Executive Summary

The NSW Minerals Council (NSWMC) welcomes the opportunity to make a submission to the Draft NSW Freight and Ports Strategy.

NSWMC is the peak industry association representing the state’s $24.5 billion mining industry, and provides a single, united voice on behalf our member companies. Our membership is made up of around 100 of the State’s producers, operators, explorers and service providers. On behalf of the NSW minerals industry we support the development of a strong and diverse State economy and an effective regulatory framework in which the industry can operate.

We promote the highest standards in environmental management, community engagement, and health and safety. We also advance the industry’s social license to operate by communicating the benefits of a responsible minerals industry.

In 2012 the NSW minerals industry contributed $1.48 billion to state revenue via royalty payments. Over the next four years it is estimated that NSW Government revenue from royalties will be approximately $8.9 billion. The scope for future growth of the NSW minerals industry, and its continued contribution to the NSW economy is highly dependent on the Government undertaking long term planning of the state’s transport networks and infrastructure.

The NSW minerals industry welcomes the state government’s first ever Draft NSW Freight and Ports Strategy. The Draft Strategy comes at a critical time for the minerals industry and the communities where we operate. The NSW minerals industry hopes the Strategy will deliver a freight network that efficiently supports both the projected growth of the state economy and the freight and infrastructure requirements of the minerals industry.

The contribution of mining to the state’s budget, the historical underfunding of local government areas affected by mining, including Singleton and Muswellbrook, and the intended growth of the industry in the New England North West region, make it essential that the Freight and Ports Strategy focuses on prioritising the delivery of freight infrastructure projects in mining regions.

The development of the Freight and Ports Strategy provides an opportunity to redress the neglect of regional freight infrastructure and provide one of the vital supports for the future growth of the regions and regional industries. Increasing consistency and efficiencies of the network across road, rail and ports are essential to the long term future of NSW.
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1 Mining industry’s contribution to NSW

1.1 Economic impact
Although not traditionally thought of as a ‘mining state’ the mining industry makes a very significant contribution to the NSW economy:

- Directly to NSW Government revenues through royalties, and other payments
- Local government through special mining rates and voluntary planning agreements
- Indirectly to the broader community through spending on wages and suppliers, and community contributions.

While coal is important, the NSW mining industry is increasingly diverse, and includes gold, copper, silver, lead, zinc and sand. Appendices A and B indicate where various resources are extracted around the state and the recent values of production.

Table 1 – A snapshot of mining’s economic contribution to NSW

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<table>
<thead>
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<tbody>
<tr>
<td>Jobs</td>
<td>80,000 in mining and minerals processing, and a further 280,000 indirect jobs¹</td>
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<tr>
<td>Projects²</td>
<td>29 coal mines &amp; 20 major metals mines³</td>
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<tr>
<td>Value</td>
<td>A $24.5 billion industry – coal $20.7 billion; copper $1.4 billion; gold $1.8 billion⁴</td>
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<tr>
<td>Economy</td>
<td>3.2% of Gross State Product⁵</td>
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<td>Exports</td>
<td>$21.1 billion – up from 18.7 billion in 2010-11⁶</td>
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<td>Royalties</td>
<td>$1.48 billion (2011-12) &amp; $8.9 billion over the next four years⁷</td>
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1.2 Mining’s contribution to NSW
The NSW Mining Industry Economic Impact Assessment 2011/12,⁸ prepared for the NSW Minerals Council by Lawrence Consulting and the University of Newcastle, details the scale of the expenditure by 21 of the State’s largest mining companies. The companies surveyed directly contributed around $9.3 billion, including $2.6 billion in wages and salaries and $6.7 billion in the purchase of goods and services and community contributions. This generated another $17.3 billion in indirect economic activity.

The Hunter region was the recipient of the largest proportion of direct expenditure from the companies surveyed ($4.6 billion), followed by Sydney ($1.8 billion), the Illawarra ($956.6 million) and the Central West ($858.4 million).

Mining’s impacts is felt across the state. A significant part of direct spending in the regions is on wages. Appendix D sets out employment by the mining by region, which includes considerable employment in metropolitan Sydney.

¹ ABS, Labour Force Australia, Detailed, Quarterly, November 2012
² ‘Publicly Announced/Feasibility Stage/Committed and Completed’
³ BREE Mining Industry Major Projects listing, October 2012
⁴ NSW Trade and Investment, Value of NSW minerals production at average market prices, 2011-2012
⁵ ABS, Australian National Accounts: State Accounts, 2011-12
⁶ NSW Trade and Investment, Mineral Resources 2011-12
⁷ NSW Treasury, 2012-13 Budget Statement
⁸ The full report can be found in the publications section of the NSW Minerals Council’s website www.nswmin.com.au
Figure 1: NSW Mining Industry Economic Impact Assessment 2011-12

2011-2012 New South Wales
Economic contribution of companies surveyed

Source: NSW Minerals Council, NSW Mining Economic Impact Survey 2011/12 Preliminary Summary Report, November 2012
1.3 Contribution to energy supply in NSW

Most of the state’s coal – around 83% – was exported to customers, predominantly in Asia, in 2011-12. The rest of the state’s coal production makes an important contribution to the state’s economy in the form of affordable and reliable energy produced by the state’s coal-fired power generators. It is also used by the local steel and cement sectors in their production processes.

NSW has 44% of Australia’s economic demonstrated resources of black coal (measured in terms of energy content).

While coal is NSW’s most important export, it is not just an export industry. Coal provides 89% of the State’s electricity generation, providing industry and the NSW community with secure, reliable and relatively affordable energy. Coal also underpins a traditional source of NSW’s comparative advantage and employment in energy-intensive manufacturing with 70% of electricity demand used by business compared to 30% by residences.9

Looking to 2030, coal is projected to have an important ongoing role in domestic electricity generation notwithstanding a fall in its market share. In an environment where retail power bills are a key issue with consumers, even under renewed fuel supply contracts between miners and generators, coal will remain the most affordable form of electricity available in NSW over the next decade.

