

TOWNSVILLE OCEAN TERMINAL

ENVIRONMENTAL IMPACT STATEMENT SUBMISSION RESPONSE

RESPONSE TO TOWNSVILLE ENTERPRISE LIMITED

August 2008

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TOWNSVILLE ENTERPRISE LIMITED

Note: This submission response document has been prepared by means of duplicating the individual submission received and inserting response clauses where relevant.

1.1 Townsville Enterprise supports the development of the Townsville Ocean Terminal Project on the following conditions:

1. The project proponent must ensure that the Port Protection Measures (PPM) described are adequate to protect the operations of the Port of Townsville. It is a working Port with 24/7 operations. It is the major driver of the North Queensland economy. It is critical to the economic prosperity of North Queensland and the users of the Port that its operations must not be impeded and that planned expansions of the Port are not hindered in any way. While quite extensive measures are described to protect the port from actions by future residents of the Breakwater Precinct, Townsville Enterprise suggests that the legal validity of these measures be assessed by an appropriate independent party.
2. The Ocean Terminal and dedicated berth construction must go ahead regardless of the outcomes of approvals for the other components of this project. A dedicated ocean terminal is a vital piece of infrastructure for the Port as well as the city, to enable minimal impact of cruises and military vessels on commercial shipping and to enable the growth of tourism into Townsville and Queensland as a whole. The Queensland Government has identified the Port of Townsville as a key strategic location to enable the growth of cruise tourism within the State.

The following provides further background to support the above points.

- 1.2 The Port of Townsville is the major driver of the North Queensland economy and it is imperative to the economic prosperity of North Queensland and the major users of the port that its operations must not be impeded in any way and that planned expansions of the port are not hindered in any way.
- 1.3 The Port of Townsville is the sixth largest in Queensland. Over 5 million tonnes in import and 4 million tonnes in export cargo passed through the port in the 2006/2007 financial year. Port activity and industries utilising the Port are responsible for over 8000 regional jobs equivalent to 10% of total employment in North Queensland
- 1.4 The Port of Townsville will need to grow as the economy of the North Queensland region continues to grow on the back of mining and minerals processing. Trade is forecast to treble to 30 million tonnes of cargo through the Port over the next 20 years. This will require an expansion of Port infrastructure. Plans in place for the expansion of the Port are outlined in the Port Master Plan. It is imperative that the development and operations of Townsville Ocean Terminal and the associated residential precinct do not interfere with the current and future operations and expansion of the Port.
- 1.5 The Ocean Terminal and dedicated berth construction must go ahead regardless of the outcomes of approvals for the other components of this project. A dedicated ocean terminal is a vital piece of infrastructure for the Port as well as the city, to enable minimal impact of cruises and military vessels on commercial shipping and to enable the growth of tourism into Townsville and Queensland as a whole.
- 1.6 In a submission to the 2001 Queensland Cruise Shipping Plan Draft, Townsville Enterprise highlighted the economic benefits and tourism development opportunities offered by cruise ships and military vessels visiting the Port of Townsville. The submission identified that the lack of a dedicated cruise ship docking facility constrained the development of Townsville as a regular cruise ship stopover and relegated the city to seeking one-off opportunities to host cruise and military ships through the Port of Townsville, where these vessels must compete with regular cargo traffic.

