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16 November 2012

Mr S O'Donoghue
Department of Planning and Infrastructure
GPO Box 39
Sydney NSW 2001



Dear Mr O'Donoghue

RE: COBBORA COAL MINE
YOUR REF: APPLICATION NUMBER 10_0001

Council would like to thank you for the opportunity to provide comment during the public exhibition period for the Cobbora Coal Project and provide its support to this very important project for the region.

While it is understood that the footprint of the development is not located within the Dubbo Local Government Area, Council concurs with the Environmental Assessment that given Dubbo is the largest and closest City in this region to the mine site, that Dubbo will act as a service and dormitory centre for employees of the mine.

Given the potential impact of this significant development, Council provided comments in respect of the draft Environmental Assessment Adequacy Review however, from Council's review of the documentation placed on public exhibition, it appears that the Environmental Assessment has not been significantly altered or amended to address concerns previously raised by Council and appears to be the same documents Council has previously provided comments to. While Council understands the time constraints of this application, it is of concern that a number of the more significant issues raised by Dubbo City Council were not addressed before the documentation was placed on public exhibition.

The following matters are raised for your consideration and attention in relation to the Environmental Assessment (EA) placed on public exhibition:

1. Economic Assessment

The Economic Assessment states that the project is estimated to have net benefits to Australia of between \$1,946m and \$2,138m and is therefore desirable and justified. It is also stated that costs and benefits may be distributed among a number of different stakeholder groups at the local, State and national level and include CHC shareholders; Commonwealth Government (various taxes); the NSW Government via royalties (estimated at \$407m or \$158m present value at 7% discount rate) to fund infrastructure and services across the State, including the local region; coal-fired power generators and NSW electricity consumers through provision of lower cost electricity and local community in form of voluntary contributions. Nowhere in the

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documentation does it actually state what this voluntary contribution will be however, it is noted that Table 2.3 includes a figure of \$192m for “non market benefits of employment” at a State and local level. Should Council assume that this figure includes the “voluntary contribution” to the local community? In the absence of any further details, Council cannot form a firm view regarding the mitigation measures likely to be required to minimise impacts on the Dubbo community and the services provided from the Dubbo LGA.

The Social Assessment estimates that only 60% of the operational workforce will be expected to come from the Dubbo LGA. It also states that workers who are relocating will have a preference for larger centres with a clear leaning towards Dubbo.

Council raises the following in respect of these two assessments:

- Council does not accept the benefits and costs of the Project as identified in Table 2.3. This table does not include potential social and cultural costs which have an important impact at a local level. The note below the table indicates that costs will be mitigated however, there is insufficient evidence in the report to show how mitigation will reduce the costs to insignificant as is claimed.
- Council has concerns that a number of social and cultural costs have not been adequately addressed in the report. This ranges from population growth which relies upon out of date data and where local services and facilities are not sufficiently upgraded to cope (particularly health, education and childcare services); labour skill shortages in both Dubbo and Mid-Western LGAs as both are close to or at full employment (if the local labour force is to provide up to 70% of the operational workforce, then this will impact on non-mining related business); impact on other industries (particularly agricultural, trades and tourist-oriented industries) through competition for scarce resources. Council considers that an analysis of the costs and benefits should take into account the above concerns.
- The EA in its various component/studies uses a variety of numbers when referring to the number of employees and the impacts these employees will have. This needs to be a single figure throughout the assessment.
- Council questions the suggestion that there will be economic benefits associated with utilising unemployed labour resources. Council considers that these suggestions are flawed because the two largest LGAs in proximity to the Project are at or close to full employment levels. The local labour pool is non-existent and new jobs are likely to be filled by those already participating in the workforce putting considerable pressure on non-mining business in the region who cannot compete with mine wages.
- Council disagrees with the distribution of benefits as the majority of coal mining royalties will be retained by the State with a very small percentage if any flowing to the local community. Council considers that the local cost/benefit analysis should be expressed as a percentage of the total costs and benefits such that it is clear what percentage of the estimated \$2,206m benefit will flow to the local community and what percentage of the \$249m in costs will be local. Council’s reading of the report would

suggest that local costs would appear to be close to 100% of the total yet it receives only a small part percentage of benefits.

