

**Submission: Maldon-Dombarton Feasibility Issues Paper
Port Kembla Port Corporation**

4. Demand

4.1.2 Potential Use of Maldon Dombarton for Coal Transport

Planning Approval for the Port Kembla Coal Terminal provides a current limit of 7.5 million tonnes of coal that can be received by public road per annum. This volume can increase up to a maximum of 10 million tonnes per annum subject to performance criteria and approval from the Department of Planning. The issue is once this capacity is reached, regardless of the source, the only option available for coal exporters through the Port Kembla Coal Terminal is to transport coal to the port by rail.

Current projections are that within the next 5 years road receipt of coal will be close to capacity and that any growth of existing mines or new mines will have no option but to use rail, subject to capacity being available.

Whether existing mines will transfer from road to rail will not only depend on the cost of doing so and the availability of rail network capacity, but, as noted above, when the approved limit for road receipt is reached; unless further Planning Approval is granted to the Port Kembla Coal Terminal there will be no other option but to use rail or defer further development of the mines.

Port Kembla Port Corporation (PKPC) is strongly of the view that if the Maldon-Dombarton line is constructed there would be a significant movement of coal freight from the Illawarra line to the Maldon-Dombarton line and contribute to the separation of passenger and freight traffic. The difficulty with the Illawarra line is that:

- many rail paths are allocated on an ad hoc basis;
- significant queuing is encountered transiting the Sydney metropolitan network;

- the travel time is slow; with the increasing passenger traffic it will place greater limitations and constraints on the movement of freight, and
- increasing passenger services through Sydney will have an adverse flow-on effect.

The Maldon-Dombarton line is critical for the movement of freight to and from Port Kembla and the efficient provision of passenger services. As the region grows, demand for more passenger services on the Illawarra line will increase, making less paths available for freight. Exacerbating the capacity on the Illawarra line is the increasing demand by passenger traffic on the Sydney rail network which constrains the rail movement of freight to leap-frogging sections during the day. The mostly night time freight operations in turn have an adverse environmental impact on the community living near the rail line, through noise, dust, vibrations, etc.

Delays in transiting the joint passenger/freight network are encountered regularly and it is not unusual for coal trains to have to queue up to 9 hours at Chullora or other locations to ensure that passenger services are not compromised. This queuing comes at a considerable cost to industry and creates an inefficient logistic network as coal trains move from passing loop to passing loop as they make their way through the network to Port Kembla.

The question, according to PKPC, is not whether the Maldon-Dombarton line will lead to the opening of new coal mines but rather “without the line, would investment in mining activity in regional NSW and in the port take place” and “are the existing operations efficient or do they impose a cost burden on users”. For example, the Port Kembla Coal Terminal has embarked on a feasibility study to explore the possibility of an upgrade to provide for growth of existing mines. This development will not proceed without the certainty that the rail infrastructure has the capability to ensure that the product is delivered to port. The flow-on effect is that if the port upgrade does not proceed then neither will the mine development.

PKPC is also in negotiations with other parties who have similar concerns and, without the certainty of rail access, potential coal exporters may defer the capital expenditure or seek investment opportunities elsewhere.

The Maldon-Dombarton line is a critical piece of infrastructure which will provide the opportunity for the port and various importing and exporting industries to grow well into the future.

4.2 Grain

Grain coming to Port Kembla which otherwise would go through Newcastle port is dependent on the operations at Newcastle as it is our understanding that there is increasing difficulty in accessing the Newcastle grain terminal and being able to access appropriate rail paths.

The Maldon-Dombarton line may not necessarily change the way grain exports are moved to Port Kembla but would change the way grains are moved from Bomaderry (Manildra) and the movement of containers from Bomaderry back to Sydney for export through Port Botany. Currently it is our understanding that there is significant congestion in accessing rail paths from Bomaderry.

