



A division of NSW Business Chamber

Dendrobium Mine Extension Project

Submission from the Illawarra Business Chamber to the
NSW Department of Planning, Industry and Environment

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18 September 2019

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Summary of recommendations

The IBC recommends that the NSW Department of Planning, Industry and Environment ('the Department'):

- **Recommendation 1** Provide investment and economic certainty through an efficient and considered approval process.
- **Recommendation 2** Note the economic contribution of mining to the state and regional economies.
- **Recommendation 3** Note the social and economic benefits of the Dendrobium Mine Extension Project.
- **Recommendation 4** Consider the critical economic impact that an adverse approval decision would have on the regional economy.
- **Recommendation 5** Consider the interdependence of BlueScope and other businesses, which are reliant on the continued operations of South32.

Overview

The Illawarra Business Chamber (IBC) supports South32's application to continue its mining activities into Areas 5 and 6 of the Dendrobium Mine, within its existing mining lease.¹

Coal mining is a cornerstone stone of the Illawarra's history, and as a contributor to our modern, diversified regional economy, this sector remains as relevant today as ever.

There is a crucial distinction between thermal coal, used in power stations, and metallurgical – or coking coal – used for steel making. In the production of blast furnace steel, there is currently no alternative to the use of coking coal.

Steel production, another crucial element of the Illawarra economy, provides 3,500 permanent jobs that pay an average salary of \$102,000, and is responsible for a further 5,400 local jobs involved in related industries, such as defence and manufacturing.²

The BlueScope steelworks at Port Kembla is now the largest steel production facility in Australia, sourcing 90 percent of its coal from Illawarra mines. Without access to a 'just-in-time' supply of local metallurgical coal, BlueScope's operations become more marginal as they will be required to import it from other markets at greater cost.³

Communities and companies alike need certainty, and in the view of the IBC, the slow and convoluted approvals process for approving mining projects in NSW gives rise to decision-making paralysis, serving neither. Further, it acts as a deterrent to domestic and offshore investment in our economy. To that end, the Chamber welcomes the Australian Government's decision to request the Productivity Commission conduct an inquiry into approvals processes for resources projects, and hopes that this will bring necessary scrutiny to this process and its performance.

As a State Significant Development (which requires approval under Part 4, Division 4.1 of the *NSW Environmental Planning and Assessment Act 1979*), the Department's 'triple bottom line' approach to the assessment must equally consider the social, economic and environmental aspects of the project.

While there are legitimate concerns about the impact of underground coal mining on the water catchment, the community should be reassured that mining companies complete rigorous assessments, to advise of any potential impacts and indicate what measures will be taken to protect the water supply, in addition to ongoing monitoring of not only the water catchment but also the ground and surface water, air quality and biodiversity.

The IBC is confident that an assessment of the South32 proposal will be subject to a rigorous and expert process. Our hope is that this approval process be undertaken efficiently, noting the flow on effects for other businesses and importance of investment certainty. If South32 is able to satisfy the process in this regard then it will have a legitimate licence to continue its mining activities into Areas 5 and 6 of Dendrobium Mine.

¹ NSW Department of Planning and Environment, *State Significant Development: Dendrobium Mine Extension Project*, <<https://www.planningportal.nsw.gov.au/major-projects/project/9696>>, accessed 8 August 2019.

² Australian Steel Products (BlueScope), *Submission to Independent Expert Panel for Mining in the Catchment*, 20 February 2019.

³ Ibid.

Recommendation 1 Provide investment and economic certainty through an efficient and considered approval process.

Economic benefits

The mining sector is of critical economic importance to the Illawarra and the prospect of the extension not being granted would have a widespread negative impact. The economic contribution of the mining sector (at a state and regional level), the socio-economic contribution of mining activities, and the inter-dependence of mining at the Dendrobium Mine with other industries warrant strong consideration by government.

Importance to the NSW economy

The NSW Minerals Council (NSWMC) analysed the expenditure patterns of 28 exploration and mining companies in 2017/18, including South32, to determine the economic contribution of the industry throughout NSW. NSWMC quantified the annual economic and employment benefits of mining in the state as:

- \$23.4 billion in value added (contribution to Gross State Product [GSP]), amounting to 3.9% of GSP, through \$10.7 billion in direct effects and \$12.7 billion in supply chain and consumption-induced effects.
- \$9.9 billion in income (wages and salaries) paid to direct and indirect workers.
- \$1.8 billion in royalties to government to the state government contributing to public services including hospitals, roads, rail, schools and emergency services.
- 132,192 full time equivalent jobs supported, or 3.4% of total employment across the state.⁴

South32 estimate that the economic contribution of mining in Areas 5 and 6 alone, for the life of the mining extension (2024-48), would be:

- A\$1.0 billion capital investment into the future of Dendrobium Mine
- \$2.8 billion (real, undiscounted terms) net economic benefit to NSW.
- \$714 million (real, undiscounted terms) in rates, royalties taxes for local councils and the NSW and Commonwealth Governments.
- \$1.1 billion (real, undiscounted terms) net economic benefit to the Illawarra.⁵

The IBC requests that the economic contribution of mining to the state and regional economies be considered in this process.

Recommendation 2 Note the economic contribution of mining to the state and regional economies.

⁴ NSW Minerals Council, *NSW Mining Industry Expenditure Impact Survey 2017/18*, February 2019.

⁵ South32, *Dendrobium Mine: Plan for the Future – Coal for Steelmaking*, p2.

