that had collocated next to the aluminium smelter on the basis that the port was going to be expanded and that they would be able to export through that facility.

Mr HAWES: There were a lot of projects being mooted at the time; it varied from mini steel mills, because there was land up at Tomago that was also in the control of BHP that got deeded across to the Government as a consequence of that arrangement that happened post the steelworks closure. So there were quite a few proposals that were proffered at the time, and gas proposals as well, but unfortunately very few of those have materialised.

The Hon. LYNDA VOLTZ: If we are facing this large growth in Western Sydney, I assume that the diversification of the ports and the cap on Port Botany was to diversify away from what was essentially a large global city such as Sydney, where shifting anything is difficult, to move jobs outside the region. Has the chamber ever had the case put to them or have they ever put to government that to take the pressure off Sydney an appropriate measure would be to diversify jobs away from the Sydney market into those regions?

Mr HAWES: The chamber is certainly a strong advocate for diversification and I think that what we learnt out of the closure of the BHP steelworks particularly was that the region—it was diversify or die, and Newcastle I think now is regarded as a good example of achieving just that. But we know we cannot stop. We are not necessarily trying to copy Sydney and we very much see that what we have to do has got to be organic to the Hunter economy. We do not want just growth; we just do not want people sent up to Newcastle and then have to hop into some high-speed thing to get back to Sydney to work. We want the jobs with the growth because we know that is a preferential way to not only make it more livable but also make the economy more sustainable. Obviously the Port of Newcastle, given the economic driver that it is within the region and the multiplicity of uses that it already attracts and the people that are contracted to work there and provide services and so on and so forth, it is an obvious example to work off a strength to try to build that capacity and get that growth.

The Hon. LYNDA VOLTZ: Did it surprise you when you found that there had been a pass-through concession put into the Port Botany and Port Kembla contracts when that became public in 2016?

Mr HAWES: I think it is fair to say there were a lot of people that were shocked. There were a lot of rumours around but not a lot of fact. But I think when that finally transpired there was a fair bit of shock around the community.

The Hon. LYNDA VOLTZ: When you heard the rumours did you seek clarification from the Government at the time?

Mr HAWES: I believe that was the case. Questions were being asked but answers were not forthcoming.

The Hon. LYNDA VOLTZ: Earlier Treasury and a number of government agencies gave evidence and said that they had a very transparent process.

The Hon. JOHN GRAHAM: It was described as an open and transparent commercial deal.

The Hon. LYNDA VOLTZ: Would you express a view on how open and transparent that contract was? Given that it came as a surprise, you would have to say that was a long reach by government to describe that as open and transparent, would you not?

Mr HAWES: I must declare that at that time I was working for government. I was the lead at the Hunter Development Corporation and we were intrinsically involved in the process to assist government to package up the port in preparation for the leasing process. I am aware of the confidentiality arrangements that existed around then but I would have to say from a community standpoint, no, that element was not being discussed or aired at all through that process.

The Hon. LYNDA VOLTZ: In your previous role in the Hunter Development Corporation were you aware of that clause?

Mr HAWES: No, we were not privy to those discussions or those arrangements either. We were mainly concerned with packaging up the land deals to get the lease of what was actually going to be offered to the market in terms of the leasehold portion organised.

The Hon. LYNDA VOLTZ: As part of that getting together the deal, was there an expectation that you would still be able to achieve a container terminal expansion or did you think that the cap removal had impacted on that already?

Mr HAWES: In that role, no, we were not involved in that side of the discussion about longer-term uses. We held responsibility for the remediation of a lot of the former BHP lands and downstream uses were being contemplated but they were mainly around land use zoning strategies and not detailed use for specific sites.

The Hon. LYNDIA VOLTZ: Mr Tighe, I assume that the growers would not have been informed as the rest of the community was about the removal of the cap or the concession to Port Botany and Port Kembla?

Mr TIGHE: That is correct.

The Hon. LYNDIA VOLTZ: Given that 40 per cent of manufacturing is in the food industry, is there an expectation in the Hunter region that you will be able to grow that food production element and exports through manufacturing? Where do you see a port as most beneficial to you?

Mr TIGHE: I think it is both. To export your raw product and/or if you can add value to it before it leaves Australia it is also a benefit. The more efficient way to get it there and the closer it would be to port the better.

The Hon. LYNDIA VOLTZ: China is opening up as one of the big export markets for us within the food industry, wine being one of the areas in which we have seen an extraordinary growth in that region. Have you got any figures on the projections of how much you would send through a port?

Mr TIGHE: If it is the most efficient way and if our members are producing 1.2 million tonnes of export—this is over and above what we produce as domestic use—then it will go to the most efficient way out.

The Hon. LYNDIA VOLTZ: And that would be the Port of Newcastle?

Mr TIGHE: Yes.

The Hon. LYNDIA VOLTZ: At the moment you have to go through Sydney or Brisbane?

Mr TIGHE: The majority goes through Brisbane.

The Hon. LYNDIA VOLTZ: That tends to be what is happening. It is not necessarily the traffic going down to Sydney. Some of the timber—a whole range of people are going through the Queensland port, are they not?

Mr TIGHE: That is correct.

The Hon. LYNDIA VOLTZ: In fact the coaxial cables are going that way as well.

Mr TIGHE: A lot of that is to do with the congestion to get it into Sydney—the pathing, the cost and the distance. It is a combination of all three.

The Hon. LYNDIA VOLTZ: The reality is the average speed on Sydney roads is significantly different to the speed on regional roads.

Mr TIGHE: And from a train point of view the length of train you can take in through the metro is significantly shorter than out of metro.

The Hon. JOHN GRAHAM: Mr Tighe, thank you for your evidence. I think you have really helped to give us an exporter's perspective. Your evidence has been really important. We have heard a lot of talk today about Newcastle or the Hunter but this is really an issue for the whole north-west of the State. Would you agree with that?

Mr TIGHE: Yes, I 100 per cent agree on that. I wanted to really make sure that on average we are an exportable surplus State. We are not this year but on average we are. Therefore, when you raise the export dollars by any amount of money then the domestic market has to be risen as well. So it is more money into the communities out where it is grown.

The Hon. JOHN GRAHAM: You have spelt out for us the future of exporters in the north-west of the State and you have described it as niche markets in containerisation. One of the issues is that the future of exporters is not the same as the future of the ports that we have discussed here which is now set in stone for 50 years under these arrangements. It is that clash that is a part of the issue now for the economic development of the north-west of the State. Is that correct?

Mr TIGHE: Correct. Exporters and transport operators, which is one of them.

The Hon. JOHN GRAHAM: What other towns or what other industries do you see this impacting on just from your local knowledge?

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Mr TIGHE: I think all towns from the whole 500 kilometres are impacted because of the amount that is going on road and, therefore, that is hurting all communities and costing governments from a general bigger perspective. I think more opportunities would grow. It is hard to know what is going to happen once it was there. It is almost like a chicken and egg thing.

The Hon. JOHN GRAHAM: Yes, it is very hard to look ahead 50 years and say what the north-west of the State will look like.

Mr TIGHE: Yes, but I think the inland rail will also have an influence on this in a positive way but that will also then change the whole dynamics of how things will move in this region we are talking about. In some ways we can try to predict but then there will be many ways. I think we have seen it in other countries when distribution centres and lots of things get moved well out of the bigger metropolitan areas.

The Hon. JOHN GRAHAM: Mr Hawes, thank you for your evidence on the history of the terminal. I think it provided some detail that might have been skipped over in some of the earlier characterisations.

The CHAIR: Mr Tighe, 1.2 million tonnes is exported from your group. What percentage of the total out of that north-west area, or what total of the grain cropping is your group responsible for? Is it 100 per cent or 50 per cent?

Mr TIGHE: No, I think we are about 30 per cent to 40 per cent.

The CHAIR: So three times that amount could be up for export?

Mr TIGHE: The study says it is around 3.6.

The CHAIR: We just talked about the inland rail. One of the impacts that the inland rail might have is to provide another rapid access to the Port of Brisbane for those areas. It will all depend on what the Commonwealth and State governments did about providing either the planning or the basic infrastructure to take off that rail system, either coming south and then east or whatever. That would impact on whether a future development—it might be 50 years—in the Port of Newcastle would have.

The CHAIR: What is your freight per tonne through Brisbane at the moment? Do you know?

Mr TIGHE: By truck it is \$47.

The CHAIR: And by rail? But you have no rail.

Mr TIGHE: No rail through Brisbane.

The CHAIR: Have you ever had any commercial discussions with rail freight operators about what the cost would be if you could get it onto the inland rail?

Mr TIGHE: They needed that for their studies and so on. We are anticipating that it will be around \$20 to \$25.

The CHAIR: So substantially less than truck transport?

Mr TIGHE: Which it is to Newcastle at the moment, mainly thanks to the coal industry, which has a beautiful network and a very heavy rail gauge.

The CHAIR: And that is going out as bulk to a bulk terminal?

Mr TIGHE: Correct.

The CHAIR: How much of the \$1.2 million goes out through the bulk terminal?

Mr TIGHE: I will take that question on notice. I do not know the exact figure.

The CHAIR: Perhaps you can investigate that for the Committee. We would be grateful. Mr Hawes, you heard the evidence from witnesses this morning, particularly the previous witnesses, about the positive impacts on the Hunter as a whole. Has your organisation made any formal representations to the State Government about this issue or about how much the Hunter Valley would benefit from the port being there? Have you come up with any broad numbers for what expansion you could gain over time? I am not talking only about more coal but also other diversified industries that could develop.

