



Mr John Hann
Chair
Independent Planning Commission Panel
For the Vickery Extension Project
GPO Box 3415
Sydney NSW 2001

12 February 2019

Dear Mr Hann,

Aurizon appreciates the opportunity to provide a submission in relation to Whitehaven Coal's proposed Vickery Extension Project (Vickery).

Our company is pleased to support Whitehaven's Vickery application based on the important and sustainable benefits the project would generate, particularly for the communities in the Gunnedah and surrounding regions. The economic benefits include the creation of skilled, well-paid jobs, the supply of goods and services by local businesses and the revenue generated from the additional exports of high-quality coal that Vickery would allow. The wider benefits include the responsible and sustainable management of mining assets and supply chain operations, including the contributions and linkages to the local communities in which we operate, and which are outlined in this submission.

Exports of high-quality coal

As the single largest export product¹, coal is an integral part of Australia's prosperity with an export value of \$66.2 billion in the twelve months to December 2018². Coal royalty payments to the state governments of Queensland and New South Wales contributed \$5.4 billion³ in FY2018, and are used to fund schools, roads and hospitals. The coal industry directly employs more than 48,000 Australians⁴.

We particularly note the economic contribution of coal mining in the Gunnedah region, with 12.4% of the region's workforce employed in coal mining⁵, the highest proportion of any industry. This economic contribution is mostly due to the continued investment made by Whitehaven Coal, which is the biggest single employer in the region.

1 Largest (by value) export product in 2018 (calendar year). Source: Australian Bureau of Statistics, Customised Report, 2018

2 Australian Bureau of Statistics, Customised Report, 2018

3 Queensland Government: Mid-Year Fiscal and Economic Review 2017-18, New South Wales Government: NSW Department of Planning and Environment.

4 Australian Bureau of Statistics, Labour Force, Australia (Detailed) November 2018

5 Australian Bureau of Statistics, 'Gunnedah (A) (Local Government Area), 2016 Census QuickStats', viewed 11 December 2018, http://quickstats.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/LGA13550

The coal produced by Whitehaven's current operations is amongst the highest quality coal mined in Australia for export. With a proposed marketed product similar to the existing Maules Creek⁶ operations, development of Vickery will enable the continued supply of Semi-Soft Coking Coal, PCI Coal and high calorific thermal coal to Australia's trading partners that rely on Australian product for energy generation and steel production.

With almost all Australian coal export volume destined for Asia, it is demand from this region that underpins the opportunity for Australian coal supply. For metallurgical coal, steel-intensive growth in India is expected to drive seaborne demand over the coming decades. In 2017, India, Australia's largest metallurgical coal trading partner (by volume), reached annual crude steel production of more than 100 million tonnes for the first time. The Indian Government's National Steel Policy (2017) projects annual crude steel production to reach 255 million tonnes by 2030–31. We note that India is already the largest end-market for Whitehaven's metallurgical coal, making up 31% of the portfolio in FY2018⁷.

For thermal coal, beyond our current trading partners of Japan, China, South Korea and Taiwan, demand in Southeast Asia is expected to drive demand for thermal coal in the decades to come. The International Energy Agency projects coal-fired electricity generation to increase from 355TWh to 933TWh (+163%) between 2017 and 2040⁸. Across the Association of Southeast Asian Nations (ASEAN) that include Vietnam, the Philippines, Malaysia and Thailand, 16.7 gigawatts of coal-fired capacity are estimated to be under construction⁹, with around two-thirds of this capacity High Efficiency Low Emission (HELE), utilising supercritical and ultra-supercritical technologies¹⁰. Combined with higher quality coal (such as the proposed Vickery thermal coal product), HELE power stations lower carbon emissions driven by higher energy output (per tonne of coal consumption) and increased efficiency.

Aurizon's business and operations in NSW

Aurizon is an Australian company listed on the Australian Securities Exchange. In 2017-18, our company's rail haulage operations carried approximately 267 million tonnes of freight in Queensland, New South Wales and Western Australia. This included 212 million tonnes of coal hauled in Queensland and NSW, destined primarily for export markets.

Aurizon commenced operating heavy haul rail services for coal producers in the Hunter Valley in 2005. The coal volumes we carry in the Hunter Valley have been growing and in 2017-18 we hauled 52 million tonnes, an increase of 10 per cent compared to the 2016-17 financial year. We also have bulk grain operations in New South Wales.

We recognise that Aurizon's customers, such as Whitehaven, are exporting their product into intensely competitive global markets. Similarly, Aurizon is operating in a highly competitive environment to provide heavy haul freight services. Ongoing transformation is essential to continuously improve our business. We are working to optimise service delivery and improve reliability for our customers, combining these objectives with ensuring we invest and develop our business sustainably and contribute to the local communities in which we operate.