Freight transport and its supporting infrastructure, are key elements of the minerals industry supply chains that provide the NSW community with secure, reliable and relatively affordable energy. Inefficiencies and capacity constraints in our transport network add costs to manufacturers, producers and consumers. An efficient freight network is a basic requirement for the State’s energy supply.

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9 ACA and NSWMC, Submission to the NSW Public Accounts Committee, Inquiry into the Economics of Energy Generation, February 2012
Response to the Draft Strategy

The NSW minerals industry supports, in principle, the Draft Freight and Ports Strategy actions. The NSW minerals industry participated in consultation that helped inform the development of the Strategy. Detailed commentary on the various actions under the Strategy that affect the minerals industry is set in Section 2.2 below.

Transport of freight is critical to the state economy and efficiency of the transport network contributes to the success and growth of the state. Freight infrastructure investment is likely to lead to economic growth, employment opportunities and reduced migration of young people from regional areas (see Appendix A for a map of the NSW minerals industry – what we mine and where).

While population in regional NSW is expected to grow by 17% by 2031, the demand for some infrastructure is expected to grow many times faster as forecast population growth will increase demand for passenger rail and other infrastructure. The government is also forecasting growth in freight carried by rail and predicts that in the longer term a dedicated network for rail freight will be likely needed (see Appendix B for further information about NSW minerals production and value).

The development of the Strategy provides an opportunity to redress the neglect of regional freight infrastructure and provide one of the vital supports for the future growth of the regions and regional industries. Freight transport and its supporting infrastructure are key elements of the supply chains of the minerals industry in NSW. Increasing consistency and efficiencies of the network across road, rail and ports are essential to realise the growth prospects of the minerals industry in NSW.

If the NSW minerals industry is to continue to be competitive, it is essential that the Strategy deliver plans to drive continued economic growth of mining regions and the NSW economy, including:

- Certainty on rail and road networks that reduces delays and allow free flowing movement of freight (including, increasing the separation between passenger and freight movements; and harmonisation between rail corridors).
- Prioritise adequate investment in freight and infrastructure for coal mining communities, ensuring that the deficit in existing mining regions is met (including, the development of the Muswellbrook, and Singleton and Scone and Gunnedah rail overpasses).
- NSW Department of Planning and Infrastructure to remove obstacles to improve freight productivity (including fast tracking the development of key infrastructure projects that support regional rail and road networks).
- NSW Government and industry to work together to make better use of the existing network (including, better planning, coordinating and scheduling on rail, roads, and in and out of the ports)
- Implement a whole of system approach to planning for freight transport across state, regional and local areas.

Interaction between the Draft Strategy and other NSW Government reform programs

It is vital that other reform being undertaken by the Government is supportive of the Draft Freight and Ports Strategy. In particular this includes the Planning System Review. The planning system impacts on provision of the vital infrastructure that will be necessary in a number of ways, but most importantly through:

- Strategic planning decisions made about land use planning. It is vital for future freight and other transport corridors to be protected through the strategic planning process. It is clear that some communities will be impacted by the need to increase the capacity of freight transport in NSW. Ensuring that this is done in a planned manner, with appropriate consultation and transparency and with a strategic focus will reduce future land use conflict. Clear land use planning decisions will also provide certainty and confidence for operators investing in industry productivity and efficiency gains for the future.

- The development approvals process. Much of the infrastructure required to be built to provide the increase in capacity required in NSW will not be considered State Significant Infrastructure, it will be assessed as State Significant Development. Over the past 20 years the system of

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10 Infrastructure NSW, State Infrastructure Strategy, p71
11 Ibid
12 Transport for NSW, Review of NSW Rail Access Regime, p.11
assessing proposed development has become more and more complex, without corresponding improvements in outcomes for the community, government or proponents. It is essential that the current planning review both retains the benefits of previous reforms and identifies improvements that will be enduring and provide much needed simplification and certainty to the planning framework. A more transparent, efficient, outcomes driven assessment process will give both the community and industry greater confidence in the planning system.

Recommendation
- The Draft Strategy and the Planning System Review must interact to ensure that the new planning system is capable of delivering the infrastructure requirements identified as necessary to increase freight capacity.

2.2 Response to the Strategic Action Areas relevant to the NSW minerals industry

**ACTION 1A Identify freight movements and network demand**

The NSW minerals industry welcomes Transport for NSW’s establishment of the Bureau of Freight Statistics (BFS) to provide analysis and forecasting of demand for all modes and transhipment points on the freight transport network.

The industry supports the notion of using existing infrastructure more efficiently and this is why reporting is so important. With the forecast growth in the NSW freight task, the industry hopes this initiative will provide the evidence to support freight infrastructure investments.

NSWMC believe that the evolution to a coordinated and aligned, long-term strategic approach to infrastructure planning in NSW will assist all levels of government, and communities, prepare for emerging requirements including freight transport and supporting infrastructure.

NSWMC recommends that the timeframes for strategic infrastructure plans (e.g. 20 year, 5 year) be aligned across State, regional and local areas, and undertaken with the same regularity. Regional and local strategic infrastructure plans would also incorporate: current and future infrastructure requirements; asset management plans; project prioritisation; costed business plans for proposed projects; and financial reporting requirements. The development of these infrastructure plans will ensure a clear pipeline of integrated infrastructure projects to drive the continued economic growth of mining regions and the NSW economy.