Mr HAWES: We have not done any discrete work ourselves. However, we are aware of studies being done by others. Obviously the Port of Newcastle has conducted direct studies, but we cannot vouch for them because we did not write them. The Lord Mayor said earlier that looking at the past will not necessarily give us a true picture of the future. The region is already looking at expanding and developing opportunities to understand the post-coal economy. We must have a vision and we must prepare for it. That will not be all about containers.

CORRECTED

We have been exploring biofuels, which present a fantastic opportunity if we can take it. Enormous things are happening in the energy sector with regeneration of assets. They already bring in parts for wind turbines and so on through the Port of Newcastle. There is a lot of talk about the future. If innovation in the agriculture sector steps up—which could be facilitated by having cheaper and more competitive access to the Port of Newcastle—we would be all for it.

However, we are very mindful that no-one should be going to sleep at wheel in terms of protecting the arteries that now supply the Port of Newcastle. I appreciate the comment that the Port of Newcastle can look after what it is doing within the boundary of its 700-odd hectare landholding, and it will pay for that. Beyond that, we are talking about public assets—roadways, railway lines and infrastructure corridors—that need to be preserved. That is an investment in the future. It is not about trying to take something from Port Botany or Port Kembla; it is about investing for the future so that the port can do the best it can and container and other trade would be as a consequence of that. We have tried—and will continue as part of our strategy for the upcoming elections—to get commitments from government to help look after that.

Mention has been made of the Lower Hunter freight corridor. That money has been sitting there in two successive budgets. Unfortunately, Transport for NSW has not been able to commence the community consultation process to decide where the corridor might go. I have mentioned the M1, and the inner-city bypass has been funded. These things take time. They are not directly about the port; they are also about a region that wants to grow, can grow and is growing to provide essential infrastructure that will not only benefit the port but also link the airport and industries that we want to grow and diversify to keep the Hunter economy going, and not just going sideways.

The Hon. SCOT MacDONALD: Have your members had discussions with freight forwarders or shipping companies about the future of the global shipping network? We have had a lot of discussions about mega-ships and where they might or might not be able to dock. Are you party to any of those discussions?

Mr TIGHE: No, not directly. Mine is a layman's view. I understand a bit because of the limited exporting I have done as part of GrowerCo Limited. The shipping companies only like to pull in at one port, and the bigger ports. That may or may not be an inhibitor to Newcastle. Even if they came into Port Botany and they could bring the boxes one way, if there are not enough imports to get enough boxes for what we are looking to take out from Newcastle then at least we are saving one leg and stopping the congestion into Sydney by being able to export from Newcastle.

The Hon. SCOT MacDONALD: Does all the cotton go through the Port of Brisbane?

Mr TIGHE: No, not all of it, but I do not know the percentage.

The Hon. SCOT MacDONALD: The rest goes from Sydney?

Mr TIGHE: Yes.

The Hon. SCOT MacDONALD: Mr Hawes, we heard from witnesses this morning about a longstanding bipartisan strategy regarding Port Botany coming first then Port Kembla and maybe the Port of Newcastle when the others reach capacity. I hear what you say about not being able to predict the future based on the past. However, there is still a lot of capacity at Port Botany and there will be for a long time—10 years or more. What is the scenario in your mind for a container terminal in Newcastle when there will be literally no demand or business case for another 15 years or 20 years? At the moment they handle about 10,000 containers; that is, they do not reach the 36,000 cap. How does that fit with the way in which the Chamber sees the Hunter economy developing?

Mr HAWES: Prior to 1999 there was no contemplation of doing anything else in Newcastle because there were no waterfront sites to use. It has been nearly 20 years. We have started from that and we are now going through a process of looking at the long term. Port Botany will not close on the Friday and Port Newcastle open on the Monday. Trying to deal with all of these trucks in one go is nonsensical. This will be a gradual process. For a region like Newcastle to be able to cope, it will have to grow into it. We are 20 years down the track. I fully understand the integration of the logistics chains formed down there. They were formed for historical reasons as well. If Port Botany was not there they would not be there.

If you had the Port of Newcastle there doing multi things they would have gone up there. That is how the market works. We have not had that opportunity in Newcastle. I am not saying we have to open it up tomorrow, but given the circumstances where you have a level playing field and you put those things in place—and I appreciate that government has to protect some of its investment—the private sector will make decisions that suit itself. We are not talking about something that is going to happen in two years. I suspect it will take a lot longer.

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History will show that because this is a collaboration, it is partnership across government and the private sector, it will take a long time.

We have the framework there. The things are in place to be able to build on should we so choose. It would be disappointing as someone living in that region and as a team New South Wales member. We might be a bit out on the wing at the moment but I think we have the skills to play five eight every now and again if that guy has to go off. But for the nation to not to realise an asset that apparently nobody seems to disagree with, there are various disagreements about statistics and who did what and when, and how many of this and that. But there does not seem to be any disagreement that it is a fantastic natural asset up there that probably we could be doing more with.

The Hon. JOHN GRAHAM: I think that is a really good point.

The Hon. TREVOR KHAN: I agree with you that this proposition that suddenly something is going to happen overnight is, to use your term, nonsensical. There would be a long inroad period into any of this. I do not think there is any doubt. Port Botany is not going to stop being Port Botany. One of the things that interested me in Mr Carmody's proposition is, in essence, he says that because there are mega carriers this is in a sense a niche market that Port Botany would exploit. You would agree with me that that seems to be the pitch?

Mr HAWES: I note in their submission the example proffered in New Zealand with Tauranga south of Auckland, which has done a similar thing. It seems to be, in their circumstance, paying off. New Zealand is nothing like the market of Australia. In fact, the whole population of New Zealand is less than Sydney I would suspect.

The Hon. TREVOR KHAN: It is.

Mr HAWES: I am not a technocrat in world shipping things and I think there is caution in saying "Build and they will come." It is like the airport industry. It has gone through a change that has forced airports to do things that they would not have otherwise thought they might have had to do because planes have changed. New South Wales now has two airports. Who would have thought 20 years ago we would be planning this massive thing out at Western Sydney that would need to accommodate all this.

The Hon. TREVOR KHAN: I suggest it has been 20 years. I think Bob Hawke was talking about it.

Mr HAWES: It has probably been longer, you are right—when to bring it on and then to get to that point to do that. We will have two effective rail lines with the inland rail and the coastal rail and things to be able to link that. To put a ring fence around the Port of Newcastle because of that and not think about that long term—I appreciate it is not a today issue—the chamber will not accept that. We will continue to bang the drum to say we deserve better than that; we deserve the studies to be done and the business cases to be looked at properly. We deserve the government agencies to come up and do more work around that and have discussions. Listening to some of the stuff this morning in my view they were speculative because they have not done the work. We need to get to that point to do it and do it properly.

The Hon. TREVOR KHAN: If you were talking about speculative and you are talking about road versus rail, has it ever been explained to you how the latest proposition by Newcastle ports of the 50:50 split has been arrived at?

Mr HAWES: That detail has not.

The Hon. TREVOR KHAN: It is more than a detail is it not? It is a significant issue.

Mr HAWES: There are a couple of observations that people should note about what has happened in the region. We do not have coal trucks on our roads any more. If you lived up in the Hunter in the 1980s they were the bane of everybody's life. I do not know how many thousands of them were running around the roads and in and around the Port of Newcastle. Mr Tighe referred to the significant investment that was made by the coal chain and government to improve that coal chain. We do not have coal trucks, unlike the South Coast and other areas. They are gone so that is a positive.

The Hon. TREVOR KHAN: Mr Hawes, I make this observation: I grew up in Wollongong so I know about the coal trucks.

Mr HAWES: And you are still suffering them.

The Hon. TREVOR KHAN: My children and grandchildren live in Newcastle, so I am familiar with that area as well.

Mr HAWES: Fantastic.

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PUBLIC WORKS COMMITTEE

The Hon. TREVOR KHAN: I have a foot in both camps as well as living in Tamworth. I am aware of all those issues. I am also sympathetic to the issue that all the money is spent in Sydney, whether you are living in Tamworth, Newcastle or Wollongong it is the same argument as to where the money should be spent. We are on a unity ticket in that regard. The question becomes what is possible to be built and what actually is being sold? That is really where I am going. That is why I asked you about the 50:50. In the Port of Newcastle Port Master Plan it is 80:20. It is a document that is 12 to 18 months old. Mr Carmody has now said in the *Newcastle Herald*, amongst other places, and here, that it is 50:50. Has anyone explained how you get from 80:20 to 50:50 in 12 to 18 months, apart from putting a new head into Newcastle ports? What is the logic of where you go on these things?

Mr HAWES: My understanding on how that could happen, bearing in mind there is no development application and government has control of part of that process—

The Hon. TREVOR KHAN: You have to have an application.

Mr HAWES: There is ambition. There is 150 hectares on the former BHP site. Currently the Port of Newcastle has control over about 100 hectares of that. If they were able to secure the other 52 hectares sitting there with Property NSW holding on to it, they have the capacity and the ability to then incorporate on that site an intermodal facility. Instead of everything arriving on the wharf and then having to be shipped off somewhere it could arrive on the wharf and the break bulk could occur on the same site. You then have a different mix of train and truck movements off should you so choose. All that is speculative because they have not got control of that land. They have not got a plan that is in for consideration and so on. This is part of the frustrations of living in the region. We get a lot of this speculation day after day about, "What are we doing about the trucks?" In fact, there are a whole heap less than there used to be. BHP used to send them out constantly but it is not there anymore. It is just a ghost site.

The Hon. TREVOR KHAN: If you say to the residents along Industrial Drive, "Add 2,500 or maybe 5,000 trucks a day" you would want to get a vote in favour of that position.

Mr HAWES: I am not in the position of having to get votes but I can imagine the circumstances of having to explain to the people of Sydney who lived close to the M4, M5 and all the other arterials that have changed since the 1970s, 1980s and 1990s that it is the same proposition. It can happen and it could happen; it just has not been tried yet.

