



Submission in response to

**The Maldon to Dombarton Rail Link Feasibility Study
Issues Paper**

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Overview

CFMEU Mining & Energy emphatically supports completion of the partially built Maldon to Dombarton rail line. The rail line is a crucial missing link in the state's freight infrastructure, and is needed to ensure the long-term growth of New South Wales' commodity exports.

The current constraints in the rail network, which force freight to take indirect routes through congested roads and rail lines, limit economic growth and, in particular, are limiting plans for growth in the Southern and Western coalfields, denying jobs, export earnings and royalties to the people of NSW.

Once broader freight and passenger infrastructure needs and constraints are taken into account (ie beyond simply the freight taken directly on the new line), it is expected there will be a good business case for the line's construction.

The CFMEU

The Construction, Forestry, Mining & Energy Union is one of Australia's largest unions. The CFMEU Mining and Energy Division is the largest union in the Australian mining industry, with the bulk of its members in the coal industry where we represent the vast majority of all production and maintenance workers. We also have significant membership in the power generation industry. There are approximately 20,000 members of the CFMEU within the Mining & Energy Division.

CFMEU Mining and Energy therefore has a very large stake in the economic performance of, and prospects for, Australia's mining and energy industries.

Coal industry growth potential

There is good reason to believe that completion of the Maldon Dombarton line will result in its utilisation by several existing coal mines, particularly to support the organic growth of the coal mines at Tahmoor and NRE Wongawilli. The Maldon-Dombarton line would then subsequently reduce pressure on present road and rail systems and improve transport for mines in the immediate Illawarra

such as the Westcliff, Dendrobium and Metropolitan which are currently restricted by limits in their supply chain.

The absence of access to rail for many of the mines to the west of the Illawarra has, problematically, led to a reliance on road freight. Rail is considerably more efficient for bulk commodities like coal, and environmentally more sustainable than trucks, especially when considering traffic congestion issues and the steepness of roads traversing the Illawarra escarpment.

Currently the restriction on large truck movements through Wollongong to Port Kembla limits the output capacity of many mines, and is a significant impediment to plans for expansion. For example, NRE's operations are currently under stress as they are unable to move their stockpiles out of Wongawilli. Whilst they are presently moving around 1 million tonnes, NRE has the production capacity to support the movement of around 3 million tonnes. Similarly, Xstrata's Tahmoor mine has the ability to expand from 2 million to 4 million tonnes in the near future, but requires adequate infrastructure to move their coal to port. The already partially completed Maldon-Dombarton line provides a safer and more long-term solution to freight demands than road upgrades.

The completion of the rail link is also important to complement upgrades at Port Kembla, so that business is able to take full advantage of increased capacity at the port end of the supply chain. As well as supporting the growth of existing mines, however, the Maldon-Dombarton line's location, running along the coal seams between the Illawarra and South Western Sydney, will encourage the development of new leases in the area, as the rail link facilitates efficient transportation of goods from the mine to port. Cockatoo Mining's lease at Sutton's Forrest is well positioned to take advantage of the new line.

The CFMEU notes the potential traffic/volume forecasts contained in the Connell Hatch Pre-Feasibility Study 2009 and in the issues paper to which this submission is responding. Coal mines in the Lithgow area will gain considerably from the presence of the rail link, with strong potential for greater production and exports via Port Kembla. Coal freight from the west of the Blue Mountain is currently

forced through the congested Sydney rail network and/or via the also-congested Hunter rail network.

The CFMEU notes that, while various commodities and other goods may make use of the proposed line, it is coal freight which will provide most of the load, and which has strong potential growth. The balanced development of the state's coal industry will be best achieved by developing the Maldon-Dombarton link rather than focusing exclusively on the Hunter valley supply chain.

Broader benefits

The completion of the Maldon-Dombarton rail link will also have numerous positive consequences for the broader community.

Firstly, by supporting organic growth and encouraging mine lease development, the link helps to ensure employment in the communities of the Illawarra and South Western Sydney particularly, and in other Western and Southern mining communities more generally, whilst contributing significantly to the nation's wealth. In the shorter term, the actual construction of the link likewise provides blue-collar employment opportunities for Illawarra and South Western Sydney residents, adding value to the community, and addressing the higher levels of unemployment in those areas.

Secondly, the construction of the link will also directly benefit residents of the Illawarra, south western and southern Sydney regions even though the proposed rail line is not envisaged to carry passenger services.

The limited capacity of rail and road infrastructure between greater Western Sydney and Port Kembla is already inadequate in meeting the current usage demands of diverse groups. The busy Illawarra/South Coast and Moss Vale rail lines, and the Princes Highway, Mt Ousley, Picton and Appin Roads are not able to safely and efficiently service commuters, as well as coal, other commodity and manufactured goods freight.

The prioritisation of passenger services on the Illawarra line, at the expense of freight reliability, and curfew restrictions, due to the line's proximity to residential areas, strictly limit the line's freight capacity. Similarly, the structural confines of narrow tunnels, the Stanwell Park viaduct, and the single track in the northern suburbs, restrict present freight usage and undermine the usefulness and reliability of that line to meet future growth in demand.

From a commodity freight perspective, the Maldon-Dombarton line also alleviates congestion and structural difficulties of the Moss Vale line. As well as providing an alternative route and more freight capacity from Port Kembla to Southern and Western NSW, the Maldon-Dombarton line is a better rail option for freight as it is significantly less steep. For some freight, the steepness of the Moss Vale line means companies opt to take the freight through the South Coast/Illawarra, adding to the aforementioned capacity issues.

There is a clear need for transport infrastructure development to ease the pressure on current systems servicing the Illawarra and South Western Sydney. The status quo sees competition between large commuter groups and commodity freight for access to basic transport infrastructure. There needs to be immediate action to address the current restrictions on movement that will be seriously exacerbated by future population and export growth.

The financial case

The Net Present Value assessment undertaken in the Connell Hatch Pre-Feasibility Study concludes that the project has a positive NPV for operating costs, but has a negative NPV once capital costs (of an estimated \$550 million) are taken into account.

This means that the project is not viable if assessed as a stand-alone project that must be viable on the basis of projected freight charges on that line only.

But as that study argues, a broader cost benefit analysis would need to include further factors:

- Easing congestion and freight noise on the Illawarra and various Sydney lines, leading to improved passenger services and residential amenity;
- Reducing freight truck movements, leading to improved safety, fewer road accidents, and reduced need for road upgrades; and
- Greater overall coal and other exports, meaning greater employment, greater export earnings and greater income, including for the State government via royalties and other charges.

Consideration should be given to maximising the freight diverted to the proposed rail line in order to gain more of the above benefits. If the new line has to compete solely on the basis of freight rates, there may be broader sub-optimal outcomes in terms of some freight operators choosing to stay on congested routes or inefficient modes.

It is suggested that broader freight and passenger transport objectives, and the business case for the project, will be facilitated by requiring freight to use the line, perhaps by imposing greater restrictions on freight use of other rail lines and roads in the region.

Conclusion

The CFMEU holds that completion of the proposed rail link is in the interests of the broader community, and that construction ought to be undertaken as soon as practicable. It is not only that the Maldon-Dombarton rail link will provide additional freight capacity, but also that current road and rail systems are inadequate in meeting demands of the coal industry, other export freight, and the needs of the community. The Maldon-Dombarton link thus needs to be built now to reduce current inefficiencies and to support future growth as export freight and passenger service demand (on other existing lines) increases.