There are some areas of freight, particularly in the minerals industry where complex patterns occur. This includes the inbound and outbound supply chains associated with the minerals industry. In this industry freight input to output ratios may be as high as 5:1, particularly associated with low volume/high value mineral developments in the central and western parts of NSW.

The NSW minerals industry supports the concept of KPIs, and that the process of identifying KPIs should be supported by further investigation. For instance, it is noted that the there is general acceptance that achieving a KPI of 70% capacity to allow for 30% for sprint capacity is appropriate. However, it is suggested that the process of setting KPIs should develop a clearer understanding of the definition of a healthy network, before arriving at the KPIs.

**Recommendations**
- The NSW Government should align the timeframes for strategic infrastructure plans across state, regional and local areas. Review of each of the plans should be undertaken with the same regularity.
- **ACTION 1A** should include a focus on understanding the complexities of the high input to output ratio for the minerals industry.
The NSW minerals industry strongly welcomes Transport for NSW’s Review of the NSW Rail Access Regime. Under current arrangements those operating rail freight services in NSW often need to negotiate access with up to three different infrastructure providers under three different regulatory access arrangements, to operate across multiple networks. Operators experience complexity arising from inconsistencies between network access regimes, ranging from operational matters, such as the lack of coordination between networks in timing of track possessions, to pricing metrics.\(^\text{13}\)

Each section of rail has different systems, rules and costs. For example, when an operator crosses from one rail owner (e.g. RailCorp) to another owner (e.g. ARTC), there is a whole new set of standards and requirements operators must meet in order to receive network access. In order to encourage freight off the roads and onto the rail network, harmonisation between rail corridors is essential.

Additionally, a key concern for the NSW minerals industry is the existing constraints in track capacity, and long term government export infrastructure plans must be aligned with the delivery of track capacity with the ARTC.

**Recommendation**
- The NSW minerals industry supports the review of the NSW Rail Access Regime and recommends that the review aims to make rail access in NSW streamlined and more consistent for users.

The NSW minerals industry welcomes the proposed establishment of the NSW Cargo Movement Coordinator (CMC), to better coordinate and plan the activities of key participants on the cargo transport chain focused on Port Botany and Port Kembla. The Hunter Valley Coal Chain Coordinator (HVCCC) has been a successful industry initiative to coordinate freight and much can be learned from this system.

NSWMC is encouraged by the CMC initiative to coordinate rail freight, but have some concern that currently there are no plans in place to coordinate road freight delivery to Port Kembla from the coal fields.

It is acknowledged that each port needs a capable planning and coordination unit to independently integrate tip or unload slots, stockpile access, yard operations and the networks to reduce the dwell times, delays and clumping in the system. Synergy with the CMC needs to be supported to achieve optimum capacity outcomes.

There are concerns that some of the long term objectives of the CMC – such as eliminating pinch points on the rail network and eliminating coordination failures in cargo movements – may not be achievable by the CMC. In the short to medium term the NSW minerals industry believes that better modelling and planning could assist to increase productivity.

A state-wide freight network largely based on the Sydney Metropolitan Cargo Movement model is yet to be fully understood and may focus on intermodal freight on both road and rail. If however, it does explore other freight linkages to Port Kembla then users of the Sydney freight rail network are anticipating increasing passenger and freight demand. NSWMC supports modelling that will help identify bottlenecks and quantifies capacity improvement via coordination in the broader NSW CMC context.

With the goal of increasing productivity in mind, the industry supports a connected approach that includes robust modelling of latent capacity and de-bottlenecking of the easy to unlock strategic capacity. The main three focus points are:
- Infrastructure improvements to free up traffic flows
- Appropriate enabling timetables

\(^\text{13}\) Transport for NSW, *Review of NSW Rail Access Regime*, p.14
Adoption of up to date and consistent traffic flow tools and procedures.

Industry requires certainty, reduced delays and free flowing movement of freight. Planned and scheduled freight movements with increased passing lanes would assist to achieve this outcome. Additionally, better planning, coordinating and scheduling of freight movements in and out of the ports with other users would help reduce congestion and delays.

Most inbound and outbound freight for the minerals supply chain travels in both directions on the east to west corridors to ports, and as a result bottlenecks occur on the freight networks due to capacity limitations including:

- Rail bottlenecks – the east to west intersection of the north to south rail corridor; and congestion on other to south rail corridor.
- Road bottlenecks – restrictions associated with transport infrastructure, including congestion on local roads.

The key emphasis for the minerals industry is the need to move freight from the central west to the port, which requires increased rail capacity and decongesting the north south rail corridor.

Essentially, there needs to be a balance between a focus on passenger movements and the need to achieve shorter time cycles at the discharge facilities. As all the cargo arrives in clumps there are handling inefficiencies at either end of the chain, which causes considerable expense and delay.

Additionally, there is a need for strategic coordination of network developments incorporating port, rail and road operations. This includes the incorporation of intermodal facilities at critical parts of the network and developments of a suitable oversize/over mass network with accompanying policy for movement of large scale mine equipment to and from the mine site.

It seems appropriate that one of the outcomes of whole of system coordinated planning for transport, and the delivery of a long-term strategy for freight is the importance of building increased capacity requirements for current and future mineral developments in NSW – including those in the central and western regions. Some examples of investment which may be appropriate on identified cargo/freight routes are double stacking, longer trains and bigger sidings.

NSWMC welcomes last year’s decision by the Australian Competition and Consumer Commission’s (ACCC) to approve arrangements for transitioning to more efficient, longer trains proposed by the Australian Rail Track Corporation (ARTC) for its rail network in the Hunter Valley. The longer train service promotes more efficient use of the network by coal chain participants and forms part of the long-term solution to reducing capacity constraints in the Hunter Valley.14

Additional ways to improve the current capacity of the existing rail system through improvements to infrastructure and rolling stock include:

- ARTC to increase the amount loaded per wagon through increased axle loading (i.e. currently 20tn/axle outside the main coal pathways, such as Hunter Valley).
- Double stacking of containers from east coast to interior of the state, this could be accommodated by using something similar to the old well wagon (that is a wagon which has a low clearance in the centre) – this allowed the stacking of two containers in some instances.