Aurizon has approximately 450 employees who live and work in the NSW Hunter Valley and Gunnedah Basin regions. Our employees in NSW are a valued part of the company's total workforce of 4,500 people.

Currently Aurizon hauls up to 16 million tonnes per annum of coal for Whitehaven. These tonnes are carried to the Port of Newcastle from four loading facilities, which comprise facilities at Maules Creek, Narrabri, Gunnedah and Werris Creek.

6 Whitehaven Coal FY2018 Full Year Results Presentation, 14 August 2018

7 Whitehaven Coal FY2018 Full Year Results Presentation, 14 August 2018

8 International Energy Agency, World Energy Outlook 2018, New Policies Scenario

9 Platts UDI Electric Power Plants Database, March 2018

10 Platts UDI Electric Power Plants Database, March 2018

Importantly, Whitehaven's current contract with Aurizon is for a period of 12 years. The level of certainty provided by this contract allowed Aurizon the opportunity, commencing in 2014, to expand our operations into the Gunnedah Basin and to plan our supporting infrastructure investments, including in maintenance and support services, for an extended period. Our ability to provide efficient operations and to continue improving our haulage services also depends on investments in our rollingstock, facilities and the technology and quality maintenance operations that support them. Over more than a decade, Aurizon has invested a total of \$1.12 billion in rollingstock, operational and maintenance facilities and in technology to support our NSW operations¹¹.

In recent years the company has made a major investment in our NSW rollingstock, with more than 800 new coal wagons and 11 new locomotives acquired and deployed for coal haulage services in the Hunter Valley and Gunnedah Basin. We recognise the importance of continuing to make investments aligned with optimising service delivery. Modernising our rollingstock fleet is a key component of Aurizon's approach to lifting the productivity of operations and ensuring the services we provide meet the current and future requirements of companies like Whitehaven.

We view this commitment to efficient supply chain performance as complementing the focus that Whitehaven has on its mine performance, while providing the best possible workplace for employees. Whitehaven has been recognised by the industry for its operational performance, with the NSW Minerals Council awarding the Maules Creek Mine the 2016 Mining Operation of the Year which is awarded to an operation that has demonstrated outstanding performance.

Safety

Aurizon and Whitehaven share a common set of values relating to safety. Both companies are conducting their businesses in a way that provides and maintains safe and healthy workplaces for employees, contractors, visitors and the communities in which our operations are located. We both share a goal of zero injuries by ensuring that safety and the prevention of injury is part of our culture. This shared approach under which both companies identify safety as the highest priority provides the basis for safe and productive workplaces extending from the operation of mines, and across all parts of the land transport supply chain.

Sustainability

Aurizon has a close alignment with Whitehaven's commitment to sustainability, which is based on embedding sustainable practices into the company's day to day operations. This commitment complements the high priority that Aurizon gives to ensuring that the transport supply chain is developed and operated sustainably, and to effectively managing and reducing the impacts our operations and support services make on the natural environment. Aurizon's 2018 Sustainability Report sets out in detail the major commitment we are making to conduct all aspects of our business in ways that contribute to building both a strong business and a sustainable future¹².

Regional communities

Aurizon recognises and appreciates the mutual benefits that are realised from building close linkages with the communities in which we operate. Our regional focus reflects the location of our operations and our regional presence, which is very similar to that of Whitehaven. Approximately 75 per cent of Aurizon's total workforce live in regional communities. With regard to our NSW operations, all of Aurizon employees who work in operational and maintenance positions in the Hunter Valley and Gunnedah Basin are based in those regions.

¹¹ The combined total of all past investments made in the Hunter Valley and Gunnedah Basin regions by Aurizon.

¹² Aurizon 2018 Sustainability Report: Delivering for a Sustainable Future, <https://www.aurizon.com.au/sustainability/overview>

We are working to build further on our presence in regional communities. Over the last two years, the company has given a high priority to bringing more leadership and support services closer to frontline operations. This involves looking at where leadership roles and central services can be co-located with operational teams. This has a number of benefits that include:

- Closely connecting leadership with regional operations to deliver improved safety and operational performance from firsthand knowledge and observation;
- Company leadership is better able to appreciate the issues and priorities of the communities in which our employees are based; and
- Improvements in our community involvement and providing better opportunities for people from those communities to gain employment or to become suppliers to Aurizon.

Whitehaven has also had a major focus on providing employment and business opportunities within the regional communities of NSW. This is demonstrated by Whitehaven's commitment to at least 75 per cent of the company's workforce coming from the local communities where its mining operations are located.