It is unlikely that the Maldon-Dombarton line will reduce the movement of grain exports by truck without an increase in rolling stock as this is the prime reason for the truck movement. Due to the uncertainty of the grain harvest only bare minimum rolling stock has been retained by rail operators for the movement of grain as many grain wagons have been converted for coal transport. As such, it is not expected that the Maldon-Dombarton line would have an effect on road receipt of grain.

4.3 Other Bulk Freight

PKPC has been in discussion with various players for the movement of bulk products which include iron ore, wood chip, cement and other products. With construction of Australia's largest cement grinding facility in the port it is highly likely that future rail access will be required.

It is also important to note that the RTA has specified in their submission to the Outer Harbour development that there needs to be the assurance that there is sufficient rail capability and capacity to meet the growing needs of the port.

The Moss Vale line has severe limitations and even with the provision of passing loops it still has severe gradient, contour and train length limitations. Upgrading the Illawarra line will have limited benefits as congestion occurs throughout the Sydney network. Other than cosmetic benefits it is highly unlikely that any real or long-term operational or capacity benefits will be realised by upgrading these lines due to other limitations.

The Maldon-Dombarton line will bypass part of the Sydney network and all of the Illawarra line.

Other than for coal and grain, and smaller volume products from time to time, no other bulk products are moved into the port by road.

Discussions continue with potential iron ore exporters where forecasts of 1 Mtpa to 20 Mtpa have been forecast. Currently there are three potential iron exporters with whom PKPC has been in discussions. A Memorandum of Understanding has been signed with one potential exporter to provide capacity for 3 Mtpa.

In summary, PKPC is of the view that the Maldon-Dombarton line has a fourfold effect:

1. Provides capacity to existing rail users to minimise queuing and operational cost and allows better development planning.
2. Provides a capacity for new industries to be established and for the modal shift of road freight to rail where viable to do so.
3. Provides an alternative and more direct route for connection to the main Melbourne-Sydney line and to the Sydney catchment intermodal facilities such as Moorebank, Enfield, etc, to provide optimum rail efficiency. The Maldon-Dombarton line will allow freight which is currently using the Illawarra line to transfer to this line.
4. Provides environmental and quality of life benefits to the broader community but specifically to residences next to the Illawarra line.

4.4 Containers

The Environmental Impact Study completed by Sydney Ports Corporation for the third terminal development at Port Botany, shows that the port will be at capacity in 2024-25. Further, this is reinforced by the recent growth in container throughput through the port which shows that growth over the last couple of years has been greater than forecast and it is highly likely that the port will reach capacity before the forecast date. (It is noted that the approved TEU capacity of 3.2 M TEU may be increased). Regardless, an alternate port for the overflow of containers for NSW needs to be planned in the not too distant future.

Port Kembla port is strategically located and is planning to meet this role. PKPC argues that as much of the Sydney catchment growth is west and south-west of Sydney that Port Kembla port is the logical choice for the handling of container overflows. Port Kembla port also fits well with the proposed intermodal terminals of Enfield, Moorebank, possibly Eastern Creek, Wollondilly and Moss Vale. The port is the natural location to handle future container overflows.

PKPC has had discussions with many of the major shipping lines and as Port Botany reaches capacity there is a strong likelihood that one of the major shipping lines will be interested in relocating to Port Kembla and establishing its own terminal facilities. A number of the shipping lines approached by PKPC have their own terminal facilities in many overseas ports and such an opportunity would be attractive and available at Port Kembla.

PKPC is currently in discussion with two 2nd tier shipping companies to relocate their smaller container vessels to Port Kembla.

The location of Port Kembla port makes it strategically located to provide connectivity not only with the intermodal facilities in west and south west Sydney but also with Port Botany. The Maldon-Dombarton rail link provides this critical direct connection between the regional port of Port Kembla and the capital city port of Sydney; it also provides a critical link to the main Melbourne-Sydney line.