The Hon. JOHN GRAHAM: Mr Hawes, I want to ask for your reflections on the discussion we have had about what tying down these arrangements for 50 years makes for the broader decentralisation discussion for New South Wales? Obviously this policy is heavily interacting with where the jobs are in the future and where the population is in the future. What are your reflections on that question?

Mr HAWES: If I am being realistic it is a constraint that we just have to live with. Whilst it would be lovely to have a level playing field, the region is not going to sit on its hands and wait for change. I am hopeful and the chamber works hard to make sure things like research, defence, new industry around biofuels and improvements in the coal industry continue to contribute to what we are doing up there. It would just be a shame, if we go to a point where some of these things had the opportunity to take off but they were restrained because of that situation and we did not have the foresight or the ability to address it and accommodate something that could bring significant change to the region, particularly given some of the headwinds that we will face. I am not saying in the case of coal that it will stop on Friday and something else will start on Monday. It will take time, but we know that we have to start thinking about how we deal with that.

The Hon. SCOT MacDONALD: Mr Tighe, can you give me some context about the \$20 a tonne savings. What is the gross profit on a tonne of durum wheat?

Mr TIGHE: I should know that off the top of my head, should I not?

The Hon. TREVOR KHAN: Better in your pocket than in somebody else's, I suppose.

Mr TIGHE: I do not wish to use the word "significant", but if you said on average the grain sold for \$300 a tonne, that would be \$20 on \$300.

The Hon. SCOT MacDONALD: At \$300 a tonne, how much of that is gross profit?

Mr TIGHE: I would suggest—

The Hon. SCOT MacDONALD: Could we say it is a doubling of profit? I am trying to get context.

Mr TIGHE: Possibly, but the way I would look at it is, if the transport represents 30 per cent of the costs, the \$20 extra represents 40 per cent of that, so it is a very significant part of it.

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The CHAIR: Thank you for giving evidence. There may be some questions on notice. We would like answers to the questions, once you receive them in writing, within something like seven days. We need the answers by 11 February, so please bear that in mind.

(The witnesses withdrew)

PAUL van den BOS, Transport Modelling, sworn and examined*

NARELLE van den BOS, Transport Modelling, sworn and examined

The CHAIR: I welcome Mr and Mrs van den Bos.

Mr van den BOS: My wife and I are residents of an area near Liverpool and we have had some interaction with the Moorebank intermodal. We would like to share our knowledge.

Mrs van den BOS: We live in Chipping Norton and we have our own transport modelling company.

The CHAIR: Do you wish to make a brief opening statement?

Mrs van den BOS: Yes, please. I have given you copies of our report and I will go through it. We have had our own transport modelling company for 29 years. The reason we are here is because we have done a lot of work with the Moorebank-Port Botany interaction and we have been quite appalled at some of the science that is being used to support that. We have received no payment for this work, which is done purely for the community and because we want to see the right thing done for the community.

I will start with a diagram. The yellow blob represents the future population in Western Sydney, which is supposed to be the equivalent of two times the population of Brisbane, or about 2.2 million. As such, it will require about 2 million TEUs a year. The way that that can be serviced through our ports would be through Port Newcastle, Port Botany or Port Kembla. The solution that the Government provides, if you go to the next page, is to come to Port Botany. The boats come in, the TEUs are transferred to rail and that rail is supposedly going to Moorebank and then the TEUs will be transferred to trucks. Those trucks go from Moorebank to, presumably, Western Sydney and the areas where the freight is needed. There are problems with this. Even if the rail is duplicated completely, from what we can determine, it is not going to provide the capacity that is needed to take the rail from Port Botany to Moorebank. This is made clear on the bottom of that page of our tabled document. The SIMTA environmental impact statement [EIS] casts doubt on the rail capacity to serve Moorebank as well as the other intermodals.

The CHAIR: Could you tell us what SIMTA is?

Mr van den BOS: SIMTA is the Sydney Intermodal Terminal Alliance—the intermodal company for Moorebank.

Mrs van den BOS: Without a lot of government financial input, the rail is not going to be able to provide. We really come to the fore with the road infrastructure. The roads do not have the capacity to take the freight that is expected. The red on this map indicates an increase in traffic, and Moorebank is not equipped to take that traffic. To do that, we have written a book that has 34 intersections that would need upgrading in terms of being able to cope with the traffic. That has not been costed; we do not see that costing and we do not see the costing that we need for rail. On the following page, in red, according to the New South Wales Government's ports and freight strategy, we give the indication that the road infrastructure is not going to cope. That is a very costly exercise for the Government that has not been determined. We would like to see the cost of improving the rail infrastructure and the road infrastructure to take all this freight from Port Botany.

Also, when the cost-benefit analysis was done, it was done incorrectly. They assumed that 3,300 trucks would come off the road and freight would go by rail, but that is absolutely incorrect. It is a shame because when they did this cost-benefit analysis, 73 per cent of their benefits are supposed to come from taking trucks off the road, putting freight on rail and taking it to Moorebank. That is absolutely not correct. When the cost-benefit analysis was originally done, they said there would be \$10 million in benefits, but that is actually not correct.

In the future, at least the freight coming into Port Botany that is needed for the north of Sydney could be taken by the Port of Newcastle. Why is that not being taken by the Port of Newcastle? Also, the freight in the future going to the north of Sydney could also be taken by the Port of Newcastle. When the Port Botany TEU cap was taken off, when Port Botany was sold, we give the amount of freight that was coming through. If you add Port Kembla and Newcastle to that, you find that the black line in our report shows where the freight is. We also give the prediction for the future, which is twice that. We have no detailed account of how they are going to supply the capacity in the freight, in the rail and the road to take care of this extra freight. Here you can see that two-thirds of our freight goes by road and one-third goes by rail. That is a shame. We should perhaps be increasing that.

Just to sum up here, if you look there has been a little bit of an indication of a broadbrush way of getting freight to the west of Sydney. As our Government suggests, it is supposed to come through Port Botany. The work done on that has been appalling. We do not have a lot of the sums that we need to do this correctly. To do a proper comparison, we are advocating, as members of the community and taxpayers, that a proper comparison be done

CORRECTED

using the costs of increasing the rail capacity and the road capacity to go through the Moorebank way; a proper costing from Port Newcastle, perhaps taking in down to the growth centre at the back of Sydney, which is two times the size of Brisbane; and a proper costing coming up from Port Kembla, including all of those things that have not been done—including a proper business case being done. That comparison then should be looked at, doing the best for the community and the best for the dollar that the taxpayer has. That is basically what I wanted to say.

The CHAIR: That was very lucid and very good—particularly for old engineers like me, who like pictures. Before we proceed to questions, have you been given the opportunity or have you been able to take the opportunity to present your findings to anybody in government?

Mrs van den BOS: Very early on in 2014, we produced this book, *Moorebank Intermodal: There are better options*, and it showed how it has been built close to housing and how it has been built without regard for transport, and all of those things. We sent it to 80 decision-makers at the time. I have spoken to 30 presentations, including Karen Jones, who was the director for planning. We have spoken to Craig Kelly and to a number of politicians. We have presented at Planning Assessment Commission [PAC] meetings. We have been to Alan Jones. We have tried many, many avenues. It just seems to be not recognised. Even in the PAC meetings, they will go, "Oh, wow. We didn't realise that." But then it still goes ahead. They still keep doing it. They do not seem to have the energy to look at it closely and understand what we are saying and say, "Look, the studies need to be done fully. We can't just half-bake this stuff."

For Paul and I, this is voluntary. The book shows 34 intersections that are recognised not by us but by Bankstown, Campbelltown and Liverpool local governments and the New South Wales Government to show intersections that are having issues in Moorebank already. With the extra traffic, they are just taking the traffic from Port Botany and saying, "We'll put it on Moorebank, and Moorebank is going to cope." No. We have presented this. This book has been tabled and nothing seems to be done about it. We would like to see costings. We would like to see what it is going to cost to fix up Hoxton Park Road, what it is going to cost to fix up the Hume Highway, and what it is going to cost to get the trucks onto the M5 without causing accidents. At the moment it is like *Fawltly Towers*. It is absolutely hysterical. I just find it very, very sad for the public.

The Hon. LYNDIA VOLTZ: I just want to ask about a couple of the figures. You have a figure in here on page 22: "Since 85 per cent of all freight is consumed in Sydney ...". Where do you get that figure from?

Mr van den BOS: Page 22?

The Hon. LYNDIA VOLTZ: Yes, underneath the "high expected growth". It is on page 22 and it is the third-last sentence.

Mr van den BOS: This is my interpretation from this graph, which is on page 23. It comes from a report entitled "First Things First" produced by Infrastructure NSW. In particular I am looking at page 38 of that report. What I have done with that is actually rank or sorted the icons into two groups—one that belongs to demographics and the other one to the others. In the demographics part, which is the top part, we are looking at housing stock, roads, hospital beds and public transport. When we look at the average of that, it seems like population is growing at about 30 per cent. That is just the average—hospital beds, housing and all that sort of stuff. When we look at the last icon, for whatever reason, Port Botany's containers will increase tenfold. We accept that all of the containers, or 85 per cent.

Mrs van den BOS: That is 300 per cent.

Mr van den BOS: We accept that the containers are consumed, if you like, in Sydney. So if the population grows 30 per cent and the containers grow 300 per cent, that basically means that we must consume 10 times what we do now.

The Hon. LYNDIA VOLTZ: I was more wondering where you came up with the 85 per cent.

Mr van den BOS: The 85 per cent is a given statistic of all the containers that arrive at Port Botany and are consumed in Sydney.

The Hon. LYNDIA VOLTZ: And that is an assumption, that figure, is it?

