

Subject: LMM 23/04/2024 - IPART'S DECISION ON PORT OF NEWCASTLE AND BYPASSING FREIGHT FROM RESIDENTIAL NEWCASTLE

MOTION:

That City of Newcastle:

- 1 Welcomes the recent decision of IPART in which it determined that the current maximum value of a one-off compensation payment of \$13 million can be made by the Port of Newcastle to the State of NSW under the *Port of Newcastle Extinguishment of Liability Act 2022*.
- 2 Acknowledges that should the one-off payment be made, it will remove the Port of Newcastle's liability to reimburse the State for compensation payments owed to NSW Ports (the operator of Port Botany and Port Kembla), if the Port of Newcastle handles container trade above a specified level.
- 3 Notes with disappointment that this intervention became necessary following the former Coalition State Government's decision to privatise the Port of Newcastle, placing a handbrake on the economic diversification of the region and sending the Port's profits offshore.
- 4 Notes that IPART's determination finally brings clarification and a pathway towards a potential deep water container terminal at the Port of Newcastle.
- 5 Notes the release of the NSW Government's [Freight Policy Reform Program Consultation Paper](#), which aims to deliver a comprehensive strategic action plan to optimise freight transport in NSW, particularly in relation to road, rail and ports.
- 6 Reiterates City of Newcastle's previous advocacy in relation to the Lower Hunter Freight Corridor, aimed at establishing a future dedicated freight rail line between Fassifern and Hexham, bypassing residential Newcastle, and prepares a submission to this effect in relation to the Freight Policy Reform Program Consultation Paper.

BACKGROUND:

Lower Hunter Freight Corridor

The Lower Hunter Freight Corridor provides for a future dedicated freight rail line between Fassifern and Hexham, bypassing the Greater Newcastle Metropolitan (urban) area.

Separating rail freight from the passenger rail line is a NSW Government initiative to reduce network congestion on the rail network across Newcastle, and improve travel times and reliability for both rail freight and passenger rail services.

Key benefits

When built the Lower Hunter Freight Corridor would:

- Separate rail freight and passenger rail services between the congested Fassifern and Hexham sections,
- Support growing demand as freight and passenger rail services in Northern Sydney, Newcastle, and the Sydney-Newcastle corridor continue to grow.

- Remove most rail freight from the Greater Newcastle Metropolitan (urban) area,
- Reduce network congestion and improve travel times and reliability for both rail freight and passenger rail services,
- Support economic growth across the Lower Hunter region,
- Relieve congestion and journey delays to road and active transport users around level crossings at St James Road, Adamstown and Clyde Street, Islington,
- Relieve pressure on regional roads and highways by moving more freight via a dedicated freight rail corridor,
- Reduce the number of heavy vehicles on the roads, and
- Enable freight to move efficiently and safely.

RELATED PREVIOUS DECISIONS:

LMM 23/08/2022 – State Election Priorities

LMM 22/03/2022 – Federal Election Priorities

LMM 28/09/2021 – Bypassing Freight from Residential Newcastle

LMM 27/07/2021 – Infrastructure Australia 2022 Priority List

LMM 23/02/2021 – City of Newcastle Budget Submission 2021/22

LMM 28/07/2020 – Infrastructure Australia 2021 Priority List

LMM 28/04/2020 – City of Newcastle Fast-track Infrastructure Stimulus Opportunities

LMM 22/10/2019 – City of Newcastle Budget submission 2019/20

LMM 27/08/2019 – Infrastructure Australia 2020 Priority List

ATTACHMENTS:

1. Independent Pricing and Regulatory Tribunal NSW, *Media Release*, 5 April 2024.
2. Lower Hunter Freight Corridor Map
3. Newcastle Herald Article, *See what offshore wind manufacturing will look like in Newcastle*, 18 April 2024.

ATTACHMENT 1



Media Release

Media Release 5 April 2024

Port of Newcastle Compensation Payment Valued at \$13 million

IPART has determined that the current value of a one-off compensation payment that can be made by the Port of Newcastle to the State of NSW is \$13 million.^a

If the one-off payment is made, it will remove the Port of Newcastle's liability to reimburse the State for compensation payments owed to NSW Ports (the operator of Port Botany and Port Kembla), if the Port of Newcastle handles container trade above a specified level.