- In addition, and as identified in Sections 3.4 and 4 of *Appendix R: Economic Assessment*, the project will “*provide considerable economic activity to the regional and NSW economy through the purchase of inputs to production and the expenditure of employees and contractors.*” Council supports this assertion however, this statement does not take into consideration the impacts of the mine construction and operation on the Dubbo community.
- Likewise, the cessation of this project will have an impact on the local economy. The impact is partly related to the number of workers and their families who remain in the region and seek employment elsewhere. This issue has not been adequately addressed in the EA.

Given the social, cultural and economic importance of Dubbo in the region, a proportion of the workforce will be residing in Dubbo and/or utilising services within the Dubbo LGA.

No details have been provided on how the socio-economic impacts of the proposed development will be mitigated once cessation occurs. Such issues have been overlooked and have the potential to have a significant detrimental impact if not initiated at the earliest possible stage.

Council requests that the Applicant provide additional information addressing the close down procedures of the mine. This information should address timing, workforce characteristics throughout this period and how the Applicant will address re-training and re-skilling of employees into other industries in the Dubbo LGA.

2. Social Assessment

Council has engaged the services of AECOM Australia Pty Ltd to undertake a detailed review of the social impacts of mining on the Dubbo LGA. The results of this review will be provided to the PAC Hearing scheduled for 11 December 2012. The following points are made in the interim:

Construction Phase

- During the construction phase it is estimated that up to 40% of workers are expected to come from four LGAs. Of that 40%, approximately 32% (65 workers) will come from the Wellington LGA, 30% (61 workers) from the Dubbo LGA, 28% (58 workers) from the Mid-Western Regional LGA and 10% (22 workers) from the Warrumbungle LGA.

Due to competition from new and expanding mines in the Mid-Western Regional LGA and the socio-demographic profile of Dubbo compared to the other LGAs (including higher order services, facilities and proximity to the proposed development), it is considered a greater number of construction phase workers will be employed from the Dubbo LGA.

- The proposed accommodation village is seen as a positive step by the proponent to minimise the impact on Dubbo's local housing market, short-stay rental market, airport and road network.

It is considered that the impact on the Dubbo City Regional Airport has been understated. The EA states that temporary workers will be transported to the airport at the commencement and cessation of weekly or fortnightly shifts (Appendix T; Page 26). No assessment has been made concerning what impact this will have on the airport. Impacts on flight availability and flight prices for users of the airport on key days such as the commencement and cessation of the weekly shifts have not been considered.

Many people in Dubbo and the surrounding region rely on the airport. One hundred and seventy thousand (170,000) passengers passed through the Dubbo City Regional Airport in 2011/2012¹. A potential additional 20,800 passengers, a 12% increase, using the airport will undoubtedly cause various social effects that have not been considered in the EA.

Operational Phase

- For the same reasons as identified in the EA and the comments contained herein (refer above to Social Assessment bullet point No 1), the operational workforce distribution identified in Scenario 2 of Section 3.3 is considered unjustified.

The location of future educational training facilities to be held in Dubbo (Appendix T, Section 4.2) reinforces the focus of Dubbo as the major regional centre and the expected predominant source of local employment for the proposed development.

Council not only considers the *residential location of operations workforce* more akin to Scenario 1 but in fact expects a greater percentage of employees to reside in the Dubbo LGA than currently identified in Scenario 1.

It is recommended that the *residential location of operations workforce* be amended to reflect this as it will affect the population increase and forecast and the impacts on infrastructure and services across all the LGA.