Recommendations

- The scope for the Cargo Movement Coordinator proposed in the Draft Strategy should be extended to include road freight delivery to ports, particularly coal from the Southern Coalfields that is delivered by road to Port Kembla.
- Transport for NSW should undertake modelling, similar to the Sydney Metropolitan Cargo Movement model, with the aim of identifying latent capacity and de-bottleneck freight throughout the state.
- Transport for NSW along with the industry and rail operators should investigate improvements to infrastructure and rolling stock to provide increased capacity within the current network.

### ACTION 2A  Identify and protect strategic freight corridors

NSWMC encourages the government to ensure that the Strategy adequately provides for future growth in road and rail freight and ensure that these corridors are protected from development that is inconsistent with freight transport.

Strategic planning in this area is currently lacking. For example there is a proposal to develop 12,000 dwellings at Wilton, adjacent to the proposed Maldon to Dombarton freight corridor, which is not currently protected.

**Recommendations**
- The proposal in the draft strategy to protect freight corridors is supported.
- Protection of freight corridors should include a strategy to create a suitable oversize/over mass network with accompanying policy for movement of large scale mine equipment to and from the mine sites.
- NSWMC supports the proposals contained in the Draft Strategy to improve Higher Mass Limit (HML) access and Higher Productivity Vehicles (HPV) on key corridors (for example, Princess Highway and PBS truck and dog combinations over the blue Mountains) to achieve desired freight productivity improvements.

### ACTION 2C  Enable separation of passenger and freight flows on the rail network

NSWMC welcomes the Strategy’s recommendation to protect strategic freight corridors and increase the separation between passenger and freight movements. Land planning and corridor preservation and development are key elements in increasing and ensuring future efficiencies in freight transport, while also considering social amenity.

NSW mine operators report experiencing inefficiencies in the Southern and Western coal chains due to insufficient rail access to Port Kembla as freight movement share the network with passenger trains between Wollongong and Sydney. This issue is relevant for current and future transport corridors. It is important that the NSW Government consider this matter in various contexts, including current and future transport planning and urban development.

One of the most significant challenges for the growth of freight transport in NSW is capacity and associated restrictions including curfews. Particular restrictions that impact on mining growth include, but not limited to:
- Axle weight restrictions on the Unanderra Moss Vale line is the southern access to Port Kembla but has limited capacity as it only has two loops.
- Rail curfews at Berrima.

Dedicated rail infrastructure for freight would eliminate the restriction on operating times of freight trains and the NSW minerals industry advocates this path as part of the government’s long term planning. In the short term the targets are increasing capacity for freight, and achieving more efficient utilisation of that capacity on an increasingly constrained shared network. This would include better coordination, timetabling, routes, and planning, in addition to better access to the Unanderra Moss Vale line.

The importance of the Hunter region and the Port of Newcastle are key elements to the success of the NSW economy, and NSWMC supports the Hunter Business Chamber’s calls for the State Government to provide clear direction and certainty to business in order to ensure the development of a successful freight network.
**Recommendations**

- The Strategy needs to address capacity and associated restrictions including:
  - Axle weight restrictions on the Unanderra Moss Vale line
  - Rail curfews at Berrima.

- The NSW Government must fund the following projects to upgrade regional rail networks to improve freight productivity in regional NSW proposed under in the Draft Strategy:
  - Telarah station remodelling to assist coal movements to Newcastle
  - Wyong to Newcastle rail enhancement works
  - The Maldon-Dombarton rail line.

- Pending long term addition to the capacity of the freight network, the Strategy should include an action to investigate and implement short term efficiency gains as an interim measure.

- NSWMC supports Transport for NSW’s action to investigate network enhancements and rail freight alignments, which includes the Newcastle Rail Bypass.

**ACTION 2D**

**Develop effective port growth plans to meet freight volume growth**

According to Infrastructure Australia’s National Ports Strategy, Australia’s bulk commodity exports and metropolitan container imports are both expected to double in size every ten years.\(^{15}\) Coal is by far the largest export commodity by weight in NSW and accounts for the majority of the state’s mining production.\(^{16}\) In 2011-12, NSW exported over 136 million tonnes of coal worth an estimated $16.8 billion, most of which moves through the Port of Newcastle (the largest coal exporting port in the world).\(^{17}\) By 2031, the total coal freight task in NSW is expected to grow to 370 million tonnes (see Appendix C for further information about NSW minerals exports).

The volume of coal moved through the Port of Newcastle could more than double to 275mtpa by 2025.\(^{18}\) This includes planned investment in a fourth terminal (T4) by Port Waratah Coal Services. Most coal is transported to the Port using the Hunter Valley Rail Network, managed by the Australian Rail Track Corporation (ARTC).

Freight transport and its supporting infrastructure are key elements of the supply chains of the minerals industry in NSW. Increasing consistency and efficiencies of the network across road, rail and ports are essential to realise the growth prospects of the minerals industry in NSW.

It is important that there is transparency and long term guarantees of access to ports to encourage large scale investment by mining companies. The majority of projects have long mine lives that require guarantees of access to port infrastructure.

Plans to privatise Port Kembla and Port Botany must include consideration of the impact of privatisation on the freight network, and in particular how private ownership might impact on plans to increase capacity. Privatisation in other states has lead to delays in expansion plans. For example in 2002, the Dalrymple Bay port facility in Queensland ran into problems when it was sold to Babcock & Brown, which afterwards delayed the expansion at the port which was resulting in 30 to 40 coal ships waiting to be loaded.