Investment in the Outer Harbour development at Port Kembla and growth of activities in the Inner Harbour are highly dependent on appropriate rail infrastructure being available. The Maldon-Dombarton line is that critical infrastructure and without its availability, or significant upgrade particularly to the Illawarra line (albeit in our view with limited long-term benefits), it is highly unlikely that Port Kembla port will be able to fulfil its potential as a future container overflow facility or a major bulk facility. Further, it is our view that vital development for bulk exports will be curtailed.

This concern is reinforced by the submission from the RTA who has strongly argued that the road/rail split as proposed in the Environmental Assessment for the Outer Harbour needs to be enforced; this rail split can only take place with the Maldon-Dombarton line being in situ. Further, the submission from RailCorp questions the capacity of the existing rail network to handle the trade growth forecast to be generated by the Outer Harbour development.

Both these key transport organisations have placed a requirement that the rail infrastructure is committed for upgrade and/or construction if the Outer Harbour is to proceed beyond the current stage. If the Maldon-Dombarton line does not proceed it is highly likely that without significant upgrade of the existing network the opportunity for export of resources will be lost, resulting in:

- a loss of revenue to NSW, the Illawarra Region and the Australian Government;
- a loss in the creation of much-needed regional jobs (as the Illawarra has one of the highest unemployment rates in Australia);
- effectively lead to moribund economic activity, and
- increased congestion in Port Botany or other ports as containers, cargo etc will need to travel greater distances.

Also supporting this view is that a number of parties exploring the potential for export out of the port have expressed concerns on the ability of the existing network to handle the increased growth. As mentioned earlier, Port Kembla Coal Terminal is currently finalising a feasibility study for a major capital port upgrade to handle forecast export growth. This upgrade will only occur if there are rail paths to handle the increased throughput. Unfortunately at this stage the only additional rail paths available are ad hoc, which makes investment decisions difficult and problematic. Further, Coalpac is also exploring the possibility of exporting through the port and the rail capability again has been raised as a matter of concern.

4.5 Cars

Two motor vehicle transporters indicated interest in using rail for the movement of cars to Sydney. However, the difficulty at the time that the car industry transferred to Port Kembla was that there was no suitable rail receiving facility in Sydney.

Patrick AutoCare and Sydney Ports have signed a Letter of Intent in 2008 to permit Enfield to be used for the receipt of cars for the onward distribution to dealers but it will be at least 2-3 years before the facility will be ready to receive cars.

As the Enfield facility was not ready in 2008 (at the time when the trade was relocated to Port Kembla), Patrick AutoCare and the other car transporters had to make the investment in road rolling stock. It would be unlikely that the movement of cars by rail will take place in the next 2-3 years until the capital investment has been recouped. The Patrick AutoCare facility proposed for Kembla Grange provides for a rail siding and the movement of vehicles by rail.

The future movement of cars by rail is possible and will be encouraged by PKPC.

The Maldon-Dombarton line will make a difference as it will provide a more direct route and ensure that there are the train paths available to service the business.

5.0 Capacity

It is difficult to assess the existing capacity on the Illawarra line as such information is not publicly available. Defining rail paths per se is a meaningless statistic as it does not recognise other downstream effects or constraints. A more appropriate measure is "rail paths available on a per hourly basis and within segments". It is also highly likely that as the Illawarra and the Sydney catchment grows that the requirement for passenger services will increase, placing further strain on rail freight movements that need to use the Sydney metropolitan network.

Provision of rail path information on an hourly basis and within rail segments will assist with freight planning and capacity definition.

It is our understanding that upgrading the Illawarra line is highly difficult and problematic, particularly due to the unstable environment; the single tunnel at Coledale and the natural escarpment topography. Further, the current Illawarra rail alignment is close to residential areas and is a prime source of noise and vibrations to residences. The Maldon-Dombarton line will provide the opportunity for buffer areas to be established between the line and near residences as the alignment is still free from residential encroachment.