Furthermore, Whitehaven and its employees have been the recipients of Hunter Valley Training Company (HVTC) excellence awards in recent years, reflecting Whitehaven's focus on the development of a highly skilled and capable workforce.

Commitment to Aboriginal and Torres Strait Islander Australians

Providing effective employment, training and development opportunities for Aboriginal and Torres Strait Islander Australians as part of a broader commitment to achieving greater understanding and contributing to reconciliation, has been a key priority for Aurizon over the last five years. We have made significant progress, with the percentage of Aboriginal and Torres Strait Islander employees in our workforce increasing from approximately 2.5 per cent of all employees in 2012 to approximately 5 per cent today.

Both Aurizon and Whitehaven have determined to make further progress in providing opportunities for Indigenous Australians as demonstrated by both companies releasing their second Reconciliation Action Plans (RAP). Aurizon's second RAP, released in July 2018, has been endorsed by Reconciliation Australia as a 'Stretch' RAP¹³. Whitehaven released its 'Stretch' RAP in May 2018.

Whitehaven has achieved substantial progress in employment, with Indigenous employees filling 80 of the jobs created at the Maules Creek mine. The Indigenous employment program at Maules Creek was recognised by the NSW Minerals Council as being 'best in class'.

Whitehaven has also set a target to have at least 10 per cent Indigenous employees working on Project Vickery and to replicate its results with Indigenous employment in future mining projects.

Whitehaven's RAP commitments extend beyond employment, supporting programs that assist with access to education, extending from kindergarten through to university and mature age education. This support includes a partnership with The Girls Academy, which assists Gunnedah High School participants with pathways to tertiary education and/or employment. We note that it also extends to supporting the Winanga-Li Aboriginal Child and Family Centre Gunnedah, which is a centre for Aboriginal children and their families to make connections, learn and to benefit from other services that are available for children and their families.

¹³ Under Reconciliation Australia's RAP framework, a 'Stretch' RAP is 'best suited to organisations that have developed strategies and established a strong approach towards advancing reconciliation internally'. This type of RAP is 'focused on implementing longer-term strategies, and working towards defined measurable targets and goals' (<https://www.reconciliation.org.au/reconciliation-action-plans/#ra-stretch-rap>).

Long-term benefits

Whitehaven has demonstrated over many years its commitment to efficiently and sustainably working with its supply chain partners, including Aurizon, to deliver its product to customers.

The proposed approach to the development of Vickery would deliver substantial economic benefits for the NSW economy while recognising Whitehaven is committed to embedding sustainable practices and operating a sustainable business. Importantly, given the regional presence and the commitment of Whitehaven, a large proportion of the economic benefits would be shared with the regional communities, primarily in the Gunnedah region.

These benefits include the creation of additional skilled and well-paid jobs. The Minerals Council of Australia's 2018 publication *Miners @ Work* shows that mining has, on average, the highest wages of all major industries in Australia¹⁴. In 2017, the average weekly earnings of minerals industry employees were \$2,678, which was 65 per cent higher than the average weekly earnings across all industries¹⁵. Furthermore, the gross value to the economy per mining industry employee is substantially higher than for any other major industry.

Furthermore, jobs in this sector involve the development of skills and capabilities that provide the basis for employees to enjoy long and rewarding careers, with the skills and experience gained in mining being valued by many other industries. These benefits are especially important to regional communities where well-paid and highly skilled employment opportunities can be limited compared to the opportunities available in capital and other major cities. An increasing proportion of the jobs in mining are being filled by women.

At the same time, Whitehaven and its partners are working to build on a strong track record of sustainable resource and infrastructure management, and to further strengthen our links with local communities and the contributions that we make to them. Aurizon is proud of the partnership we have with Whitehaven. Having worked closely together over recent years, we know Whitehaven to be a company that shares the same core values as Aurizon. These include an absolute commitment to safety and to the wellbeing of all our employees.

Both Whitehaven and Aurizon recognise the vital contribution and value our employees make to our businesses every day. We share a deep sense of respect and commitment to the regions in which we operate. Whitehaven, like Aurizon, places the highest value on integrity in the way we conduct our operations, engage with customers and suppliers and in our day to day interactions with the communities in which we are based.

Given the substantial community benefits the project would deliver, and which would commence immediately and continue over the next 25 years, Aurizon fully supports the proposed Vickery Extension Project.

Yours sincerely,



Ed McKeiver
Group Executive Coal

¹⁴ Minerals Council of Australia, *Miners@Work: Australia's World-Class Mining Workforce*, May 2018, p. 4

¹⁵ *Ibid*