Mr van den BOS: Well, it is a stated fact, and you hear it in every report.

The Hon. LYNDIA VOLTZ: With the Chullora line, when you talk about the duplication of the line to Chullora—is that right—the Enfield holding yard?

Mrs van den BOS: We accept that is part of the line.

The Hon. LYNDIA VOLTZ: I am not looking at a picture. I am just talking about that line.

CORRECTED

Mrs van den BOS: Okay.

Mr van den BOS: Yes.

The Hon. LYNDA VOLTZ: You are not expecting them the Chullora facility to take fewer containers than it is already taking. Is that the assumption?

Mr van den BOS: There are two things. That question has two parts. If you turn to page 55, which looks a bit like what I am showing you, what happens here is, when I did this picture I looked around and went through the websites and all the stuff, and worked out how many TEUs were coming in or being processed at each of these intermodals. That gives you a total of what was done at that point.

The Hon. JOHN GRAHAM: And when was that point? At what point in time?

Mr van den BOS: It would have been a couple of years ago. The last statement up there you can see, which my wife was alluding to, is a statement from the Sydney Intermodal Terminal Alliance [SIMTA] environmental impact statement [EIS].

Mrs van den BOS: This was when it was two intermodals. It is now joined.

The Hon. LYNDA VOLTZ: What I am getting to is that it works on the principle that you take Yennora, Chullora, Enfield and those holding ones in there, and they are servicing the western suburbs region. The intermodal at Moorebank essentially would be for the south-west region, which is where a lot of the growth is coming because of Badgerys Creek. That would be fair enough to say?

Mr van den BOS: That is what this diagram says.

The Hon. LYNDA VOLTZ: Yes.

The CHAIR: That is on what page?

The Hon. JOHN GRAHAM: It is on page 55.

Mr van den BOS: In fact, 45 per cent of all the containers that arrive at Port Botany end up in what we call Wetherill Park—45 per cent.

Mrs van den BOS: Our argument now though is there is another intermodal planned at Badgerys Creek, where the airport will come in.

The Hon. LYNDA VOLTZ: Yes. Your figures project that there will be two million in 20 years?

Mr van den BOS: Yes.

The Hon. LYNDA VOLTZ: That is for greater Western Sydney area whereas the figure we had for Western Sydney this morning from the Government was one million over 15 years. How do you get from the—

Mr van den BOS: If there are 1 million in 15 years, that explains it.

The Hon. LYNDA VOLTZ: So that is a big jump in a five-year period from one million to two million.

Mr van den BOS: Yes, excellent. Thank you for that. If you go back to this diagram here, the two million that you arrive at—

The Hon. LYNDA VOLTZ: What page number?

Mr van den BOS: That is page 5. We can see 1½ million TEUs from Badgerys Creek and half a million from Eastern Creek. Those figures come from the draft Western City District Plan. There is a reference for it here, wherever it is.

The Hon. LYNDA VOLTZ: So that is freight growth. I thought I saw a figure on population growth in here.

Mr van den BOS: The population growth basically is 2.2 million.

Mrs van den BOS: I am not sure that that is growth. The whole lot contains 2.2 million.

Mr van den BOS: The yellow line.

Mr van den BOS: There are some existing people in that area.

The CHAIR: So that is absolute at the end.

Mrs van den BOS: Yes.

CORRECTED

The Hon. LYNDA VOLTZ: And that is the growth area?

Mr van den BOS: Yes.

The CHAIR: I will now move to Ms Faehrmann.

Ms CATE FAEHRMANN: Thank you for your presentation. Page 11 of your document—and I am sorry you had to skip through the presentation so quickly at the beginning; it would have been good to have more detail because there is a lot here—

Mrs van den BOS: This is always the way; it is five minutes and it is science.

Ms CATE FAEHRMANN: You mentioned that the 3,500 truck figure was incorrect. Could you expand on that?

Mrs van den BOS: Yes. If you have a look at the next page, this is produced from one of the Moorebank Intermodal Company Limited [MICL] reports, which is again the intermodal, and the green indicates a reduction in traffic when Moorebank goes into place, and the red indicates an increase in traffic. You can see if you follow the green line from Port Botany to Moorebank it starts to dwindle out when it gets to Moorebank and it is not very thick. If there were 3,300 trucks coming off the road—and this is to scale—it would look like the green line underneath; that would be 3,300 trucks, but this comes out of their report, it is that very thin little line there.

Ms CATE FAEHRMANN: They are not saying it because the trucks get rid of their goods closer to the terminal—I am just guessing at what they would argue.

Mrs van den BOS: No.

Mr van den BOS: No. The logic purely is that at the moment for the green line the containers come to Port Botany and they get shipped. You can see the green line going. In their new option we rail it to Moorebank and the same trucks now start from Moorebank.

Mrs van den BOS: So now they are picking up from Moorebank rather than here, but that is actually not what happens.

Mr van den BOS: The economic argument is that at the moment the containers come and land in Port Botany, they get trucked 3,300 to Moorebank and then they get trucked again.

Mrs van den BOS: They are assuming it is already happening but it is not. The infrastructure is not there for these trucks to suddenly arrive here and take the freight where it needs to be.

Mr van den BOS: The assumption is that Moorebank already operates and already 3,300 trucks are being driven to it. We can see if we turn to page 54 that the cost of implementing Moorebank is a bridge over the railway, a bridge over the Georges River and upgrading Moorebank Avenue in 15 years from now.

Mrs van den BOS: Actually it has to be done now.

Ms CATE FAEHRMANN: I understand you visited Newcastle to argue against the creation of an intermodal terminal. What do you consider to be the preferred transport modes for a container terminal in Newcastle?

Mr van den BOS: Obviously rail. There is not a single traffic transportation engineer that would argue against it. We would all argue let us go and put containers on rail, but there is always a proponent that is just basically difficult to get on rail. So now we have to have possibly an intermodal terminal somewhere.

Ms CATE FAEHRMANN: I am not sure whether you sat through today's hearing but the government witnesses said that there would be hundreds if not thousands of truck movements per day in Newcastle if the container terminal went ahead.

The CHAIR: It is 2,700 to 5,000.

Ms CATE FAEHRMANN: It is 2,700 to 5,000 in that Newcastle city area. Have you done any modelling or do you have any comments on that?

Mr van den BOS: Yes. When Sydney Intermodal Terminal Alliance [SIMTA] first came up they used the same number, and how did they arrive at that number? If you divide one million by 365 days.

Ms CATE FAEHRMANN: And one million is the figure for the TEUs?

Mrs van den BOS: Yes.

Ms CATE FAEHRMANN: By 365 days?

CORRECTED

Mr van den BOS: Yes. That is how that number was arrived by SIMTA and by MICL.

Ms CATE FAEHRMANN: Do you have confirmation of that or did you deduce that from your—

Mr van den BOS: Just working backwards. I have worked in this field for 30 years; I have got some idea what goes on.

Ms CATE FAEHRMANN: You also highlighted towards the end of your presentation about a suggested freight rail bypass of Sydney. I understand there has not been any comprehensive study of this by the Government. Is that correct?

Mr van den BOS: That is correct.

Ms CATE FAEHRMANN: What do you see are the advantages if the Government did do something like that?

Mr van den BOS: We heard the previous speaker talk about long-term plans. When we build infrastructure we think about existing road and rail structure and when was that constructed. So if you build new stuff it is going to last 100 years, plus or minus a bit. So for us to invest in something that is going to last 100 years it is worthwhile investing a bit of thought and money into getting this right. That is why we tend to look at an economic analysis over a longer period. We should not produce this crap that has been produced before. I think if we did it properly we would as a society make long-term investments that have long-term benefits.

Mrs van den BOS: This book has the 34 intersections.

Ms CATE FAEHRMANN: Can you say what that book is?

Mrs van den BOS: It is one that we produced for Craig Kelly.

Mr van den BOS: Craig Kelly asked us to produce this report.

Mrs van den BOS: And it shows 34 intersections that need work around the Moorebank area.

The CHAIR: Could you just clarify the name of the book or its title?

Mr van den BOS: It is called Moorebank Intermodal Better Options. It contains an awful lot of material.

Mrs van den BOS: It is a literature review basically. Our thing is that the cost of actually fixing these up properly, if you add all of that up, plus the cost of fixing the rail properly, add all of that up, possibly billions of dollars. It may be cheaper to make a good, decent rail from Newcastle to the growth area and that would be infinitely useful then for Sydney and a better use of government resources. If they could just study all three and do them without bias, do them exactly how they should be and give us a good presentation of that, that would be wonderful.

The CHAIR: I will now move over to the Government.

The Hon. TREVOR KHAN: It would seem that if we are talking about Newcastle to Sydney—I take it that you are looking at costing—it would be the development of a new line from—

Mrs van den BOS: Ideally that would work.

The Hon. TREVOR KHAN: I am not being in any way dismissive, but a new line from Sydney to Newcastle.

Mr van den BOS: I am not too sure about this.

Mrs van den BOS: Lower down. Maybe Wyong. I do not know, but it needs to be studied. Certainly Port Kembla is an option.

Mr van den BOS: Just like Newcastle is an option.

Mrs van den BOS: And there is only a billion dollars or something left in the cost of doing that, and that is an option to the back of Sydney, which sounds good.

The Hon. TREVOR KHAN: We are running a little short on time, and I know that is always a bugbear, but do I take it also that if you were doing this properly what you be looking at costing is separating out freight from passenger.

Mr van den BOS: Absolutely.

The Hon. TREVOR KHAN: Because trying to run them on the same line is a disaster.

Mr van den BOS: Totally.

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The Hon. TREVOR KHAN: I think the current position is that on a shared line passenger gets priority because of timetables and the like, so you are constantly shunting freight essentially sideways or stopping it from operating.