- Section 7.2.3 *Childcare Services* states that "from 2016 to 2027, all LGAs will be experiencing a decline in their population growth rates which will increase the availability of childcare spaces." This statement is considered incorrect. The Dubbo LGA continues to experience annual population growth in excess of 1%. There is no reason to consider that this will not be the case in the future. Therefore, the issue of childcare must be further considered as the increased demand will place further stress on childcare providers in the City.

¹ Dubbo City Regional Airport, Dubbo City Council, viewed 1 August 2012
<http://www.dubbo.nsw.gov.au/BusinessandIndustry/DubboCityRegionalAirport.html>

- Section 7.2.5 (b) considers the housing and supporting infrastructure for long term accommodation supply. The supply of housing proposed from the start of operations in 2015 to 2027 has been calculated based on the number of dwellings built in 2010. Supply and demand changes including changes to population growth, changes to building costs, changes to labour supply or changes to government incentives have not been considered in determining the number of dwellings available in the future. These all affect the supply of housing and subsequently housing affordability. A more thorough analysis of the projected housing supply is needed to accurately consider the impacts the in-migrating operations workforce will have on the housing supply and housing affordability within the LGAs.
- Section 7.2.5 identifies water and sewerage facilities in the Warrumbungle LGA, in particular Dunedoo, is reaching capacity. Section 1.7 of *Appendix T: Workforce Accommodation Study* addresses the shortage of accommodation in Mudgee and Gulgong, in part, due to existing and proposed mining operations. Given such documented site and housing constraints it is considered that the operational workforce will concentrate in the Dubbo LGA and the submitted residential accommodation strategy should be amended to reflect a more appropriate housing development strategy with a primary focus on the Dubbo LGA.

3. Voluntary Planning Agreement

Page 68 of the Social Assessment states that “CHC is committed to effectively addressing social and public infrastructure impacts arising from the Project. It is proposed to have Voluntary Planning Agreements with the four LGA’s (Dubbo City Council, Warrumbungle Shire, Wellington Shire and Mid-Western Regional Council) in place by the end of 2012.

CHC is currently formulating the proposed parameters for the agreements that are envisaged to:

- *Be based on principles established in recent comparable agreements;*
- *Reflect changes in population and demographics arising from the project;*
- *Address resultant impacts on services and facilities in the LGA’s; and*
- *Be for the life of the mine.”*

While the provision of a VPA is supported by Council, the following concerns with this approach:

- The timing of the negotiations relating to a VPA is problematic given the time constraints of the assessment process for the application. The project is scheduled to commence in mid 2013 and the stated intent of the proponent is that the VPA would be in place by the end of 2012. Given that it is now November and the matter has been listed for a Planning and Assessment Commission Hearing on 11 December 2012 and no details have been provided to Council to date regarding the “parameters for the agreements”, it is not likely that this can be resolved prior to the determination of the application.
- Despite the obvious issue with timing, Council considers that it will be at a disadvantage when trying to negotiate an appropriate VPA for this LGA due to the flawed assumptions and conclusions that have been drawn in terms of the potential

impacts of the project. Council understands that the model to be used for negotiating the VPA may be based on a formula based on workforce numbers in terms of community contributions which has been estimated to be 60% for our area. Council disputes these figures and this approach and seeks an assurance from the Department and CHC that it will enter into meaningful negotiations with Council and that community contributions will be based on a census of those employees who live in the LGA.

- The stated intent of the NSW Government being to now sell or lease the Cobbora Mine (refer to the attached Media Release dated 15 November 2012) will result in delays in the commencement of the project which will compound the inaccuracies in the population projections used in the Social Assessment.
- Likewise the sale of the Mine provides Council with uncertainty regarding any of the commitments made by CHC.

To assist Council in these negotiations, Council has engaged AECOM Australia Pty Ltd. Council would like to request that any decisions regarding the VPA's be deferred until these negotiations with CHC have taken place.

4. Traffic

The proposed development is located outside the Dubbo Local Government Area (LGA). However, it is anticipated that the development will affect the City as a service centre for mining and as an accommodation and shopping/medical centre for employees/contractors who will commute to the site via the Golden Highway.

