

Hume Coal Project and Berrima Rail Project (SSD 7172 & SSD 7171)

Submission from the Illawarra Business
Chamber to the Independent Planning
Commission

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About the Illawarra Business Chamber

The Illawarra Business Chamber (IBC) is the peak business organisation for the Illawarra, defined in this case as spanning from Helensburgh to Batemans Bay, and encompassing the Southern Highlands. The IBC represents the interests of all of the 27,000 businesses across the Illawarra, including some 5,300 in the Southern Highlands, and provides support to local chambers of commerce.

The IBC supports economic growth and the creation of jobs across the region. In doing this, the IBC develops policy, advocates to all levels of government on issues affecting businesses, undertakes research to guide greater public and private sector investment in economic infrastructure, and supports the development of workforce capacity and skills in the region.

The IBC represents businesses operating in almost all sectors in the Southern Highlands, including retail, tourism, manufacturing, professional services, health and community services, mining, construction, education and training, and hospitality. Hume Coal is an IBC/Illawarra First member.

The IBC is a Division of the NSW Business Chamber – a founding member of the Australian Chamber of Commerce and Industry.

Position statement

The IBC supports Hume Coal, the proponent of the Hume Coal Project and Berrima Rail Project ('the Hume Coal Project'), as it follows due process to seek approval to commence underground mining operations in the Sutton Forest area of the Southern Highlands.¹

It is appropriate that the IPC will make an assessment as to the appropriateness of Hume Coal's application, as the consent authority for State Significant Development in NSW, in the near future. The IBC understands that an assessment of the Hume Coal proposal will be made on an impartial basis, within the bounds of an accepted and rigorous planning controls framework.

The IPC's 'triple bottom line' approach to the assessment of State Significant Development's must equally consider the social, economic and environmental aspects of the project. If Hume Coal is able to satisfy the IPC in this regard then it will have a legitimate licence to operate.

Comments

Economic contribution

Mining is a critical contributor to the NSW economy. The ancillary benefits for other industries from mining are also significant. In light of this contribution, the IBC takes the strong view that the economic benefit of mining, to not only a project's immediate location but to the wider NSW economy, should be an active consideration in the assessment of proposed mining projects. The IBC considers it critical that the economic impact of the Hume Coal proposal be considered by the IPC.

¹ Independent Planning Commission, *Hume Coal Project and Berrima Rail Project (SSD 7172 & SSD 7171)*, <<https://www.ipcn.nsw.gov.au/projects/2018/12/hume-coal-project-and-berrima-rail-project>>, accessed 6 March 2019.

State economic contribution of the mining sector

The NSW Minerals Council (NSWMC) analysed the expenditure patterns of 28 exploration and mining companies to determine the economic contribution of the industry throughout NSW in 2017/18.

NSWMC quantified the annual economic and employment benefits of mining in the state as:

- \$23.4 billion in value added (contribution to Gross State Product - GSP), amounting to 3.9% of GSP, through \$10.7 billion in direct effects and \$12.7 billion in supply chain and consumption-induced effects
- \$9.9 billion in income (wages and salaries) paid to direct and indirect workers
- \$1.8 billion in royalties to government to the state government contributing to public services including hospitals, roads, rail, schools and emergency services
- 132,192 full time equivalent jobs supported, or 3.4% of total employment across the state.²

Local impact

The IBC notes the proponent's projected contributions to the state and local economies, as well as the potential additional economic opportunities into the future:

- 400 full time jobs during construction
- 300 full time and well paid operational jobs
- Flow on jobs and economic stimulus for local businesses and suppliers
- Hundreds of millions in salaries and wages, accessible to prospective employees within 45 minutes' drive of the mine - 'the employment catchment'
- Opportunities available to mining equipment suppliers in the Southern Highlands, Goulburn and the Illawarra
- 40 expressions of interest from local businesses and more than 500 expressions of interest for employment
- Supply of coal to domestic consumers for production of steel, cement and energy.³

The IBC notes that Hume Coal have assessed the economic benefits, in terms of wages and salaries at \$764 million (undiscounted) and indirect benefits, to the state at \$119 million and the local area at \$54 million. There are contrasting economic impact statements presented by Hume Coal (\$373m Net Present Value - NPV) and the NSW Department of Planning and Environment's ('the Department') independent consultant (\$127m NPV).⁴

It is important that a complete cost-benefit determination is agreed on and considered by the IPC, noting Hume Coal will be the largest contributor of royalties to NSW Government revenue of any local business in the Wingecarribee local government area.