Mrs van den BOS: And this is the issue with duplicating the line; it is not totally duplicated as yet, a lot of it is passing lanes and trying to manage passengers as well as freight. It may be that if you think about your money properly you might be able to put two lines in in terms of getting a passenger line as well as a freight line; it might not be that much dearer. So that could be a better option.

The Hon. TREVOR KHAN: I am not an economist so I do not know, but if you are going to increase the freight load from Newcastle one of the things is that you have to separate out the passenger from the freight.

Mr van den BOS: Yes.

The Hon. TREVOR KHAN: I think we would all agree, however, not an inexpensive task in itself.

Mrs van den BOS: Compared to doing anything in Sydney. The WestConnex is a huge amount of money.

The Hon. TREVOR KHAN: Big money.

Mrs van den BOS: Yes, big money.

The Hon. SCOT MacDONALD: I am trying to understand what we were told by earlier witnesses that 650 metre trains were not a problem. We took evidence from the Port of Newcastle that the desirable length for efficiency and productivity is 1.5 kilometres. Can you explain the limitations you were alluding to in Moorebank? Can you expand on that a bit?

Mr van den BOS: Yes. There are a number of sites. The issue is Moorebank was chosen because it has this capacity for long trains but they are only going to be used for interstate trains, not the ones from Port Botany. As I understand it from my reading of all the stuff—I am a transport person with great speciality in roads, but not so much in rail but I do speak with people who are specialists in rail—the constraints are at Port Botany rather than at Moorebank.

The Hon. SCOT MacDONALD: So we are stuck with 650 metre trains. The future will continue to be 650 metre trains?

Mr van den BOS: Yes, but there is greater efficiency having longer trains.

The Hon. SCOT MacDONALD: If I understand your argument, there is not enough rail capacity out to Moorebank so, therefore, you will have more trucks on the road?

Mr van den BOS: That is part of it. The table that is shown on page 17 shows a graph basically. The top picture shows all the containers coming in by ship and then we can see the two lines. The red line represents the trucks and the green line represents the rail. You can see here just by the sheer numbers, just by looking at it, that we are going to shift probably twice as many containers by truck than by rail.

The Hon. SCOT MacDONALD: So we hit rail capacity at 2025 or so, roughly?

Mr van den BOS: At the moment we have the rail capacity at 1 million TEUs which is one of the government documents that I have in one of these things. By duplicating it part of the way we might actually increase it a bit more.

The CHAIR: Your submission No. 4 and what you have provided today is very detailed and it contains a lot of interesting stuff. I suspect therefore that there will be quite a number of questions from members who will need to take time to absorb this. I do not want to put pressure on you but those questions will be sent to you by the secretariat and we would like answers by 11 February which I know does not give you a lot of time and you are doing this on a voluntary basis. But there are several issues that will probably need clarification. Thank you very much for agreeing to come and see us. We will be in touch with you.

Mrs van den BOS: We absolutely appreciate your time and we would love questions.

(The witnesses withdrew)

*See [correspondence](#) received from Mr van den Bos on 11 February 2019 regarding clarifications to evidence.

GREGORY DUNCAN CAMERON, affirmed and examined*

The CHAIR: The Committee received submission No. 2 from you. Would you care to make an opening statement?

Mr CAMERON: I have prepared a statement. Thank you very much for inviting me. My interest in this commenced in 1997 when I was a member of the BHP management team that created the strategy for the container terminal and I have followed it ever since. In my 13 December 2013 submission to the Productivity Commission inquiry into public infrastructure in Australia I recommended a rigorous cost-benefit analysis of the economic and environmental implications of a rail freight bypass of Sydney to be paid for by developing a container terminal at the Port of Newcastle and railing all containers handled. My submission referenced New South Wales government policy for an outer Sydney orbital transport corridor. May I point out to the Committee that all of the public infrastructure projects nominated in the Committee's terms of reference for this inquiry are impacted either directly or indirectly by the Government's 2013 policy.

NSW Ports, in its submission to this Committee, refers to government support payments. Under the lease arrangements for Port Botany and Port Kembla, NSW Ports can lose all of its business to the Port of Newcastle but suffer no loss of income until 2063 due to the so-called support payments. I submit that the Government's contractual commitment to make support payments for NSW Ports is not authorised by the Ports Assets (Authorised Transactions) Act 2012. Members who were in Parliament in 2012 would have been aware of support payments if that had been public knowledge.

Until November 2013 the Government's source of funds for the support payments was a private company, called Newcastle Stevedores Consortium. This company was negotiating with Newcastle Port Corporation to lease the port's container terminal site for development of a container terminal, where the term "container" was defined. That definition included virtually any container, one category of which was TEU container. I refer the Committee to a statement by Anglo Ports Pty Limited—the lead partner in the Newcastle Stevedores consortium—published on the New South Wales Parliament website dated 10 February 2015. I have copies of that statement if anyone would like to refer to it today.

The CHAIR: Would you like to table them?

Mr CAMERON: I would.

Document tabled.

The relevance of this document is that it arose from statements made during the ICAC Operation Spicer inquiries in May and August 2014, as the document shows. I submit it was illegal under the Commonwealth Competition and Consumer Act 2010 for this private company to be the Government's source of funds. The negotiation between Newcastle Port Corporation and Newcastle Stevedores Consortium concluded in November 2013. The Australian Competition and Consumer Commission [ACCC] took no enforcement action because there was no lease agreement concluded. However, this left the Government without a source of funds to meet its support payments commitments to NSW Ports. The Port of Newcastle was privatised to enable the Government to require the lessee to provide the funds for the support payments. A government that is privatising a public asset is exempt from the Competition Act in respect of that asset.

I submit to the Committee that the Ports Assets (Authorised Transactions) Amendment Act 2013 did not authorise the Government to privatise the Port of Newcastle for the purpose of providing funds to enable the Government to make support payments to NSW Ports. The ACCC is currently taking action in the Federal Court against NSW Ports in respect of the lease arrangements for Port Botany and Port Kembla. I submit that the ACCC may not take this action if the Government's contractual commitments to make the support payments are unlawful and unenforceable.

The Hon. JOHN GRAHAM: Thank you for your evidence and your submission. I found it very helpful. I want to go back to the events you referred to in July 2012. In your submission you referred to the fact that the Government gave a confidential commitment to bidders for the leases that payment will be made if container traffic was above a minimal specified cap in Newcastle. Today the agencies described this in some evidence as an "open and transparent commercial deal". Those were the words used. You have given contrary evidence. How hard has it been to uncover what has gone on here?

Mr CAMERON: In respect of the Government's offer, there are two feature articles, one in the *Australian Financial Review* and other in *The Australian*. *The Australian* article was published in, from memory, June 2013 and the *Australian Financial Review* article was published in January 2014. They both referred to a proposition put to the Government in the first half of 2012 by Hastings Funds Management, which was a member of the bidding consortium for Port Botany and Port Kembla. The two articles bear a striking similarity. That

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suggests they came from a government brief, which is normal and standard procedure. It also suggests that from early 2012 the bidders for Port Botany and Port Kembla were made aware that support payments would be made.

The construction I take from that intelligence is that the support payments would be funded from the Port of Newcastle and that paying a fee equivalent to wharfage at Port Botany would effectively double the price of a container shipped through Newcastle. The source of this comment in my submission is these two articles. They are referenced on my website and I can provide them to the Committee. It was stated earlier today in this hearing that the attractiveness of the Port Botany and Port Kembla leases was that the Government policy that the next container port would be developed at Port Kembla was underpinned by the promise of payment from the operator of the container terminal at Newcastle, which would make it uneconomic.

The Hon. JOHN GRAHAM: However, you accept that there have been various statements made by Ministers that the port should go ahead and be built with these restrictions in place but that that is not realistic; it is uneconomic?

Mr CAMERON: Completely uneconomic. It doubles the cost of using the Port of Newcastle compared with Port Botany.

The Hon. JOHN GRAHAM: The Committee was told this morning by agencies that all the bidders knew about these provisions. The important point is that the public did not know. Was it only when these media reports emerged that you knew?

Mr CAMERON: The first I knew was when I read the newspaper articles I referred to. I note the commentary from NSW Ports. My interpretation of that commentary is that it considered the source of funds to make the support payments to be the Government. However, Reverend the Hon. Fred Nile asked a question on notice in 2017 seeking clarification that the payments would be made from consolidated revenue fund. In fact, it would not be the source of the payments. That made me start to consider where the payments would come from if it were not from the consolidated revenue fund. There is no reference to it in the authorising Act and there is no mention of it in the parliamentary debate.

The Hon. JOHN GRAHAM: You say in your submission that New South Wales Treasury decided to require Newcastle Stevedores Consortium [NSC] to provide the funds to pay NSW Ports under the port commitment deeds?

Mr CAMERON: Yes.

The Hon. JOHN GRAHAM: Do you want to expand on that evidence?

Mr CAMERON: The transcript of the interviews with Newcastle Port Corporation conducted by the Independent Commission Against Corruption in May and August 2014 are clear that the corporation—which was the body negotiating the lease of the container terminal site with the NSC—was not involved in requiring the consortium to pay the fee because that would have contradicted its objective of having a one-million minimum capacity container terminal built. Since the negotiations to lease Port Botany and Port Kembla were conducted by New South Wales Treasury, my assessment is that it was Treasury that required Newcastle Port Corporation to require the consortium to make the support payment if it exceeded the number of container shipments. I remind the Committee that the meaning of "container" is virtually anything carried on a general cargo ship, and every year there are more than 30,000 containers, as defined, of which TEU containers are a component. Therefore, the requirement to pay a fee on the TEU component operated immediately. That would deter anyone from investing.