**Recommendation**

- The NSW Government must ensure that the privatisation of Port Kembla provides guarantees about continued investment to ensure the capacity of the port continues to match the freight network growth and demands.

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\(^{15}\) Infrastructure Australia, *National Ports Strategy 2011*, p10

\(^{16}\) Ports Australia, *Trade Statistics for Bulk Cargo and Coal Exports 2011*

\(^{17}\) Coal Services Pty Ltd

\(^{18}\) Newcastle Port Corporation, *Long Term Coal Export Forecast 2011*
NSWMC is encouraged that Transport for NSW is committed to working with local government and the Department of Planning and Infrastructure to embed the needs of freight into strategic land use planning. NSWMC believe a clear vision for strategic land use planning and freight logistics is required. This would provide both certainty and confidence for operators investing in industry productivity and efficiency gains for the future.

There are multiple jurisdictions and stakeholders involved in transport planning, including freight transport planning. It is essential that these parties work together to develop a whole of system coordinated planning to transport, and NSWMC supports the Draft Strategy’s initiatives to address freight transport coordination.

Local congestion can have major impacts on people’s quality of life, bisecting towns and preventing access for emergency services. NSWMC urges the NSW government to support the development of both the Muswellbrook and Singleton bypasses, and the Scone and Gunnedah rail overpasses. The safety, local traffic and amenity benefits of these projects are vital to ensuring the growth of these towns and the quality of life of its residents.

The NSW mining industry also recognises the community’s concerns about air quality along the rail network. The industry supports research into the issue and effective responses based on science, facts and evidence.

Recently the Australian Rail Track Corporation (ARTC) conducted research investigating the potential for coal dust emissions from coal trains in NSW. The research was undertaken in accordance with requirements of the Environment Protection Authority. The results of the pilot study, released in September 2012, indicate little difference between the average dust generated by loaded coal trains, unloaded coal trains, freight trains and passenger trains. ARTC is in the process of undertaking a second 30-day period of monitoring, the results of which will be reported during the first half of 2013. This will provide further evidence on the level of dust emissions from different types of trains along the rail network.

**Recommendations**
- The NSW Government should prioritise the building of infrastructure necessary to improve freight productivity in regional NSW to mitigate the impacts of freight transport on mining communities, in particular: bypasses for Muswellbrook and Singleton; and rail overpasses in Scone and Gunnedah.
- Issues of air quality and noise associated with freight should be investigated by the relevant regulators and responses based on evidence and efficacy.

Safety is the minerals industry’s number one priority. The industry believes that it is appropriate that the importance of safety is acknowledged by including it as a key action area in the Draft Strategy.

The NSW minerals industry aims to improve the safety not only of the industry workforce, but also of the communities they have an impact on. Last year NSWMC launched a *Courteous and Safe Driving Guide*, which is an important industry safety initiative designed to promote greater awareness about road safety for those employed in the industry.

**Recommendation**
- The NSW minerals industry supports the inclusion of safety in the Draft Strategy.

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20 NSWMC *Courteous and Safe Driving Guide* can be found on our website [www.nswmin.com.au](http://www.nswmin.com.au/)
3 Funding

For many years there has been insufficient and inadequate investment in local, regional and state public infrastructure, facilities and services. This lack of investment is particularly felt by the people in the mining regions of NSW. Many parts of the NSW economy are stalled and major infrastructure has not kept pace with the development of industry or the growth of the population.

Despite these challenges the people of NSW continue to have a high standard of living and as a result it is easy to lose sight of the importance of economic growth and development. Economic development is the driver of prosperity and well being; it is the source of jobs and private income as well as government revenue to fund vital services.

The reasons for inadequate infrastructure investment in NSW mining regions are many and include:

- The multitude of mechanisms and funds for public infrastructure funding
- The involvement of federal, state and local governments
- A lack of coordination between all three levels of government.

In order to achieve greater efficiency and capacity of the freight transport network significant project investment is required. As government budget preparations continue, the NSWMC is calling for greater public investment in infrastructure in NSW mining communities to address the challenges of growth. It is essential the government consider all funding proposals for freight infrastructure where modelling shows that there will be broad economic benefits to the state economy.

3.1 Deliver a long-term sustainable funding model from existing revenue streams to support freight infrastructure investment

There are several funding sources for freight infrastructure across the three levels of Government including:

- Local government: developer contributions including Voluntary Planning Agreements (VPAs), and rates
- State Government: Resources for the Regions, Royalties and other programs and funds including the Hunter Infrastructure and Investment Fund
- Commonwealth: Nation Building Program, and Regional Infrastructure Fund

3.2 Local Government funding – Developer contributions and Voluntary Planning Agreements

Due to uncertainty about state and federal funding sources for much needed regional and local infrastructure, local government has been increasingly looking to developer contributions, particularly VPAs, as funding mechanisms to raise funds for a wide range of projects, particularly in mining regions. Payments under these agreements are made to local councils to offset the impacts of development on public facilities and services and often include significant investment in the local road network, as outlined in case study 1 below.
Case Study 1 – Xstrata Coal’s Mangoola Mine – Contribution to Muswellbrook Shire

The $4.5 million Voluntary Planning Agreement for Xstrata Coal’s new Mangoola Mine was negotiated with Muswellbrook Shire Council and it includes:

- $500,000 for local environment management – Wybong Uplands Land Management Strategy
- $600,000 for local employment – Education and Training Strategy
- $1.2 million for community projects – recreation Assets Renewal Fund
- $2.2 million for community infrastructure – Denman recreation area enhancements

Xstrata has also invested in excess of $11.5 million in road and intersection upgrades.