Independent Pricing and Regulatory Tribunal (IPART) Chair Carmel Donnelly said the Tribunal determined the value of the payment according to the requirements set out in the Port of Newcastle (*Extinguishment of Liability*) Act 2022.

"IPART was appointed under that legislation to determine this value and the law requires that determination to be made in a very specific way," she said.

IPART was required to determine how much the inclusion of the reimbursement provision would have reduced the financial value of the right to operate and lease the assets of the Port of Newcastle for 98 years, in the opinion of a reasonable person, at the time the Port of Newcastle Deed was entered into.

"This could be described as what a reasonable person, bidding for the right to operate and lease the Port of Newcastle in 2014, would have reduced their bid by, because of the requirement to reimburse the State for payments to NSW Ports," said Ms Donnelly.

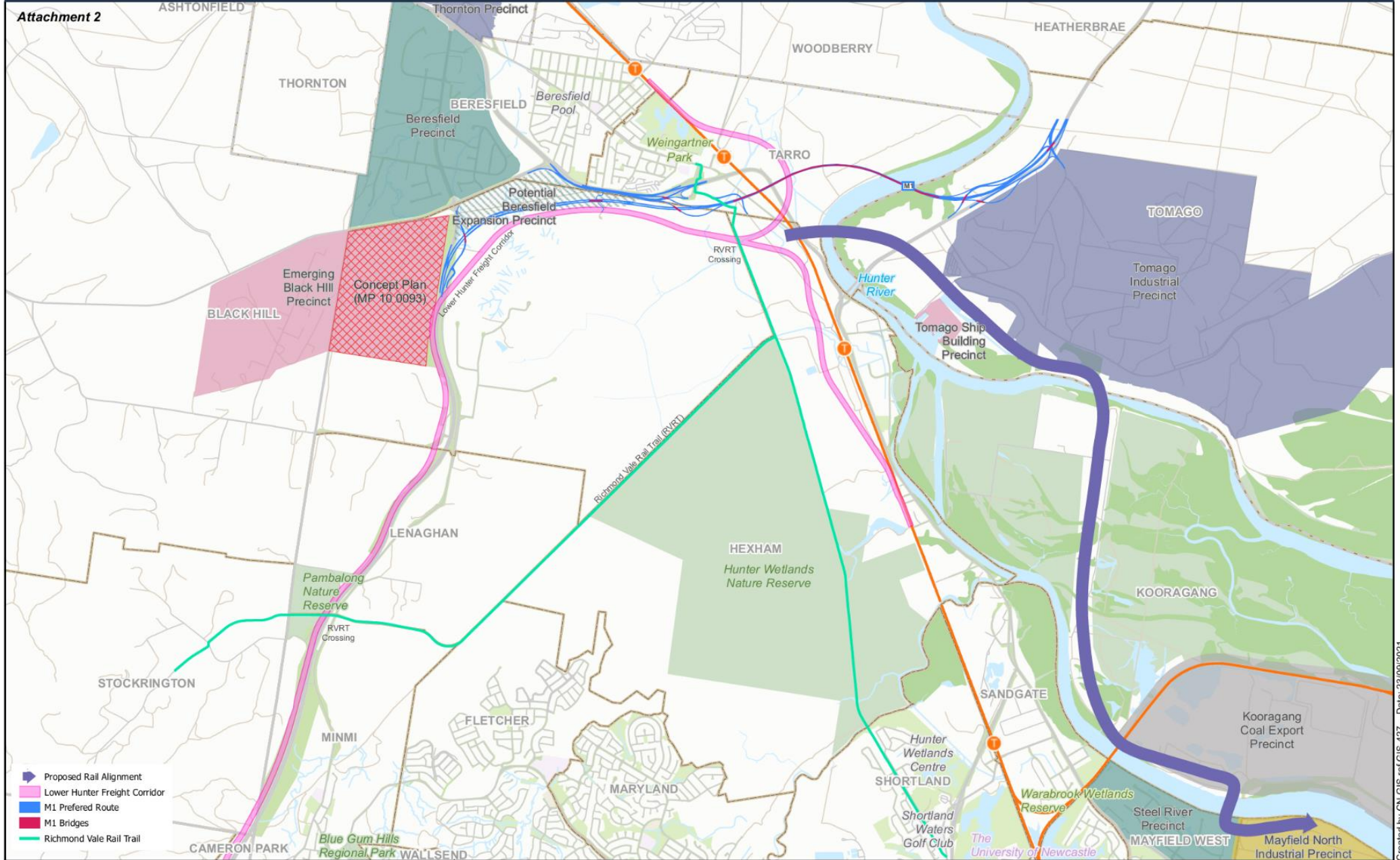
"IPART was only allowed to consider information that could have been known in May 2014, when the transaction to privatise the Port of Newcastle was finalised."