The Hon. LYNDA VOLTZ: Would the leases have already have been signed for the ports in October 2013?

Mr CAMERON: Yes. The Port Botany and Port Kembla leases were signed on 31 May 2013 and the Port of Newcastle lease was signed on 31 May 2014.

The Hon. LYNDA VOLTZ: Therefore, in October 2013 the Government possibly had no intention of paying compensation as part of any new container terminal development in Newcastle?

Mr CAMERON: It was revealed on 17 October 2013 in answer to a question without notice in the Legislative Council asked by Mr Searle of Mr Gay. The question was something like, "How much compensation will the private operator of Port Botany be paid for containers shipped through the Port of Newcastle?" I will not begin to attempt to explain the answer given. It was said the Government envisaged that no compensation would be paid because the cap would not be extended. I spent the next three or four years trying to find out what the "cap" meant. The cap is this 30,000.

The Hon. LYNDA VOLTZ: In particular, the Minister said that the rules in the organisation which did the scoping study for Port Botany and Port Kembla and which introduced guidelines indicate that while general

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cargo is allowed there will not be an extension under the rules for the lease of the Port of Newcastle. So the short answer to the question was that the Government did not envisage that any compensation would need to be put in place.

Mr CAMERON: With the benefit of later knowledge, that answer meant if they wished to pay the support payment they could develop a container terminal. That meant it was Government policy to develop a container terminal subject to the support payment being met if NSW Ports requested the support payment to be made.

The Hon. LYNDIA VOLTZ: But the current conditions of the lease excluded a new container terminal at Newcastle at that time.

Mr CAMERON: No. I have not read the lease agreements for Port Botany and Port Kembla. The Government has in fact reinforced that there is no legislative prohibition or any agreement that prevents any development of a container terminal at the Port of Newcastle. As far as the Government is concerned—it has said this in many statements—Port Of Newcastle Investments is free to develop a container terminal if it wishes to do so.

Ms CATE FAEHRMANN: Thank you for appearing before the Committee today and for your forensic examination of this issue over many years. You said that you have done a fair bit of work in advocating for a rail freight bypass of Sydney. What is your opinion of why that has not been examined to date by the New South Wales Government?

Mr CAMERON: Since 1997 it was very clear that a container terminal at Newcastle was economically viable and that there was demand for it. The State Government took over the container and steelworks site in 2002 in an extraordinary development, in which it accepted liability for the seriously contaminated site. The reason I believe the Government took over the development of the site was that a container terminal was a viable competitive threat to Port Botany. The 3.2 million TEU capacity limit was placed on Port Botany in 2005 so the \$1 billion expansion could proceed. That capacity limit was placed on it because of the inadequacy of the transport network.

In 2009 the Minister for the Hunter, Jodi McKay, convinced the Government to give Newcastle Port Corporation approval to develop a multipurpose terminal with a minimum capacity of 1 million TEUs per year. We are all well aware of the subsequent events. I think that could be described as an arrangement that protected the Sydney economy from regional competition. That is what has peaked my interest in this issue. Ninety per cent of world trade in goods is conducted using containers.

If you do not have rail access to a container port you will not have meaningful regional economic development. I think the purpose of the Government's policy is to prevent regional economic development. I think that is shameful. A rail freight bypass is a way to pay to provide all of New South Wales, Sydney included, with rail-based access to a container port, including Western Sydney. We are hearing that they might get 30- or 40 per cent of Sydney containers railed. That means 60- or 70 per cent trucked at significantly greater cost. The Sydney economy will benefit by having containers railed from Newcastle or Port Kembla to intermodal terminals in the Badgerys Creek-Eastern Creek area. The Sydney economy will benefit. The other key point I would draw to your attention is that removing freight from the Sydney metropolitan rail network provides more passenger capability and that is seriously big money.

The benefits of that alone are documented by the Australasian Railway Association in a report I have referenced. It says that if 30 per cent of the increase in road transportation in Sydney can be converted to rail the savings, in 2011, were estimated at \$1 billion a year. A rail freight bypass will provide better access to the Sydney containers. It is irrelevant where the container comes from. Whether it is 180 kilometres from Newcastle is irrelevant. Once the container is on the train and there is one driver it can be an unlimited distance. Proximity is irrelevant when you are railing containers. When you are trucking containers proximity is absolutely vital. The reason why 85 per cent of Port Botany containers are delivered within 50 kilometres is because of the cost of trucking.

The idea is that you bring full containers from Newcastle or Port Kembla to intermodal terminals at Western Sydney and then send the empty containers into regional New South Wales where they are filled, as the gentleman from GrowerCo said earlier, and the filled containers either go to Newcastle or Port Kembla. The reason why I am talking about the two interchangeably is you need a backup port. The Port of Newcastle can close due to high seas, so you need a backup port. Then again, whether the ship goes to the Port of Newcastle or Port Kembla is only constrained by the size of Port Kembla.

Ms CATE FAEHRMANN: You said at the beginning of your introduction your experience in 1997 as a member of the BHP management team. I asked Mr Carmody this morning, from the Port of Newcastle, about

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the potential impact of the weakening of the global demand for coal. If the Port of Newcastle does not diversify what would that mean for the regional economy? He used the word "devastating" if the port is not able to diversify. What is your opinion coming from the point of view of your experience with BHP 20 years ago?

Mr CAMERON: That was a view we took 20 years ago. One of the great pleasures of working for BHP is that, within reason, you had unlimited access to resources. If you wished to investigate something that was able to be done. The research we did then was absolutely definitive that the biggest contribution that could be made to the regional economy, not just the Hunter, was the container terminal. The other relevant thing is, as coal demises you have some world-class port facilities already built occupied by coal. I would love the study to investigate the value to the coal chain of leasing their sites for the development of container terminals compared to using them to ship out coal and see which one makes them more profit. We have seen what Port Botany is worth. The coal loaders at Newcastle, I would like to see some data: Will those coal companies make more money out of using the port facilities for containers?

Ms CATE FAEHRMANN: You sound like you think they would make more money.

Mr CAMERON: It is only conjecture. The point is that the steelwork site can handle two million containers a year stand up start. The growth potential to effect what I am talking about is a change maybe over 10 or 20 years from Botany to Newcastle and that growth is facilitated by the removal of those coal loaders. I think the proposition could be put to the coal companies and a deal could be done to entice them to get out of coal and exploit their unique, as someone else said, I think it was Mr Hawes, the best deep water port on the East Coast.

Ms CATE FAEHRMANN: Speaking of deep water ports we have heard today conflicting evidence in relation to the maxi-sized massive container ships that the Port of Newcastle says that Port Botany is not as suitable for. What is your view on that?

Mr CAMERON: I defer to experts. This is why I am recommending that the parties get together and do the study. I submit that NSW Ports, by participating in a rail freight bypass and making their money out of raiing containers instead of servicing container ships, could easily stand to make more money. I am talking about shifting investment that is made in trucks through Port Botany to rail through Newcastle. If NSW Ports and Port of Newcastle Investments combine their resources and the State Government joins with them you could put together a deal that would see the rail bypass built with all of the other significant benefits underpinned by an Act of Parliament with prices regulated by the Australian Competition and Consumer Commission.

It would give the six million Australian super annuitants, of which I am one, access to a guaranteed return on their investment, which is what the owners of NSW Ports want. Fifty per cent of Port of Newcastle investors are also superannuation funds. I would like to be able to say that the technical concepts which are in my submission are mine, but they are not. I have sourced them all from government reports, most particularly the rail freight bypass report that has come out of two infrastructure agencies in the State and Federal governments in 2012. They have done the research.

The Hon. SCOT MacDONALD: I am trying to reconcile the thrust of your arguments. The Port of Newcastle privatisation agreement is invalid because the port assets Act and Port Assets (Authorised Transactions) Act did not authorise the port be privatised for the purpose of providing the Government with funds to pay NSW Ports. We had Treasury, Mr Kanofski and others give clear views that what the transaction was about was giving effect to Government policy, previous government policies, a bipartisan approach that was Botany first, then Port Kembla and then Newcastle. Why is that in conflict? If the transaction accurately reflected government policy, bidders were aware what government policy was and they talked about transparency, and things like that, where is the flaw in that? I am trying to reconcile what you are saying.

Mr CAMERON: It goes to the fundamental purpose of the original Act, the Ports Assets (Authorised Transactions) Act 2012. The commitment was given by the Treasurer, Mr Baird, explicitly that these sales would not proceed if the value did not exceed the retention value. There was no retention value published. The Parliament was not informed that all of the containers that go through Port Botany could go through Newcastle and the Government would pay Port Botany as if they went through Port Botany. What I submit is that payment was not authorised. The second thing about policy is that the 2003 three ports strategy provided for Port Botany to reach capacity. That was fine.

At that stage Port Botany was around about one million containers per year. In 2005 when Treasury backed the \$1 billion 60-hectare reclamation of Port Botany the Cleland commission put a limit of 3.2 million TEU containers on that. After that was reached, and that will be reached within a year or two, Newcastle was to be next. In 2008 Newcastle Port Corporation got formal approval from its shareholder Ministers to develop a multipurpose terminal with a minimum capacity container terminal of one million TEUs. Then on 27 July 2012,

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this extraordinary statement came from the Government saying the next container terminal after Port Botany reaches capacity will be Port Kembla. Hitherto nothing had been heard about that.

I would refer you to the articles in *The Australian* and the *Australian Financial Review* and I would ask you to reflect on why the decision was announced on 27 July 2012 that the next container terminal will be at Port Kembla, when the press were telling us of offers being made, if the monopoly could be conferred on Port Botany, and you would get some more money. I would suggest to you that the purpose of leasing Port Botany and Port Kembla, which was to free up assets, was not the purpose at all; the purpose was to maximise the return by making an unauthorised support payment.