The Maldon-Dombarton line will provide significant environmental and quality of life benefits to the many residences along the Illawarra line as in many instances separation between the rail line and residences is minimal and, as noted above, is the prime source of noise, vibration and dust complaints. Many freight trains are only able to access the Illawarra line at night.

The provision of a long-term rail development plan for additional track assets needs to be looked at in relation to the following:

- whether it is a stop-gap measure;
- the real capacity that will be provided;
- does it provide capacity but impose other costs on operators, etc, and
- does it eliminate/minimise the existing network inefficiencies.

The Maldon-Dombarton line, in our view, is the optimum solution to best meet the long-term needs of rail infrastructure users.

Additional track on the Illawarra line will provide little benefit as it still suffers the disadvantage of the circuitous alignment and the single tunnel at Coledale, and further, the geotechnical features in the area would not be conducive to further expansion of this line. Upgrading this line would have little benefit for freight as the Sydney network would still need to be traversed.

The Moss Vale line would not provide the advantages as it is much further from the Sydney catchment and the coal coming to Port Kembla and will incur additional operating cost. The line is also circuitous, on difficult terrain and is unlikely to provide the flexibility and length of train necessary to achieve efficient movement of freight. This line is a single line and one or two passing loops will not, in our view, achieve the desired long-term benefits.

PKPC is of the view that the Moss Vale line would not be a satisfactory alternative route to Port Kembla if the Illawarra line became congested.

The difficulty is that at this stage the capacity of the lines servicing Port Kembla and the Illawarra have not been defined, making investment decisions difficult.

With the inevitable growth of the Port Kembla port, that Port Botany is mainly used for containers and Port Jackson's port activity will decrease over time, Port Kembla port will be the main port in NSW for the receipt of many bulk, non-bulk products and, in the future, containers. It has become critical that the infrastructure servicing the port is planned and construction is programmed to coincide with development in the port and the growth of the region and NSW. The port is strategically located to be able to service the Sydney market.

As noted previously in this submission, significant development is dependent on the rail infrastructure and particularly the Maldon-Dombarton network being available to service port growth as and when needed. Without this line the potential may not be realised.

The Maldon-Dombarton line will provide significant environmental and community benefits, including:

- Reducing noise, vibration and dust to residences along the Illawarra line;

- Providing an optimum and efficient rail network for the future;
- Providing cost efficient movement of freight;
- Providing a more direct and freight-friendly route than the Illawarra or Moss Vale line;
- Providing the capacity for the stabling of trains and hence the more efficient handling of trains;
- Reducing queuing in the Sydney metropolitan network and the Illawarra network;
- Providing certainty in rail paths;
- Avoiding the need to use much of the Sydney freight network;
- Increasing future passenger capacity by transferring freight from the Illawarra line;
- Encouraging investment in port, mine and other developments;
- Creating the opportunity to open employment lands, and
- Meeting community expectations for this partially completed line.

5.2 Road Capacity

There is no evidence at this stage to support the view that customers would transfer from road freight to rail without the Maldon-Dombarton line as this would already have occurred if there were economic benefits.

The Maldon-Dombarton line will provide the opportunity for current port and prospective port users to review their transport operations with the encouragement to use rail as their preferred mode of transport (dependent on the cost differential). Potential customers to use the line could be BlueScope; containers that will be coming through Port Kembla in the near future (within the next 6-12 months); coal exporters near or adjacent to the line; grain, etc.

Upgrades of the traditional kind, such as passing loops, etc, would not, in our view, provide the necessary efficiencies as effective capacity would still be an issue, as would cost due to queuing and other operational inefficiencies.

Further, the environmental benefits of minimising noise, dust, etc to residents

along the Illawarra line, etc would still persist and in fact may be exacerbated as freight trains would probably need to stop and start more frequently if the short-term solution is provision of passing loops.