- 1.7 Townsville Enterprise's submissions were considered in the Queensland Cruise Shipping Plan (2002) which identified the potential for Queensland to considerably grow its cruise shipping tourism industry. The plan recognised for that to occur infrastructure along the Queensland coast needed to be improved. Townsville was specifically identified as needing a dedicated cruise ship berth and ocean terminal facility.
- 1.8 A prefeasibility study of the Townsville Ocean Terminal Project in 2003 (which updated an earlier cost benefit analysis by AEC completed in 2001) found that construction of the Terminal was in the public interest. Construction of the Terminal and berthing facilities and the resulting business activity, particularly in the tourism and hospitality sectors, was estimated to generate an additional 465 jobs (rising to 848 jobs by the end of the assessment period) and significant tax revenues. The study showed that while the Townsville Ocean Terminal "was not considered financially viable for the TPA (Townsville Port Authority)", the public good impacts and the follow on tax revenue were sufficiently attractive for the State government to fund the project.
- 1.9 According to the AEC Group, the Cruise industry is now worth \$376 million p.a. to the Australian economy and is one of the fastest growing sectors in the tourism industry. In 2006/07, \$132.6 million was the value of the cruise industry to Queensland, creating 669 full-time jobs in Queensland to support the cruise industry and over 300 jobs on the cruise ships.
- 1.10 In the same period in Townsville, the cruise shipping industry recorded economic impacts of \$7 million in expenditure and \$4.3 million value add to the regional economy and 31 full-time jobs. This was based on only a handful of cruises, so with a dedicated ocean terminal, a significant increase in economic impact can be expected. In addition to this is the military vessel visit expenditure which is usually higher in economic impact.
- 1.11 The lack of a dedicated berth not only limits the development of cruise based tourism, it reduces the loading and unloading times available to regular cargo ships when cruise and military ships do visit. This increases costs for cargo ship owners, their customers and the Port of Townsville. Alternatively, the lack of time for cruise and military ships to stay in the Port limits the time passengers can spend in the Townsville area and discourages further visits. Further, the existing berth currently used for occasional cruise and military ship visits is not an attractive looking welcome to Townsville.
- 1.12 A dedicated cruise ship facility would give cruise and military ships certainty of a berth at times they need it. In summary, providing a dedicated berth and terminal will;
 1. realise the potential to develop the cruise ship industry within Queensland and associated tourism, hospitality and supply chain businesses within North Queensland
 2. increase the attractiveness of Townsville to visiting military vessels
 3. enhance the entire Queensland cruise shipping industry by providing a world class port within appropriate sailing distances from ports such as Cairns and the Whitsundays
 4. remove the actual and opportunity costs arising from reduced loading and unloading times available to cargo ships due to military and cruise ship vessels taking up berths in the Port of Townsville.

RESPONSE

The Proponent notes and welcomes the support of TEL for the proposed Ocean Terminal facility.

The Proponent is confident that the proposed Port Protection Measures are robust and will ensure the operations of the Port of Townsville are protected.

It is important to note that the masterplan is an integrated one and the EIS has been undertaken on this plan as a whole. The studies have not considered the Terminal or the Breakwater Cove components as stand alone elements. As a consequence approval can only be granted or refused to the development as a whole. If a stand alone Ocean Terminal were to be pursued, a new approval process would need to be undertaken which would delay the project for between 1-2 years and result in significant increases in cost.

The Economic Impact Assessment Report evaluated the proposed integrated Townsville Ocean Terminal and Breakwater Cove development project and a standalone Ocean Terminal project in terms of Net Present Value (NPV) considerations. A number of scenarios were evaluated, with varying assumptions concerning future cash-flow streams. These assumptions went to the likely number of ships visiting the Terminal each year going forward, and the likely price and rate of sale achievable for the proposed residential dwellings and dwelling sites at Breakwater Cove.

The assessment concluded that the standalone Ocean Terminal concept did not deliver a positive NPV for at least 32 years, which would be an unacceptable time horizon for any investment consideration. By comparison, even on conservative residential sales and ship visitation assumptions, the integrated project was able to achieve a positive NPV over a shorter time horizon.

In effect, the Ocean Terminal facility (as a publicly owned tourist infrastructure) is in large part being funded and the risks carried by the proceeds of the private residential and marina development. This results in direct savings to the State Government (and hence taxpayers) of the difference in actual State Government commitments and expected total construction costs.

In addition, the integrated project delivers a range of economic and social benefits to Townsville and the North Queensland region generally.

The Economic Impact Assessment Report and Social Impact Assessment Report considered both the benefits and impacts (and associated potential costs) of the project. In totality, a balanced approach was taken that accounted for both the adverse and positive impacts, and which also accounted for the magnitude and duration of these potential impacts.

The economic benefits include the following:

- The Ocean Terminal facility is an important piece of tourism infrastructure, which will assist in attracting increased visitations by passenger and naval vessels to Townsville. The proposed facility is consistent with the position outlined in the Queensland Government Cruise Tourism Plan 2003. Such a facility can also catalyse the diversification and expansion of the cruise tourism sector in Townsville. The cruise shipping industry is recognized as a high-growth, high-yield tourism industry. The analysis undertaken in the Economic Impact Assessment estimated that annual impacts of increased cruise tourism could range from \$2m to \$4.7m in value-add to the regional economy (between ~0.2 and 0.46% of Gross Regional Product). In employment terms, the analysis estimated that between 23 and 53 full-time equivalent jobs would be directly created by the operations of the Ocean Terminal.
- The impacts of cruise shipping on economic sectors in the region will flow directly to businesses involved in accommodation, cafés and restaurants, other transport (e.g. taxis), trade and personal and other services. Indirect value-added benefits will be experienced by these and the finance and business services sectors.
- In addition, there is significant opportunity for Townsville to capture some of the growing demand emerging from the global superyacht sector, and unmet demand across Queensland for recreational marina berth facilities. There is a 2,000-plus waiting list in Queensland for berths, and the proposed Breakwater Cove precinct will deliver 450 new berths to meet this demand.