Socio-economic contribution to the Illawarra

The prospective socio-economic contribution to the Illawarra of the proposed mining extension (2024-48) in Areas 5 and 6 is reported to include:

- The ongoing employment of 500 people, including 400 people currently employed at the Dendrobium Mine and an additional 100 as a result of the project.
- The creation of 200 jobs during project construction.
- Business opportunities for local suppliers, Illawarra industries and reliant businesses.⁶

South32 advises that the socio-economic contribution of their current operations at Dendrobium and Appin Mines in 2017-18 were:

- The direct employment of 1,800 people, 90 percent of whom live locally.
- The expenditure of over \$400 million in the Illawarra region.
- Spent \$160 million with 400 locally-based suppliers.
- Contributed \$0.03 per saleable tonne to trusts that support local projects, in addition to sponsorships and social investments.⁷

The need for well-paid, full-time jobs in the Illawarra cannot be overstated. Wollongong City Council has identified a significant local jobs deficit in its draft *Economic Development Strategy 2019-2029* where for every 100 employed residents in the local government area, there are 94 jobs available. Further, Council found that between 2011 and 2018, well-paid, full-time jobs have been replaced by lower-paid, casualised roles. Added to this is the fact that 23,000 local residents travel to Sydney each day for work.⁸

Council also noted the socio-economic importance of the sector: 'coal mined in the area also has important linkages across the local economy, via its direct use in steel making and its shipment to export markets via Port Kembla'.⁹ Mining activities provide jobs that are both highly-skilled and well-paid.

The IBC considers the continuation of mining (and related manufacturing) jobs as critical to Council's stated aims, and the fabric of the regional economy and workforce. The Dendrobium Mine Extension represents a significant investment in the Illawarra, in terms of direct and indirect employment and socio-economic benefit that is be spread across the region.

Recommendation 3 Note the social and economic benefits of the Dendrobium Mine Extension Project.

Inter-dependence with other sectors

Alongside the four currently operating mines in the Southern Coalfields; BlueScope's Steelworks, exports from Port Kembla and the businesses that support them – such as Komatsu Mining and ancillary professional services – are integral to the Illawarra's economy. BlueScope's Port Kembla

⁶ Ibid.

⁷ South32, *South32 Illawarra: Our Contribution*, p1.

⁸ Wollongong City Council, *draft Economic Development Strategy 2019-2029*, p31.

⁹ Ibid, p43.

Steelworks and Springhill Works rely on a reliable ‘just-in-time’ supply of coal from local sources for its continued viability. These operations alone support:

- 3,500 employees directly, supporting 5,400 indirect jobs.
- \$6.5 billion in regional economic output (24 percent of the Illawarra’s total).
- \$1.6 billion of Gross Regional Product (11 percent of the Illawarra’s total).
- \$800 million of household income (13 percent of total household income in the region).¹⁰

The existing uncertainty over local coal supplies, due to licensing conditions or restrictions on future extraction plans, has the potential to disrupt supply and the viability of the steelworks. Any sustained disruption to local sources of coal would have significant implications for BlueScope’s operations locally in the Illawarra. Steel is the hallmark of an advanced economy and Illawarra steelmaking is of critical importance to both local and state economies.

While mining approvals at the Dendrobium Mine extend to 2030, the mineable reserves in the current mining area are likely to be depleted by 2024. The approval process has the potential to disrupt BlueScope’s operations, whose continued presence in the region is reliant on South32 as the largest coal producer in the Southern Coalfields, which supplies around 60 percent of BlueScope Steelworks’ metallurgical coal needs.¹¹

If supply was disrupted BlueScope would need to invest an estimated \$150 million to upgrade port facilities and would incur between \$50 million and \$100 million per annum in additional costs principally due to higher logistics costs to gain access to seaborne coal.¹² This is in addition to the pending investment decision about upgrading Blast Furnace 5. These costs, paired with oppressive electricity costs, have the potential to significantly erode the financial viability of steelmaking in Australia. It cannot be assumed that this is a cost that BlueScope would incur.

Recommendation 4 Consider the critical economic impact that an adverse approval decision would have on the regional economy.

Recommendation 5 Consider the interdependence of BlueScope and other businesses, which are reliant on the continued operations of South32.

Environmental considerations

The IBC agrees that environmental concerns must be appropriately reconciled, consistent with the precedent of mines in other parts of the state, if mining is to proceed. South32 have provided a comprehensive Environmental Impact Statement, informed by the Secretary’s Environmental Assessment Requirements for the Project.

The IBC is not positioned to comment on environmental aspects, however notes the importance of an efficient and informed process, which does not excessively delay the approval process.

¹⁰ Australian Steel Products (BlueScope), *Submission to Independent Expert Panel for Mining in the Catchment*, 20 February 2019.

¹¹ South32, *Dendrobium – Coal for Steel: Summary Booklet – Environmental Impact Statement*, p6.

¹² Ibid.

About the Illawarra Business Chamber and Illawarra First

The Illawarra Business Chamber (IBC) is the peak business organisation for the Illawarra, defined as spanning from Helensburgh to Batemans Bay, and encompassing the Southern Highlands. The IBC is a Division of the NSW Business Chamber – a founding member of the Australian Chamber of Commerce and Industry.

The IBC represents the interests of all of the 27,000 businesses across the Illawarra. In doing this, the IBC develops policy, advocates to all levels of government on issues affecting businesses, undertakes research to guide greater public and private sector investment in economic infrastructure, and supports the development of workforce capacity and skills in our region.

Illawarra First is the top tier of IBC membership, harnessing best practice and thought leadership to progress key priorities including improving connectivity with Sydney, realising greater value from existing strategic infrastructure and leveraging competitive advantages to bolster economic growth.

Illawarra First membership comprises a select group of leading businesses and employers in the Illawarra, sharing a commitment to driving the development and prosperity of the Illawarra. South32 is an IBC/Illawarra First member.