Steel making and power generation

In Illawarra and Southern Highlands region, the economic and employment benefits of mining are already significant. Alongside the four currently operating mines in the Southern Coalfields, BlueScope steelworks, exports from Port Kembla and the businesses that support them – such as Komatsu Mining and ancillary professional services – are integral to the Illawarra's economy and the state.

² NSW Minerals Council, *NSW Mining Industry Expenditure Impact Survey 2017/18*, February 2019.

³ Hume Coal, *Briefing to Independent Planning Commission*, 11 February 2019.

⁴ Ibid.

BlueScope's Port Kembla Steelworks and Springhill Works are reliant on ongoing and competitive supplies of coal for its continued viability. These operations alone support:

- 3,500 employees directly, supporting 5,400 indirect jobs
- \$6.5 billion in regional economic output (24% of the Illawarra's total)
- \$1.6 billion of Gross Regional Product (11% of the Illawarra's total)
- \$800 million of household income (13% of total household income in the region).⁵

BlueScope's long-term operations rely on a reliable 'just-in-time' supply of coal from local sources. The existing uncertainty over local coal supplies, due to licensing conditions or restrictions on future extraction plans, has the potential to disrupt supply and the viability of the steelworks. For instance:

- South32 have had restrictions pertaining to its Dendrobium mine, which reduces the viability of investment into mining in Area 3C
- Tahmoor mine is seeking an extension that may be subject to some constraints
- High gas levels at the Appin mine resulted production suspensions that is likely to have a flow on to overall production.

Any sustained disruption to local sources of coal would have significant implications for BlueScope's operations locally in the Illawarra. Steelmaking is of critical importance to the Illawarra's economy and an important export and integral resources, used across the economy. The IBC notes that an assured supply from the Southern Coalfields is not a given. Given the uncertainty around continual supply, an additional stream as proposed by Hume Coal would be beneficial.

Environmental considerations

The IBC trusts that the IPC is now the appropriate body through which to reconcile contrasting views on the environmental impact of mine design and operations, and water management and impacts.

In NSW there is a rigorous and proven regulatory system for the management of water resources. The IPC is reviewing the Department's determination of the Project's licensing per the *Water Management Act 2000* and associated *Aquifer Interference Policy*.

The IBC agrees that environmental concerns must be appropriately reconciled, consistent with the precedent of mines in other parts of the state, if mining is to proceed. Again, Hume Coal have provided a comprehensive response to the Department's critique in this regard.

Conclusion

There is a long history of coal mining across the Illawarra, including the Southern Highlands. The proximate availability of metallurgical coal is integral to the Illawarra economy, as the operations of mining companies and steelmakers have significant downstream benefits in terms of jobs and investment.

⁵ Australian Steel Products (BlueScope), *Submission to Independent Expert Panel for Mining in the Catchment*, 20 February 2019.

The Hume Coal proposal represents a significant economic opportunity for the region and the state, and while the local economy continues to diversify, the IBC wishes to highlight the ongoing value and importance of jobs in the mining sector.

While the mining industry does not represent a large portion of the Illawarra's workforce, its value creation through high wages and significant operational expenditure positions it as a cornerstone industry in the Illawarra and a key driver of the region's economic prosperity.

Due to the length and complexity of the mining approvals process in NSW there is no doubt that portions of the community have been subjected to significant anxiety over the best part of a decade, and the IBC wishes to note that the business sector in the Southern Highlands has also been affected by a lack of certainty in relation to this approval.

Protection of water catchments is of importance not only to the community but to the agricultural, manufacturing, tourism and other business sectors. As a business chamber the IBC is not expert in water catchment management, but relies instead on the expertise within the various government agencies charged with safeguarding these important resources.

The rigor of this process however cannot be understated, and the IBC is of the view that if Hume Coal is able to satisfy the IPC then it will have a legitimate licence to operate. The IBC thanks the IPC for its consideration.