During a recent modification to the Project Approval an expansion of the VPA was negotiated with Muswellbrook Council and includes in addition to the original $4.5 million:

- Between $220k and $275k per year during operations for maintenance of Muswellbrook Council’s local road network
- $20k per year during operations for Council environmental management and monitoring
- $235k per year during operations for additional projects which have an economic, social or environmental benefit to the local community
- The requirement to use best endeavours to employ 6 apprentices per year sourced from residents within the Muswellbrook Shire and Aberdeen.

At this stage it is expected that the payments above will be required until 2027 which approximates the additional contributions at in excess of $8 million.

3.3 Restart NSW (regional component) and Resources for Regions to support freight infrastructure investment

NSWMC supports the NSW Government’s current Resources for the Regions program established in 2011. Resources for the Regions is funded under the Government’s Restart NSW Fund. As stated in the NSW Government Infrastructure Statement 2012-13, Budget Paper No 4, ‘Restart NSW has been established to fund infrastructure projects that will enhance the state economy and assist mining-affected communities’.21

These programs were generated to ensure much needed social and economic infrastructure is funded in regional NSW. There are concerns that these programs are not equipped to deliver the level of infrastructure required. In particular there are concerns about the lack of funding that has been allocated to date under the Resources for Regions program and the capacity of the government to fully fund this program.

Resources for Regions is a $160 million program to be delivered over four years. To date projects totalling less than $10 million have been committed to under the program. Table 10 (below) sets out the projects that have been funded to date.

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<th>Project</th>
<th>Application from</th>
<th>Funding</th>
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<tr>
<td>Muswellbrook Hospital Emergency Department Upgrade</td>
<td>Hunter New England Local Health District</td>
<td>Restart NSW funding allocated in 2012-13: $4 million</td>
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<tr>
<td>Herbert Street Bridge Replacement, Broke</td>
<td>Singleton Council</td>
<td>Restart NSW funding allocated in 2012-13: $1.9 million</td>
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<tr>
<td>Bridgeman Road - New England Highway Intersection Upgrade</td>
<td>Singleton Council.</td>
<td>Restart NSW funding allocated in 2012-13: $2 million</td>
</tr>
<tr>
<td>Pioneer Road Extension, Hunterview</td>
<td>Singleton Council</td>
<td>Funding allocated in 2012-13: $2 million</td>
</tr>
</tbody>
</table>

21 NSW Government, Infrastructure Statement 2012-13, Budget Paper No 4
It is disappointing that despite the findings of the Economic Assessment of the Mining Affected Communities study\textsuperscript{22}, no projects proposed by the Muswellbrook Shire Council have been funded by the program. This is despite the existence of a number of important freight significant projects in the Muswellbrook LGA including:

- A bypass of the town centre
- Upgrade of Thomas Mitchell Drive\textsuperscript{23} – a busy road that accesses a number of mines, an industrial estate and provides a bypass to the Golden Highway.

Projects in the growth mining areas of the New England North West, including the Gunnedah rail overpass, have also been overlooked – despite the relatively long lead times for infrastructure projects, the recent approvals of new mines in the region (including Whitehaven’s Maules Creek),\textsuperscript{24} and a clear pipeline of future developments.

In addition to the funds above the NSW Government has created the Hunter Infrastructure and Investment Fund. This fund will allocate $350 million over four years to infrastructure projects in the Hunter Valley. It is unclear exactly how much of the fund has already been allocated (estimates put it at more than half), and it is of concern that the funded projects are not in the Upper Hunter, where coal mining revenue to government is the highest in the state.

As outlined previously in this submission, the mining industry in NSW is forecast to continue to grow. With the significant direct and indirect contributions of mining and associated business to the NSW economy, NSWMC supports a longer-term, sustainable approach to funding infrastructure in mining regions.

**Recommendations**

- NSW Government must deliver a long-term sustainable funding model from existing revenue streams to support public infrastructure investment in mining regions, and consider a Royalties for Regions fund
- NSW mining industry to be consulted on Restart NSW projects.

\textsuperscript{22} NSW Trade and Investment, Economic Assessment of Mining Affected Communities, December 2011

\textsuperscript{23} Mining developments on Thomas Mitchell Drive are contributing directly (and through loans to Council) to the upgrade of the road

4 References


ARTC, Pollution Reduction Program (PRP) 4 – Particulate Emissions from Coal Trains,


BREE, Mining Industry Major Projects listing, October 2012

Coal Services Pty Ltd

Infrastructure Australia, National Ports Strategy, 2011

Infrastructure NSW, State Infrastructure Strategy

NSW Government, Hunter Infrastructure and Investment Fund

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www.nswmin.com.au

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NSW Trade & Investment, Economic Assessment of Mining Affected Communities, February 2013

NSW Trade & Investment, Major Metallic Mineral Mines and Projects

NSW Treasury, 2012-13 Budget Statement

Transport for NSW, Review of NSW Rail Access Regime
http://www.transport.nsw.gov.au/content/nsw-rail-access-regime

Whitehaven Coal, Maules Creek Project
Appendix A – NSW minerals industry, what we mine and where

The NSW minerals industry operates in communities across the State in the geographic regions of the Hunter (including the Lower and Upper Hunter); New England North West; Illawarra; Central West; and Far West.

Coalfields in NSW

NSW has around 11 billion tonnes of recoverable coal reserves, located in four key regions:

- Hunter/Newcastle – thermal coal used in power generation
- Southern/Illawarra – coking coal used in blast furnaces
- Western – thermal coal used in power generation
- Gunnedah/New England North West – thermal coal, potential to become one of the biggest coal regions.

