

**Maldon to Dombarton Rail Link
Feasibility Study
Issues Paper
Response by BHP Billiton Illawarra Coal**

Thank you for the opportunity to comment on the Maldon to Dombarton Rail Link Issues Paper.

Description of Operations

Illawarra Coal operates three mines (Appin, West Cliff and Dendrobium), 2 Coal Preparation Plants (West Cliff and Dendrobium) and manages, on behalf of other shareholders, the Port Kembla Coal Terminal. More detail regarding the operations is set out below;

Appin Colliery

The Appin Colliery mines the Bulli coal seam and consists of two separate operational sites; Appin East and Appin West. The Run of Mine (ROM) or 'raw' coal from both these operations is transported underground to the Appin East site where it is then trucked to the West Cliff Coal Preparation Plant.

West Cliff Colliery

West Cliff Colliery mines the Bulli coal seam. ROM coal is washed on site, along with the ROM coal from Appin. Product coal is transported via road to the BlueScope Steelworks and the Port Kembla Coal Terminal (PKCT). Coal reject (coal wash) is emplaced on site at West Cliff at an approved coal emplacement facility.

Dendrobium Mine

The Dendrobium mine commenced operations in the Wongawilli seam in 2002 to supply Wongawilli seam coal. The Wongawilli Seam product is an essential component of the 'Illawarra Blend' coking coal which is constituted by both the Bulli Seam and Wongawilli Seam coals. ROM coal from Dendrobium is transported via rail and washed at the Dendrobium Washery which is adjacent to BlueScope's Port Kembla Steelworks. Coal wash is transported by road to the West Cliff emplacement site.

Production

The Company currently produces approximately 7 million tonnes of saleable product. Approximately 4Mtpa is exported with the balance being sold to the Australian steel industry at Port Kembla and Whyalla

Coal Transport

All product coal from the West Cliff Coal Preparation Plant (ie coal produced at Appin and West Cliff) is transported by road to either the Port Kembla Steelworks or Port Kembla Coal Terminal. Raw coal from Dendrobium is transported by rail from the mine to the Dendrobium washery for domestic use or export. The Dendrobium

product which is shipped overseas or to Whyalla is transported the short distance from the steelworks to the port by road.

Comments on the Issues Paper

Illawarra Coal Supports Maldon to Dombarton Rail Link

Illawarra Coal agrees with many of the findings reported in the issues paper and is supportive of investment in additional rail capacity to the port. It is our view that the Maldon to Dombarton link has the potential to increase the capacity of the port and in particular provide existing rail users to PKCT with efficiency improvements through the elimination of 'down time' caused by the current interaction between commuter and freight traffic.

Maldon Dombarton will have no Application to Illawarra Coal's Current Operations

However it is important that the study recognises that there is no likelihood that Illawarra Coal's existing operations will utilise the Maldon to Dombarton link.

As discussed above, Illawarra Coal utilises two primary logistics chains; one for Appin and West Cliff and the other for Dendrobium. The Appin and West Cliff mines' logistics chain incorporates a washery located at the West Cliff site and an associated coal wash emplacement facility – both of these fall within the West Cliff mine lease area. The washery is currently undergoing a \$150M upgrade while Stage 3 of the emplacement area is under construction with approval being sought for Stage 4. These coal processing facilities will handle Illawarra Coal's Bulli coal seam production for approximately the next 30 years. It is neither economically feasible nor environmentally sound to consider a rail connection to the Maldon to Dombarton rail link at this time.

Dendrobium Coal is already transported to market via private rail line. The Maldon to Dombarton rail link is not a viable alternative for this logistics system.

For these reasons it is unclear why Illawarra Coal's operations are reflected in Figure 3 of Section 4.1.2 of the Issues Paper as; "*The mines in NSW Southern and Western Coalfields that might utilise the possible Maldon –Dombarton line*"

Road Safety Issues

It is disappointing that the Issues Paper makes reference to a link between reduced truck movements and the realisation of road safety benefits.

Illawarra Coal recently submitted an Environmental Assessment to support its Part 3A Application for approval for a further 30 years operation of the Appin and West Cliff mines. This Project proposes an increase in production from 7.5Mtpa to a peak production of 10.5Mtpa. A traffic study was prepared in support of this application and included as part of the Environmental Assessment.

The Traffic Study stated; "Despite the larger proportion of Project-related traffic movements on Appin Road, there is no adverse crash history that warrants special

attention, based either on the analysis of the accident data or the road safety audit undertaken separately by Cardno Eppell Olsen (2008).¹

Further the Report stated;

- “The relative increase in road haulage volumes is minor particularly considering the total existing and future background traffic levels of roads along the Project haulage routes”²,
- “Road haulage occurs primarily on arterial and other RTA controlled roads. This road network includes a number of roads that are provided primarily to facilitate access to the Port Kembla facilities”³, and finally;
- “.....the Project results in minimal additional vehicle traffic along these sections of road and the safety of these roads is not expected to reduce by any significant extent as a result of the Project”⁴.

Certainly, it is our view based on these studies, that the road safety benefits which might accrue as a result of the implementation of the Maldon Dombarton rail link will not be realised in respect of Illawarra Coal’s operations and it is suggested that this distinction should be made in the final report.

Summary

Once again, we reaffirm our support for the study into the Maldon to Dombarton rail link. The Maldon – Dombarton rail link offers potential benefits for coal users currently subject to the constraints of a system which is attempting to meet the needs of commuters and freight traffic. The Maldon to Dombarton link has the additional benefit of offering a logistics solution for increases in trade (other than coal) planned for the port of Port Kembla. Such volume increases have the potential to lower unit costs for all port users and Illawarra Coal supports initiatives which may deliver this outcome. However, while we remain supportive of the proposal for the reasons outlined, we cannot make a commitment to the use of such a facility since Illawarra Coal’s existing operations are geographically remote from the proposed alignment of the rail link and there is no economic (or other) case to move from our existing logistics arrangements.

Thank you once again for the opportunity to comment on the Issues Paper.

¹ Road Transport Assessment Relating to the Proposed Bulli Seam Operations Project, **Traffix** Traffic & Transport Planners, ref: 07 267_v7 May 2009, p. 56

² Road Transport Assessment Relating to the Proposed Bulli Seam Operations Project, **Traffix** Traffic & Transport Planners, ref: 07 267_v7 May 2009, p. 57

³ *ibid*

⁴ *ibid*