- **Aside from the economic impacts of the precinct once fully operational, the construction of the cruise terminal and subsequently construction of residential dwellings and other structures will generate significant benefits to the region's construction and building sectors. The construction of the cruise terminal and wharf involves an investment of approximately \$209m, and over the three years of construction is forecast to generate \$174.8m in value-added impacts on the regional economy and create 1,913 full-time equivalent jobs.**
- **These construction-related benefits are particularly pertinent in an emerging economic climate where construction and building activity is easing. That there is sustained confidence in this project and the North Queensland region/Townsville generally will act as a boost to the local economy and assist it in navigating through the current contraction in the national economy.**

As for social benefits, the following were identified in the original Social Impact Study and have been confirmed in the Updated Social Impact Report at Appendix A30 in Volume 2 of the Townsville Ocean Terminal Supplementary EIS:

- **The development can enhance social capital and social coherence in Townsville through its contribution to increasing demographic diversity and encouraging a most cosmopolitan outlook for the City. This impact is consistent with the expectations of the majority of the City's residents, as identified in the community survey undertaken in July 2007.**
- **Social benefits also arise from the fact that the project is expected to create significant employment opportunities as outlined above. A person's quality of life and ability to actively participate in contemporary societies is heavily dependent on their having a sustainable job. This project contributes significantly to the economic foundations of local residents' quality of life and ability to participate in social life. Indirectly, this enhanced social participation capital supports the realisation of social inclusion, which further reinforces the values of Townsville residents.**
- **By creating additional marina facilities, the development will make possible a more active participation from some residents in marine-based recreational activities. This would further reinforce and expand on Townsville's reputation as a relaxed tropical city that values its outdoor lifestyle.**
- **For the broader public, the project includes the provisioning of significant tracts of public open space with high amenity value. This space offers local residents free access to ocean front recreational spaces, complementing the highly successful and popular Strand precinct. The proposed walk along the western perimeter of the FDA effectively achieves a continuation of the Strand from a recreational users' perspective, and provides a legible connectivity between the project and a well-established social and recreational precinct.**
- **Finally, and importantly, the high quality residential opportunities offered by the proposed development not only meets the needs and aspirations of some existing Townsville residents who value the location and the inner-city, waterfront lifestyle offered by the location, but will also be extremely attractive to people currently not living in Townsville. In particular, high quality residential opportunities will enhance Townsville's competitiveness and attractiveness to luring professionals, para-professionals and senior managers to the City. These people and the skills, knowledge and experience that they bring, contribute significantly to the ongoing welfare of local residents. For example, consultations with Queensland Health confirmed that residential opportunities such as those being proposed by Breakwater Cove would assist in making Townsville an attractive living and working destination for medical professionals. To not encourage these kinds of high-value residential opportunities is to undermine the ability of Townsville to compete not only on a national stage but also internationally for the best skills and the best brains.**

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- **These reputation and flow-on benefits are difficult to quantify. But taken in their entirety, the project offers significant net social benefits – many of which are intangible, but with important ramifications for the ongoing development of Townsville as a cosmopolitan, globally competitive city.**

Taking these considerations into account, together with a review of the potential net costs of the project to the public (directly or indirectly), an updated project Cost Benefit Analysis has been prepared by Transpac Consulting (refer Appendix A33 in Volume 2). This assessment concludes that:

- **The project can be expected to deliver significant economic and social benefits (many of which are intertwined); and**
- **The project can be realised without net imposts on taxpayers and ratepayers. Indeed, the assessment reinforces the original Net Present Value and Benefit-Cost evaluation (refer to the Economic Impact Assessment Report at Appendix A28 in Volume 2), which indicated that the ocean terminal facility in itself was not economically viable but combined with the proposed residential precinct is likely to deliver net financial benefits.**

In short, a narrow economic evaluation would indicate that the State (and therefore the general public) is, through the development agreement with the Proponent, effectively achieving an outcome whereby the private development is effectively funding a significant piece of public infrastructure with flow-on benefits that will be long-lasting into the future. In any other context, this outcome would be recognised as a significant win for the community.