The Maldon-Dombarton line will provide a focus for freight to and from the port and also to and from south and south-west Sydney and will provide a viable and realistic alternative to road transport. This, in turn, will in our view reduce the tendency to use road transport as the argument that insufficient rail capacity or suitable rail network is not available is not sustainable.

Further, planning approvals could have the requirement that rail should be used for certain developments, as is proposed for the Port Kembla Outer Harbour development.

6. Environmental and Heritage Issues

Given that the alignment for the Maldon-Dombarton line has been determined and that much of the alignment has already been established it is our view that there are no additional environmental and heritage matters that need to be addressed. In fact, construction of the line, subject to ensuring compliance with current standards, is effectively ready to commence.

7. Cost Benefit, Financial, Employment and Funding Analysis

Construction of the Maldon-Dombarton line will create significant employment benefits not only locally but more broadly throughout NSW. The Maldon-Dombarton line will provide the certainty for development decisions within and outside the region as rail paths will be available to move the product to the port for export or to the final destination for consumption.

The financial benefits from the Maldon-Dombarton line are significant and include the following:

- Reduce the possibility of queuing by as much as 9 hours which is currently encountered by many rail operators coming into the port. This will result in a significant financial benefit to exporters and result in the more efficient use of resources;
- Make exports/imports through the port more competitive;
- Provide the certainty to allow investment decisions to be made;
- Benefit all road users, community and freight which is not conducive to rail movement;
- Reduce the possibility of lost investment in the development of exports;
- Create employment and economic benefits through the port. Every vessel that enters the port generates in excess of \$1 million in economic benefit for NSW plus creates in excess of 4 jobs;
- Ongoing employment creation and generation;
- Provide capacity for passengers on the Illawarra line, thus reducing road passenger traffic;
- Avoid significant capital expenditure on alternative lines;
- Potential to reduce maintenance costs on the Illawarra line and minimise the risk of the inherent problems particularly to that line;
- Provide an alternative route should difficulties occur with the Illawarra line;
- Provide future alternatives for intermodal facilities and development of industrial estates, and
- Enhance environmental outcomes through carbon credit schemes.

Investments that would not proceed, or potentially not be able to be fulfilled, without the Maldon-Dombarton line have been identified previously but in summary include:

- Outer Harbour Port development: \$700 million (development of the container overflow facility would need to use road transport, which may compromise this part of the development).
- Port Kembla Coal Terminal upgrade. Mine developments for coal, iron ore and others in regional NSW relying on the Port Kembla Coal

Terminal and Port Kembla Outer Harbour development (as yet unquantified).

- Possibly Coalpac
- If an alternative port is not ready for containers as an overflow facility when Port Botany reaches capacity industry would need to look at relocating elsewhere – possibly Melbourne and/or Brisbane - resulting in significant lost development opportunity to the State
- Growth of existing industries may be curtailed (not quantified).

Other benefits that flow through from the Maldon-Dombarton line would, in our view, be significant and include reduction in greenhouse gas emissions; many community and environmental benefits plus the economic benefits that flow through from the provision of the line.

Conclusion

The community agitation for the Maldon-Dombarton line will not abate but will equally grow as the movement of people and freight becomes more paramount and this region and State grow.

Studies conducted by the NTC have shown that within the next 10-20 years the freight task will double and, as such, infrastructure must keep abreast of such growth.

It is also forecast that within the next 20 years some additional 18 container terminals will be required. These cannot be developed in isolation but must be in tandem with rail capability to service these needs.

It is important that the Maldon-Dombarton line is programmed for construction within the next 5, and at maximum 10, years. It is not acceptable, efficient or prudent forward-planning to further defer this critical piece of infrastructure for the next 20-30 years. Many of the problems that people envisage today will be magnified into the future and lack of foresight and availability of infrastructure will perpetuate the perception of planning and infrastructure

neglect. There is an obligation to plan and provide for the future. Problems associated with the Illawarra rail network are evident now and we should not wait until these problems become unmanageable.