Any amount payable by the State to NSW Ports under a separate 2013 arrangement, may be quite different to the amount IPART has determined the Port of Newcastle can pay the State to extinguish its liability. The amount of any compensation payable by the State to NSW Ports is calculated each year based on actual container throughput at the Port of Newcastle and wharfage charges at Port Botany and Port Kembla. IPART was not tasked with determining the amount payable under this separate 2013 arrangement.

^a IPART's determination was made in 2014 dollars, as required by the legislation. We have adjusted the determined value of \$10.12 million (2014 dollars) for inflation to obtain the value that would be payable in today's dollars which is \$13.006m.

City of Newcastle Submission on the recommended Lower Hunter Freight Corridor

Attachment 2



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ATTACHMENT 3

SEE WHAT OFFSHORE WIND MANUFACTURING WILL LOOK LIKE IN NEWCASTLE



By [Matthew Kelly](#)

Updated April 19 2024 - 10:40am, first published April 18 2024 - 4:30pm



See what offshore wind manufacturing will look like in Newcastle

Port of Newcastle has released artist impressions showing how a future [offshore wind](#) manufacturing facility could transform the port over the next decade. Manufacturing would be located at several locations including the north arm and Walsh Point.

"It's going to be a huge operation. It will probably be on a similar scale to building ships in Adelaide," Port of Newcastle's executive manager of projects and assets Raymond Hohle said.

The port recently commissioned a study to assess its capability and requirements for offshore wind manufacturing.

The study found that, with suitable investment, a sustainable manufacturing industry could be established.

It also confirmed the view of several offshore wind companies and the Maritime Union of Australia regarding the port's natural advantages, which include a deep draft navigation channel, available development area, and the absence of bridge infrastructure.



See what offshore wind manufacturing will look like in Newcastle

It is likely that the basic turbine components would be built at the north arm and transferred to Walsh Point for assembly.

It is estimated that Hunter offshore wind will create 300 new full time jobs and 3000 construction jobs.

The port's study also confirmed there is sufficient land available on Kooragang Island to accommodate the Hunter Valley Hydrogen Hub and offshore wind manufacturing. "The good news is that we would not have to do land reclamation like other sites would," Mr Hohle said.

"We have space and infrastructure available at different spots in the port where we can facilitate the different manufacturing processes."

The Port is hopeful the federal government will help fund the manufacturing facility as part of its investment in the Hunter Offshore Wind Zone.

"We believe clean energy will play a big part in the Port of Newcastle and we want to facilitate that diversification," Mr Hohle said.

"But we have to wait until the permits have been awarded before we put more time and effort into it."

A spokeswoman for Energy and Climate Change Minister Chris Bowen told the *Newcastle Herald* that offshore wind presented an incredible opportunity for the Hunter, through energy and job security as well as future onshore manufacturing.

"The Hunter has always been an industrial powerhouse and this new offshore wind industry will ensure the region continues to thrive in a net zero economy," she said.



See what offshore wind manufacturing will look like in Newcastle

After the construction phase has passed, the facilities would be repurposed for maintenance.

"Once the offshore wind has been established, all you need is a clear line to service it and then some replacement parts at the 15-20 year mark but it wouldn't need such a big setup."

The port's proximity to the wind farm would also reduce maintenance costs.

"The vessels that do this maintenance work cost \$500,000 a day. If you need to steam an extra two days you are adding \$1million to the cost of each tower," Mr Hohle said.

The Port of Newcastle held a workshop last week with Hydrogen Headstart applicants, to discuss clean energy developments in and around the port.

Stakeholders in attendance included KEPCO, Origin, Orica, MHI Australia, coNEXA and Lumea.

"There are going to be a lot of construction and developments in the next five to seven years," Mr Hohle said.