_NSW Coalfields_25

Metallic minerals in NSW

NSW has significant metallic mineral reserves located in two key regions:

- Central West – one of the largest gold and copper producing areas is around Orange; copper and gold are mined around Parkes; copper, silver, lead and zinc are mined around Cobar
- Far West – substantial silver, lead and zinc deposits are located around Broken Hill.

Metallic minerals in NSW

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Appendix B – NSW coal and mineral production and value

Coal production continued to rise in 2011-12, with a 6.5% increase in saleable coal output on the previous year. In the metalliferous sector, copper output rose by 9%, zircon production was up 23%, silver output increased by 11% and zinc production rose by 19%. Output of gold declined slightly but remains relatively stable in recent historical terms along with rutile and lead output.

The value of NSW coal and metallic mineral output rose 20% to an impressive $24.5 billion, continuing the upward trend of the past decade. The most notable increases in value between 2010-11 and 2011-12 were coal (up 25% to $20.7 billion), gold (up 35%) and silver (rising 22%).

### Coal production in NSW

<table>
<thead>
<tr>
<th></th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
<th>2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw coal production ('000 tonnes)</td>
<td>177,167</td>
<td>181,978</td>
<td>188,797</td>
<td>204,852</td>
<td>221,002</td>
</tr>
<tr>
<td>Underground mines</td>
<td>61,316</td>
<td>63,069</td>
<td>62,804</td>
<td>61,134</td>
<td>60,462</td>
</tr>
<tr>
<td>Open cut mines</td>
<td>115,851</td>
<td>118,909</td>
<td>125,993</td>
<td>42,718</td>
<td>160,540</td>
</tr>
<tr>
<td>Saleable coal production ('000 tonnes)</td>
<td>135,149</td>
<td>138,456</td>
<td>145,369</td>
<td>56,951</td>
<td>67,170</td>
</tr>
<tr>
<td>Underground mines</td>
<td>48,974</td>
<td>51,609</td>
<td>50,765</td>
<td>50,307</td>
<td>49,310</td>
</tr>
<tr>
<td>Open cut mines</td>
<td>86,175</td>
<td>86,847</td>
<td>94,604</td>
<td>106,644</td>
<td>117,860</td>
</tr>
</tbody>
</table>

### Metals production in NSW

<table>
<thead>
<tr>
<th></th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
<th>2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Copper (tonnes)</td>
<td>146,000</td>
<td>158,000</td>
<td>155,000</td>
<td>158,000</td>
<td>172,000</td>
</tr>
<tr>
<td>Gold (kilograms)</td>
<td>34,000</td>
<td>28,000</td>
<td>28,000</td>
<td>30,000</td>
<td>28,000</td>
</tr>
<tr>
<td>Rutile (tonnes)</td>
<td>63,000</td>
<td>80,000</td>
<td>69,000</td>
<td>80,000</td>
<td>80,000</td>
</tr>
<tr>
<td>Zircon (tonnes)</td>
<td>48,000</td>
<td>56,000</td>
<td>53,000</td>
<td>70,000</td>
<td>86,000</td>
</tr>
<tr>
<td>Silver (kilograms)</td>
<td>77,000</td>
<td>71,000</td>
<td>82,000</td>
<td>73,000</td>
<td>81,000</td>
</tr>
<tr>
<td>Lead (tonnes)</td>
<td>75,000</td>
<td>73,000</td>
<td>77,000</td>
<td>77,000</td>
<td>78,000</td>
</tr>
<tr>
<td>Zinc (tonnes)</td>
<td>140,000</td>
<td>122,000</td>
<td>102,000</td>
<td>102,000</td>
<td>121,000</td>
</tr>
</tbody>
</table>

### Value of NSW minerals and metals production at average market prices

<table>
<thead>
<tr>
<th></th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
<th>2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>10,919,000</td>
<td>20,169,000</td>
<td>13,216,000</td>
<td>16,153,000</td>
<td>20,700,200</td>
</tr>
<tr>
<td>Copper</td>
<td>1,264,000</td>
<td>1,039,900</td>
<td>1,154,000</td>
<td>1,409,800</td>
<td>1,409,800</td>
</tr>
<tr>
<td>Gold</td>
<td>1,000,000</td>
<td>1,049,000</td>
<td>1,117,000</td>
<td>1,337,000</td>
<td>1,812,000</td>
</tr>
<tr>
<td>Rutile</td>
<td>31,000</td>
<td>42,000</td>
<td>46,000</td>
<td>69,000</td>
<td>69,000</td>
</tr>
<tr>
<td>Zircon</td>
<td>43,000</td>
<td>43,000</td>
<td>26,000</td>
<td>94,000</td>
<td>94,000</td>
</tr>
<tr>
<td>Silver</td>
<td>42,000</td>
<td>39,000</td>
<td>51,000</td>
<td>68,000</td>
<td>83,000</td>
</tr>
<tr>
<td>Lead</td>
<td>241,000</td>
<td>142,000</td>
<td>183,000</td>
<td>186,000</td>
<td>171,000</td>
</tr>
<tr>
<td>Zinc</td>
<td>404,000</td>
<td>228,000</td>
<td>232,000</td>
<td>231,000</td>
<td>227,000</td>
</tr>
<tr>
<td>Total Mining</td>
<td>13,879,763</td>
<td>22,588,000</td>
<td>16,555,000</td>
<td>20,255,000</td>
<td>24,566,000</td>
</tr>
</tbody>
</table>

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27 Coal Services Pty Ltd  
28 Bureau of Resources and Energy Economics  
29 NSW Trade and Investment
Appendix C – NSW mineral exports

Coal remains the state’s biggest merchandise export and accounts for the majority of the state’s mining production. In 2011-12, the state’s miners exported over 136 million tonnes of coal worth an estimated $16.8 billion. That represents an increase of 11.9% in tonnage and 19% in value on the previous year. The combined value of mineral and metals exports was approximately $21.1 billion.

