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Director - Coal and Quarry Assessments  
The Department of Planning, Industry and Environment

### **Proposed Extension to the Dendrobium Coal Mine**

Thank you for the opportunity to make a submission in relation to the proposed extension of the Dendrobium Coal Mine.

Ai Group is a peak employer organisation representing traditional, innovative and emerging industry sectors. We are a **national** organisation which has been supporting businesses across Australia for more than 140 years. Together with partner organisations we represent the interests of more than 60,000 businesses employing more than 1 million staff. Our members are small and large businesses in sectors including manufacturing, construction, engineering, transport & logistics, labour hire, mining services, the defence industry, civil airlines and ICT.

I am writing to reinforce the importance of the socio-economic and strategic benefits of the proposed extension of the Dendrobium Coal Mine for the Illawarra and Whyalla regions and more broadly across the Australian economy.

There are substantial social and economic benefits for the regions sustained by the mine itself and by the centers of Australian steel production. These include benefits enjoyed by the employees of the mining and steel companies, their families and their communities as well as the many businesses, and their families and communities, linked – directly and indirectly - to the production of steel in Port Kembla and Whyalla.

There is, further, a critical strategic advantage for Australia from maintaining a competitive steel industry in Australia that would be able to secure supply of steel to the local market in the event of disruptions to international supply – as might arise for example in the event of international or regional armed conflict.

Based on the present rate of output, the current minable reserves of the mine will be depleted in five years. The proposed extension of the mine would enable supply of the mine's high-quality metallurgical coal for a further quarter century.

The mine is a critical source of metallurgical coal for Australian steelmakers including BlueScope Port Kembla Steelworks and Liberty Primary Steel Whyalla Steelworks. There are specific advantages for the Australian steel producers associated both with the quality of the coal sourced from the Illawarra area and with its location. These specific advantages would be lost if the steelmakers had to find alternative sources of coking coal – with the most likely alternative source being from the Bowen basin in Queensland.



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For the Port Kembla steelworks greater reliance on seaborne coal would require a significant capital investment in expanding shipping and port capacity.

For the Whyalla steelworks coking coal would need to be shipped twice the distance of coal shipped from the Illawarra area. The additional time involved in shipping this extra distance would also necessitate additional investment in ships to maintain a similar pace of delivery.

These specific advantages underpin the ability of the domestic steelmakers to make exceptionally high-quality coke for the use in their production of steel at cost that materially assist in lifting the competitiveness of their steel operations.

The specific advantages referred to above were recognised by the Australian Competition and Consumer Commission in its 2017 *Statement of Issues* in relation to the then proposed acquisition by South32 Ltd. of Metropolitan Collieries Pty. Ltd.<sup>1</sup>

The particular advantages derived from the coal sourced from the Illawarra region lay behind the ACCC's view that actual or potential alternative suppliers of coking coal, would incur "significant additional cost associated with transporting substitutable coking coals to the Australian steelmakers." The ACCC was also mindful of "potential capacity constraints limiting the ability of [Bluescope] to import large volumes of coal by ship."

If the proposed extension of the Dendrobium Coal Mine proceeds, the substantial socio-economic benefits associated with the specific advantages of high-quality, Illawarra- sourced coking coal were extended for at least a quarter of a century.

On the other hand, if the mine extension were not to proceed, the steelmakers would lose a competitive source of high-quality coking coal. The higher costs associated with alternative potential supply would certainly reduce the competitiveness of steelmaking in Port Kembla and Whyalla and would considerably erode the socio-economic benefits that are currently enjoyed by these particular regions and by the broader Australian economy. Further, the closure of businesses, the loss of jobs and the associated contraction in economic activity in these regions would impose additional social and economic costs

We urge these socio-economic and strategic benefits to be taken into account in your consideration of the proposed extension of the Dendrobium Coal Mine.

If you would like further information about this submission, please do not hesitate to contact me directly or email Ai Group's Head of Influence and Policy, Peter Burn on [peter.burn@aigroup.com.au](mailto:peter.burn@aigroup.com.au).

Yours sincerely

A handwritten signature in blue ink that reads 'Innes Willox'.

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<sup>1</sup> ACCC, *Statement of Issues*, 23 February 2017, South32 proposed acquisition of Metropolitan.