The Hon. SCOT MacDONALD: I think the clearest message from Mr Carmody in his testimony this morning was that his predecessors, his previous board, bought a bulk coal commodity terminal when they entered into their transaction. It was very clear in their mind, unless I misheard, that they had entered into a transparent bidding process. I differ with what you are saying, that the previous Labor Government had a very clear port strategy that we followed in every way, shape or form.

The Hon. LYNDA VOLTZ: Point of order: I am getting very tired of Mr MacDonald saying the complete opposite of evidence that has been presented and that he is putting before the Chair. There is no way that he can put to a witness that this Government has followed the Labor policy in full from 2012. I would ask that Mr MacDonald put a proper question to the witness.

The Hon. SCOT MacDONALD: I do not think that was a point of order.

The CHAIR: I will determine whether it was or was not a point of order. In this subject area, I would regard Mr Cameron as an expert witness. I therefore feel the witness is capable of determining the nuances in the question. In this case, I will not support the point of order, but will caution members on trying to encourage witnesses.

Mr CAMERON: I am happy to address the question.

The CHAIR: Mr Cameron is capable of answering the question and I will allow the question, if there is a question.

The Hon. SCOT MacDONALD: The port strategy was clear from 2003 to 2005. The Port of Newcastle went into it with its eyes wide open. How can there be an argument that it is invalid or that there was misrepresentation?

Mr CAMERON: I am not here representing Port of Newcastle Investments. What I am saying to you is that the reason the Port of Newcastle was leased was because the Government required to have a source of funds that was outside the operation of the Competition and Consumer Act. If it did not lease the Port of Newcastle, the Government had no source of funds to meet its contractual commitment to make support payments to NSW Ports, as proven by Reverend Nile's question on notice.

The Hon. SCOT MacDONALD: Are you not saying, on the other hand—

The CHAIR: Mr MacDonald, you have asked a question and received an answer. There is a matter before the Federal Court, and I am sure some clever lawyers will be asking exactly the same questions. Mr Cameron, thank you very much for your detailed submission and your opening statement. We have determined that we require answers to questions on notice by 11 February. You will receive those questions in writing from the secretariat and we would be pleased if you could oblige us with answers by date.

(The witness withdrew)

(Short adjournment)

*See [correspondence](#) received from Mr Cameron on 3 February 2019 regarding clarifications to evidence.

PHILIP LAIRD, Associate Professor, Faculty of Engineering and Information Sciences, University of Wollongong, affirmed and examined

The CHAIR: I welcome our last witness for this hearing, Associate Professor Laird. Would you state the capacity in which you appear before the Committee?

Associate Professor LAIRD: I appear as a private citizen who has drawn upon the resources of the university to prepare the submission.

The CHAIR: Before we commence questions, I note that we have a submission from you, which is submission No. 6. Would you like to make a brief opening statement?

Associate Professor LAIRD: Thank you, Mr Chairman. The main message is that I view the current arrangements for ports in New South Wales as suboptimal. They unduly restrict competition as well as adding to some Sydney roads and Sydney rail tracks. Arrangements for Newcastle have been costly—removing the railway line with the proceeds of the sale—and, as well as adversely affecting Newcastle with the implied restriction on competition of Newcastle having containers, our region, the Illawarra region, was denied the opportunity of a stand-alone port. We could have had something like the Port of Tauranga in New Zealand, which is the second port for the city of Auckland. It is a very efficient port. It competes to get business from shipowners. It says, "You come to Tauranga and we will not delay your ship. We will turn your ship around quickly and your containers will be cleared by rail—a 200-kilometre journey including through an eight-kilometre tunnel—to a bonded port at South Auckland. It really helps Auckland and the New Zealand economy.

We could have had that with Port Kembla with completion of the Maldon to Dombarton with a four-kilometre tunnel—not an eight-kilometre tunnel—feeding Moorebank. Maybe we will get it in the future; maybe not. But I put it to the Committee that it would have happened a lot quicker had it been a stand-alone port. When you look at how well the Port of Tauranga works in New Zealand, we have missed out on that. Also, if you look south of the border in Victoria, Hastings is set up to be a future port to complement the Port of Melbourne. For some reason, we have gone the other way. That is my main message.

The CHAIR: Thank you.

The Hon. LYNDA VOLTZ: What you are talking about—that shift away from coming into busy city centres—is sort of consistent with what has happened in the past with the closing down of the White Bay terminal in Sydney Harbour and the—I have forgotten the previous name of Barangaroo.

The CHAIR: The Hungry Mile will do.

The Hon. LYNDA VOLTZ: I am sure it had another name before that.

The Hon. TREVOR KHAN: Hickson Road.

The Hon. LYNDA VOLTZ: The Hickson Road ports have been closed down. The container terminals have moved away from the more congested part of the city.

Associate Professor LAIRD: Indeed. First, it goes back further to the decision of the Wran Government not to build a coal loader at Port Botany but instead to put the new coal loader at Port Kembla, which was opened in 1982. Secondly, it closed down the grain terminal at White Bay and after a multi-stage selection process, Port Kembla was selected. That is where the new grain terminal went. Thirdly, from the Hungry Mile, the car imports were moved down to Port Kembla. But, as I think I have referred to, a New South Wales parliamentary committee looking at these arrangements said, "Look, it is okay to move the stuff down to Port Botany, but you will have to address rail congestion and road congestion issues affecting Wollongong and Port Kembla."

The Hon. TREVOR KHAN: I am sorry to interrupt. Was this the 2003 inquiry?

Associate Professor LAIRD: It was 2004-05.

The Hon. TREVOR KHAN: Yes.

Associate Professor LAIRD: I have a supplementary submission. I will send it to you, if you wish. There was a joint Federal-State corridor study—one of more than 20 done around Australia. Again it identified the issues affecting the Wollongong-Port Kembla to Sydney corridor. You see, you might need to build the Maldon-Dombarton rail link. We are still waiting for it to be completed.

The Hon. LYNDA VOLTZ: That is consistent with the evidence of the previous witness, Mr Cameron, who spoke about a Newcastle and Wollongong port where you train containers into the intermodals on the outskirts of Sydney and then you disperse the goods that way.

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Associate Professor LAIRD: I think it is a model that when you look at the cost of WestConnex plus the cost of building more urban rail infrastructure between Sydney and Parramatta it must have some appeal.

The Hon. LYNDIA VOLTZ: And then you add to that mix an additional one million people in the next 15 years in the Western Sydney area on an already congested rail line system and an already congested urban road structure.

Associate Professor LAIRD: Agreed. I make the point also that when the planning for this was done, say six years ago, we did not have a population of 25 million. Sydney is now over five million; it has grown fast. I think between the 2011 and 2016 census it grew 10 per cent—Melbourne grew more, but Sydney grew. The urban rail passenger use went up even faster. So I think we need to look at some of these things and take another look. Are we really doing it the best way? My submission is no we are not. For example, there is a company—is it Fletchers at Dubbo?

The CHAIR: Yes.

Associate Professor LAIRD: They do a great job of exporting processed meat through Port Botany to China, but might not they do it better through Newcastle?

The Hon. LYNDIA VOLTZ: Where they do not have to go through the city precincts.

Associate Professor LAIRD: Yes, and there is a huge catchment area for Newcastle spreading not only north but also west. Perhaps even tapping into southern Queensland.

The Hon. LYNDIA VOLTZ: We are always happy to get anything we can out of Queensland. Port Kembla would need to be expanded though if you looked at that model, would it not? You would look at extending the container terminal in Newcastle and what is Port Kembla's capacity and what would it look like if you invested in the rail links and the four-kilometre tunnel.

Associate Professor LAIRD: I think for our regional economy, Illawarra, Wollongong, it would be really good for our city, which once was about the seventh in Australia for population and now is about the tenth—

The Hon. TREVOR KHAN: Not about the tenth, it is the tenth.

Associate Professor LAIRD: —to have a port that can grow. It would be a fantastic thing. We may have welcomed a cruise ship or two, but even with the current throughput and even with coal volumes down through Port Kembla—the lowest on record almost—the existing rail and road networks are constrained. To give you an example, when a new timetable was brought out I think a year or two ago—

The Hon. LYNDIA VOLTZ: In 2017.

Associate Professor LAIRD: —for more urban trains, we did not get any. The *Illawarra Mercury* asked why not and the answer was, "Well, you've got no more room to put extra trains on your existing tracks." So on the one hand the Government tells us, "You've no room for extra trains", Newcastle people get a passenger train every half hour between morning and afternoon peak; we only get them every hour, and we are told there is no room for the extra trains and yet we are told we do not need Maldon to Dombarton, the completion of the railway line that was started in 1983. I think we do need it.

The Hon. JOHN GRAHAM: I wanted to jump in on that question because I saw your submission referred to it. Just any other views on Maldon to Dombarton. If it was proceeded with how quickly do you think it could be built and how crucial do you think it is to the sorts of issues you are drawing attention to?

Associate Professor LAIRD: I think it is crucial in three ways. As identified by the Illawarra Business Chamber, they proposed it not only be used for freight but also capable for passengers as a south-west Illawarra regional link. Transport for NSW in a publication said it would take five years. But give us a break. The enabling legislation passed in 1983 envisaged construction in three years, and it is one-third built already.

The CHAIR: We all blame Nifty Neville for that one. I was trying to build an underground conveyor from Appin down into the coal loader right then and Neville came up with the idea no, we will put the Maldon to Dombarton line in and we will stick coal on it. No, it is too steep. So that is where it stalled.

The Hon. LYNDIA VOLTZ: He got rid of the dog track too.

The CHAIR: Yes, he did too. We will move on to Ms Faehrmann.