Coal is the state’s most valuable commodity export and accounted for 35% of all merchandise leaving NSW in 2011-12.

NSW coal exports

<table>
<thead>
<tr>
<th></th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
<th>2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metallurgical</td>
<td>25,342</td>
<td>21,160</td>
<td>28,827</td>
<td>25,063</td>
<td>23,284</td>
</tr>
<tr>
<td>Steaming</td>
<td>75,123</td>
<td>82,115</td>
<td>81,076</td>
<td>96,738</td>
<td>113,057</td>
</tr>
<tr>
<td>Exports ('000 tonnes)</td>
<td>100,465</td>
<td>103,275</td>
<td>109,903</td>
<td>121,801</td>
<td>136,341</td>
</tr>
</tbody>
</table>

Value of minerals and metals exports

<table>
<thead>
<tr>
<th>Value ($’000)</th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
<th>2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal</td>
<td>8,185,000</td>
<td>17,120,000</td>
<td>11,224,000</td>
<td>14,089,000</td>
<td>16,793,000</td>
</tr>
<tr>
<td>Petroleum</td>
<td>1,635,000</td>
<td>1,407,000</td>
<td>1,116,000</td>
<td>1,361,200</td>
<td>1,603,800</td>
</tr>
<tr>
<td>Iron and Steel</td>
<td>883,000</td>
<td>904,000</td>
<td>811,000</td>
<td>975,500</td>
<td>685,600</td>
</tr>
<tr>
<td>Copper</td>
<td>589,000</td>
<td>515,000</td>
<td>456,000</td>
<td>592,600</td>
<td>495,700</td>
</tr>
<tr>
<td>Aluminium</td>
<td>2,092,000</td>
<td>2,057,000</td>
<td>1,643,000</td>
<td>1,708,400</td>
<td>1,545,400</td>
</tr>
<tr>
<td>Zinc</td>
<td>6,799</td>
<td>1,977</td>
<td>4,242</td>
<td>8,565</td>
<td>11,001</td>
</tr>
<tr>
<td>Total</td>
<td>13,390,799</td>
<td>22,004,977</td>
<td>15,254,242</td>
<td>18,735,265</td>
<td>21,134,501</td>
</tr>
</tbody>
</table>

Despite the recent falls in commodity prices, demand for the state’s coal and mineral resources remains stable and the demand over the medium to long term looks strong.

China is rising as a market for NSW coal and is now the state’s second largest customer receiving around 23 million tonnes in 2011-12. It is a rapid rise over the past five years for the world’s largest producer of coal, growing its portion of our exports from 1.1% in 2007-08 to 9.3% in 2010-11 and then almost doubling to 17.5% in 2011-12.

Japan remains the primary destination for NSW coal, importing more than 63 million tonnes in 2011-12 – an increase of around two million tonnes on the previous year.

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30 Coal Services Pty Ltd
31 Industry and Investment NSW - Primary Industries - Mineral Resources
Appendix D – NSW mining employment

According to the latest ABS quarterly employment data, total direct employment in mining in NSW is 47,164\(^{32}\) (of this total 20,058 are employed in coal mining).

### Direct mining employment by region\(^{33}\)

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of people employed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sydney</td>
<td>6,861</td>
</tr>
<tr>
<td>Richmond-Tweed and Mid-North Coast</td>
<td>2,288</td>
</tr>
<tr>
<td>Hunter and Newcastle</td>
<td>20,513</td>
</tr>
<tr>
<td>Illawarra and South East</td>
<td>7,767</td>
</tr>
<tr>
<td>Northern, North West and Central West</td>
<td>9,735</td>
</tr>
</tbody>
</table>

There are a further 32,629 people employed in minerals processing around NSW, bringing the total employment in mining and minerals processing to around 80,000. Indirect jobs created from mining and minerals processing are an approximate 280,000.\(^{35}\) These jobs range across a large number of industry sectors, including construction, heavy engineering and equipment manufacturing, the provision of mine supplies and consumable items and specialised advisory, design and management services.

### Royalties – revenue raised by mining for NSW

Unlike most development, mining involves the recovery of a resource owned by the people of NSW. Direct financial benefits in the form of royalties flow from mining projects to the NSW Government.

Royalties revenue for NSW was $1.48 billion in 2011-12. The NSW Budget papers estimate that royalties will generate over $8.9 billion for the State over the next four years to 2015-16.\(^{36}\)

### NSW Government Royalties 2012-13 Budget Statement\(^{37}\)

<table>
<thead>
<tr>
<th></th>
<th>2010-11</th>
<th>2011-12</th>
<th>2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Budget</td>
<td>Revised</td>
</tr>
<tr>
<td>Total</td>
<td>$ m</td>
<td>$ m</td>
<td>$ m</td>
</tr>
<tr>
<td>Royalties</td>
<td>1,240</td>
<td>1,768</td>
<td>1,486</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Royalties</td>
<td>1,878</td>
<td>2,112</td>
<td>2,363</td>
<td>2,518</td>
</tr>
</tbody>
</table>

---

\(^{32}\) ABS, Labour Force Australia, Detailed, Quarterly, November 2012

\(^{33}\) ABS Labour Force Australia, Detailed, Quarterly, November 2012

\(^{34}\) The NSW minerals industry operates in the geographic zones of the Hunter (including the Lower and Upper Hunter), New England North West, Illawarra, Central West, and Far West

\(^{35}\) ACIL Tasman, Economic Contribution of the NSW Mining Sector to 2030, March 2011, (calculations are based on a 3.5 multiplier, rounded down).

\(^{36}\) NSW Treasury 2012-13 budget Statement

\(^{37}\) NSW Government, 2012-13 Budget Statement, Budget Paper No.2, Chapter 5