



Sydney Business Chamber

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The Chairman
Public Works Committee
Legislative Council
Parliament House
Sydney NSW 2000

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Dear Chairman

Inquiry into the impact of Port of Newcastle sale arrangements on public works expenditure in New South Wales

The Sydney Business Chamber (SBC) welcomes the opportunity to provide a response to the Inquiry on the impact of Port of Newcastle sale arrangements on public works expenditure in New South Wales.

SBC is a leading advocate for Sydney as a competitive and liveable global city. As a division of the NSW Business Chamber, SBC has offices in the Sydney and Parramatta CBDs, and represents over 150 leading Sydney corporations. SBC members include small and medium enterprises as well as major domestic and international companies.

Introduction

SBC notes the specific terms of reference of the inquiry, however, feels there is a need to consider broader issues. Arguably, the most pertinent issues are associated with ensuring effective infrastructure investment and the efficient and effective operation of freight including the operations of ports in New South Wales. Importantly these considerations should be based on robust, credible, and independent evidence as opposed to selective commercial interests and/or studies commissioned on their behalf.

Further to this, there is a need to provide certainty to existing and potential investors in respect to the decision(s) of the New South Wales Government and the processes associated with selecting preferred bidders/operators of Government owned assets. To this point, government should not underestimate the sophistication of the private sector in assessing and negotiating: terms and conditions; limitations; opportunities; commercial risks; future demands; developing proposals; or determining the price for the expected return on investment.

Attempts to renegotiate commercial terms, in respect to the operations of ports in New South Wales, should also consider the following: implications for freight pricing for consumers and business; potential compensation expense for existing investors; revenue implications for the NSW Government from changes in intended use; capacity and investment constraints; existing and projected demand; interest and efficiency requirements of shipping companies and the stevedore industry.

NSW Economy and priority infrastructure

New South Wales is Australia's largest state economy, with 33% of the nation's GDP in 2015–16. The NSW population, which currently stands at 7.9 million people, growing at an average of 1.1 per cent over the last 30-years. More rapid population growth has been experienced in recent years

Sydney's population is expected to grow from 5 million to 6.5 million by the year 2036, and much of this growth is expected to be in the areas of western and south west Sydney.

The 2013 Productivity Commission Report, entitled, *An Ageing Australia: Preparing for the Future*, estimated that governments must spend approximately \$38 trillion in capital investment between 2013-14 and 2059-60. While NSW is currently seeing the highest levels of infrastructure of all jurisdictions it is unclear, as the Productivity Commission notes, whether this will bridge the infrastructure gap.

In view of the projected population growth for Sydney, SBC is particularly focused on ensuring the delivery and investment of infrastructure to support the projected economic and population growth of Sydney.

The infrastructure listed specifically in the terms of reference i.e. the WestConnex Gateway project, Port Botany Rail Line duplication, intermodal terminals, and rail road connections in southwest and western Sydney, were investment priorities independent of the Port of Newcastle sale. These projects are necessary to meet the demands of a growing NSW economy and population. They will also play the critical role of supporting Port Botany, Sydney Airport, and the future Western Sydney Airport.



It is also important to note the significance of Port Botany to the NSW economy. Port Botany contributes \$3.7 billion per annum to Gross State Product and supports some 25,000 jobs. Given the significant contribution this asset makes to New South Wales and Australia it is critical to ensure an appropriate and substantial investment is made in support and connecting infrastructure to this port.

Freight Pricing

At the core of all considerations around infrastructure planning, freight policy and commercial negotiations, should be freight efficiency and pricing. Business and consumers are ultimately the victims or beneficiaries of such arrangements. It is imperative that decisions regarding future container port operations consider efficiency, freight pricing, and commercial sustainability requirements. In addition, the New South Wales Government must also consider current capacity, as well as future demand.

SBC maintains these factors should be key considerations for the location and number of container ports and associated investment. It is important these considerations be informed by evidence and assessed by groups independent of existing and future non-government commercial interests. Authorities such as the Australian Productivity Commission and, potentially, the NSW Productivity Commissioner are best placed to provide such assessments.

ACCC Container stevedoring and monitoring report

Further to the above, SBC notes the Container Stevedoring Monitoring Report of the Australian Competition and Consumer Commission (ACCC), dated October 2018. The report makes a number of key observations in respect to the operations of stevedoring in Australia likely to impact the potential of future investment, stevedore operations, and the use of port infrastructure, these include:

- Infrastructure charges have added costs to the supply chain and productivity has stagnated.
- Growing containerised volumes helped grow total industry revenue by 6.8 per cent in 2017/18, however, quayside revenue per lift fell by 8.5 per cent, driven by increased competition among stevedores for shipping line contracts.
- As a combined industry, stevedore profitability fell sharply in 2017/18 with all stevedores reporting a reduction in profits.
- Efficiency of the port supply chain has a direct bearing on the cost of imported goods in Australia and the competitiveness of our exports.
- Australia's containerised trade is imbalanced in terms of loaded import and export containers with the dominate direction being loaded imports.
- Larger ships continued to be deployed in Australia in 2017-18.
- The capital intensive nature of stevedoring and its high economies of scale means there cannot be many suppliers at any particular city. An efficient port supply chain involves balancing of these two factors: not too many stevedores that it leads to inefficient operations, but enough so that the competitive pressure between them will see operators pass efficiencies in the form of lower prices.

Thank you for the opportunity to provide input into this Inquiry. If you have any further questions in relation to this submission, please contact patricia.forsythe@thechamber.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Patricia Forsythe', written in a cursive style.

Hon Patricia Forsythe
Executive Director