Ms CATE FAEHRMANN: Thank you for appearing today. Moving to page 2 of your submission, you mention the Deloitte Access Economics report into the NSW Container and Port Policy for the port of Newcastle, which has been mentioned previously today. You say that 2.4 million TEUs moved through Port Botany in 2016-17 and that that report notes that happened despite the high costs on both road and rail of moving through

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Sydney. Are you able to explain to the committee a little bit more about the high costs of moving through Sydney in terms of road and rail compared to, for example, Newcastle? Do you have that information?

Associate Professor LAIRD: We are looking at two costs—one to the shippers who pay money to have a container moved, say, from Port Botany trucked out or railed out and, secondly, what other people call external costs. These are the costs of pollution, accidents and road congestion. The issue was canvassed at length by IPART in a 2012 report on access arrangements for Rail Track for the movement of grain. Data there suggests that in urban areas if you take a truck, for every tonne of freight on that truck that moves one kilometre, the community is picking up a hidden cost of 3¢. In non-urban areas it is about 2¢. In other words, the bigger the city the more you have these costs. You can go in further detail. Some of the air pollution costs which manifest themselves in health impacts are quite severe. When you add them up a number of people are impacted by poor air quality in Sydney. They are some of the costs as well as just the cost. Of course, as the roads get more congested the people moving the containers have to charge the people who want the containers moved more.

Ms CATE FAEHRMANN: You mentioned air pollution. I am assuming that in some part it relates to diesel trucks.

Associate Professor LAIRD: Yes, particulates—PM2.5. It is the very small particulates.

Ms CATE FAEHRMANN: You also mention in your submission the statistics around heavy truck fatalities. You say that there was an increase from 2016. In 2016 there were 22 fatal road crashes involving heavy trucks on New South Wales roads and in 2017 there were 40. Does that concern you? I think NSW Ports suggested it was an extra, say, 8,000 TEUs per day. I think we heard today that that is 3,500 trucks.

The CHAIR: It was 2,700.

The Hon. TREVOR KHAN: Yes, 2,700 on 50:50; 5,000 on 80:20.

Ms CATE FAEHRMANN: That is if three are on each truck. You raised that concern quite a bit in your submission—the impact of heavy trucks in our suburbs.

Associate Professor LAIRD: Yes. There is a national trend of the fatalities involving articulated trucks—these are the semis and the B-doubles—going down nationally but up in New South Wales, despite New South Wales having a higher level of enforcement. I think it reflects just the sheer numbers of trucks. The other concern that was raised by the member for Heffron was should we have these really big trucks, like B-doubles, going around places like Green Square in peak hour traffic? These are some of the issues that flow out from having a port only eight or 10 kilometres from the central business district. Going back to the earlier question, we took the coal out of Port Botany and we took the grain out of White Bay and the cars out of the Hungry Mile; maybe we should be taking some of the containers away from Port Botany just to ease the pressure.

Ms CATE FAEHRMANN: I think the port strategy has the goal of 28 per cent of all of the containers, TEUs, being transported by rail. That is a lot of TEUs obviously transported by road but we have also had some doubts as to whether that 28 per cent can be met by rail. What is your view on that?

Associate Professor LAIRD: On the plus side the Federal Government is providing funds to duplicate the track. On the minus side the history shows over 30 years of trying to achieve targets like this that it is very difficult. Also the Kirby inquiry in the early 1980s I think it was suggested a compulsory railing of containers. The industry—

The Hon. TREVOR KHAN: Screamed blue bloody murder—

Associate Professor LAIRD: Yes, and it did not happen. Unless there are penalties or financial incentives I believe Fremantle might have had some success here. If you want to truck your container in there is a \$50 charge but if you want to rail it in there might be a \$50 discount, and things like that.

Ms CATE FAEHRMANN: Is that what the Port of Fremantle does?

Associate Professor LAIRD: No, I would not want to say. I heard a report that they might be. I come back to this issue of external costs. Even though they do not sharpen the accounts of those importing the merchandise or exporting stuff they impact on people. Some very quick ones—to move goods by rail uses about one-third of the diesel compared to moving them by truck, on average. Safety, when I looked at it 10 or 12 years ago, the cost was about half a cent per tonne per kilometre of road freight accident risk. The rail was then about one-twentieth. I think since then the road has improved so that ratio is an old one. But even one to 10.

The Hon. TREVOR KHAN: Associate Professor, I grew up in Wollongong so the issues of the Maldon to Dombarton line are well known to me over many years. You talked about the difficulty of reaching the targets

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of rail usage from ports. The problem is that the usage of rail or road is not determined by the port operator; it is determined by the freight forwarder who is further down the chain.

Associate Professor LAIRD: Yes, but I think the port operators like to put on a surcharge for road delivery or, if government wants to put it on, that can help. But yes. If you are not having to pick up the tab of these external costs road can be quite attractive.

The Hon. TREVOR KHAN: The issue with the freight forwarder is that, in part, the decision they make will depend upon where the distribution centre is that they are going to and who operates that distribution centre. For instance, if Woolies says, "We want the products taken to X" that may well determine whether it goes by road or rail.

Associate Professor LAIRD: Yes.

The Hon. TREVOR KHAN: Even if rail is a partial solution and it gets you part of the way there, to move from the wharf to rail and then from rail to truck, for instance, each step involves an additional cost, particularly the transfer from one item to another?

Associate Professor LAIRD: Yes, there is a cost of transferring from rail to road but again my argument is if we put up all the external costs, including, I would argue, unrecovered road system costs through defective hidden subsidies—the operation of articulated trucks at 1¢ per nett tonne kilometre—if you had a more rational road pricing system, as they do in New Zealand, where they have mass distance charges for heavy trucks, I think you would start to see not only more bulk products. In the past 15 years you have seen some oil come off going out to Dubbo and Canberra. That is has gone onto road. You have seen quarry products. We used to have a ship from Bass Point quarry coming into Glebe for Hansons.

The Hon. TREVOR KHAN: That is going back a fair way.

Associate Professor LAIRD: No only to 2011. Then we will put it on the roads. They have sought to vary the conditions through the Department of Planning at the moment. When you subsidise heavy trucking through under-recovery of road system costs and you refuse to put any imposition for the other external costs, like half a cent per nett tonne kilometre on road crash risk costs, plus air pollution, plus road congestion, plus emissions, then we have set up a system which literally encourages more loads on roads.

The Hon. TREVOR KHAN: We may not be at cross purposes. You have been very interested in and an advocate for rail passenger transport for some time.

Associate Professor LAIRD: Yes.

The Hon. TREVOR KHAN: You referred earlier to the frequency of services between Sydney and Newcastle—half an hour during the peak periods—

Associate Professor LAIRD: We loved it.

The Hon. TREVOR KHAN: I remember it, but it was a long time ago. In order to achieve that degree of frequency, passenger trains would need to have priority over freight trains.

Associate Professor LAIRD: Yes.

The Hon. TREVOR KHAN: Therefore, any freight being moved on the northern line would take second priority over passenger transport at all times, but certainly during peak times. Is that right?

Associate Professor LAIRD: Yes.

The Hon. TREVOR KHAN: This is not a trick question. If we are talking about developing a port in Newcastle with large container movements to Sydney, it would necessarily mean a separation of freight lines from passenger lines. You could not do it any other way.

Associate Professor LAIRD: Ideally they would be separate. We have already done quite a bit over the past 10 years—for example, the fifth platform at Hornsby, the Epping to Thornlie third line, the North Strathfield rail underpass and the crossing loops at Gosford—for the express purpose of diverting freight trains onto these kilometre-long loops so that passenger trains move up. We have scope for doing that in two more places. The Hornsby bank coming up from the Hawkesbury River is an ideal candidate for a third track so that slow-moving freight trains can be diverted. At the same time, we could give the passengers a better alignment between Fassifern and Teralba. The existing track follows a huge loop. The original track laid down by John Whitton went over a hill with a 1:40 grade and down another side. You would put in a fast passenger line.

I have argued elsewhere that money from the Newcastle port privatisation could have been used to do that rather than ripping up the railway line into Newcastle city. That money would have been much better spent

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on a Broadmeadow-Gosford-Hornsby track upgrade, including reverting to the old Whitton alignment around Fassifern. That would knock off three kilometres and allow the two-hour travel time between Broadmeadow and Central Station to be realised. You could leave the old winding track for slow-moving freight trains. The ideal is complete separation of freight and passenger trains. It is a very busy section of double track. However, there are things we can and should be doing in addition to the four items I have mentioned that have been done in the past 10 years.

The Hon. TREVOR KHAN: I am not disagreeing with anything you have said. However, a necessary precondition for what you have suggested to ensure containers are moved by rail is a substantial investment in rail before any port development goes ahead. That would be the same in Newcastle or Wollongong.

Associate Professor LAIRD: The magnitude of funds required is an issue. There are the two improvements I have suggested in Newcastle and a third rail line on the Hornsby bank. Each of them would cost less than \$1 billion. Last time the Maldon to Dombarton proposal was examined it was costed at \$800 million. You would probably now get it done for less with improved tunnel technology. Capacity and efficiency improving enhancements would cost less than \$1 billion each. It is costing billions upon billions to build roads to get into Port Botany and the airport. Given the increasing population we have to take a fresh look and ask whether we are getting this right. What might have been good in 2012 might not be so good in 2019.

The CHAIR: Your evidence has been extremely interesting and I have learnt a great deal. Thank you very much for giving evidence to the Committee. The secretariat will be in touch with you if the Committee has any further questions.

Associate Professor LAIRD: Thank you for conducting this inquiry and for the invitation to appear. I wish the Committee well in preparing the report.

(The witness withdrew)

(The Committee adjourned at 15:47)