Overall the assessment undertaken for traffic generation and the impacts on the existing road network appears competent and adopts recognised methodology. The information provided below is raised for discussion purposes.

The EA estimates that daily traffic volumes on the highway will increase by 39% at the Cobbora Road intersection. The above estimate is based on an assumed 60% of the total traffic generation forecast by the development coming from the west or generally from Dubbo. In numerical terms this equates to 356 vehicles per day of which 25% will be heavy vehicles. The highway is currently operating at a Level of Service well below its potential. However, the EA does not provide this assessment or indicate the change in service level that might result from the increase in traffic, particularly closer to Dubbo where traffic flows are higher. Because the highway is under the control of Roads and Maritime Services, this is considered to be an issue for Roads and Maritime Services; however, Council must have appropriate information to reflect the impacts of traffic on major intersections.

The traffic volume estimates assume a certain level of car-pooling by workers travelling between town and the mine. It is unsure as to where the methodology for the car-pooling estimate has come from as it appears excessive in the context of a regional area.

5. Water Supply

As a mining activity it is likely that the potable water supply for the 400 bed construction camp will be required to be licensed under the Water Industry Competition Act. Under this Act there is

provision for a 'water supplier of last resort' to be nominated in the licence in the event that the water supply system fails.

This will potentially impose costly water supply responsibilities onto the nominated water supplier. Although considered unlikely, Council could be nominated as an alternate water supplier. The EA is silent on this issue and confirmation should be obtained that a WICA licence is applicable and, if so, who the water supplier of last resort will be.

6. Waste Disposal

The EA indicates that solid waste generated from the site and the construction camp is to be disposed of at a licensed facility. Should a Dubbo-based waste services contractor service the site, it is considered likely that waste will be disposed of at the Whylandra Waste Depot.

The assessment of the operational waste streams to be generated by the site appear reasonable and will be inconsequential in terms of the volumes proposed (300 tonnes per year of putrescibles) which equates to one truck load per week. It is also considered a positive reflection on the development that recycling is proposed.

It should be noted that the Whylandra Waste Depot will not accept any hazardous, liquid or toxic wastes that are generated from the site.

7. Emergency Management

The EA includes a Hazard and Risk Assessment and appears to have been carried out in a reasonably competent and thorough manner for a preliminary assessment.

In terms of expressing the intent to engage with the local community to gain its confidence that the development will act responsibly in managing the risks arising from its activities, it is recommended that the developer engages with the Local Emergency Management Committees of the respective council areas that are impacted by the development. A statement to this effect in the EA would demonstrate that commitment.

8. Bushfire Assessment (Appendix J)

The temporary construction accommodation village which is to provide 400 beds, has been provided with a 30m Asset Protection Zone (APZ) consisting of a 15m Inner and Outer Protection Zone (IPZ & OPZ).

The temporary construction camp may be defined as a development for Special Fire Protection Purposes (SFPP) pursuant to Clause 46 of the Rural Fires Regulation 2008. SFPP development in the proposed location requires an approximate Inner Protection Zone (IPZ) of 35m (Reference: <http://bfaa.rfs.nsw.gov.au/apz/apzcalc.html>).

No reference has been provided in the documentation that each APZ has been calculated taking into consideration that some structures will house combustible and hazardous materials that may ignite or spread a bushfire.

Due to the discrepancy in the APZ calculations and the fact that a lack of information has been provided in relation to how combustible and hazardous materials have been taken into consideration to minimise the bushfire threat, Council considers the issue of bushfire to be of a technical nature and accordingly should be reviewed by the NSW Rural Fire Service (RFS).

It is also recommended that the RFS be engaged prior to the construction of the proposed development to ensure best practice procedures are in place and the site is adequately prepared for a potential bushfire.

9. Preliminary Hazard Assessment_(Appendix U)

The Preliminary Hazard Assessment has been undertaken in isolation without taking into consideration the bushfire threat immediately surrounding the stored hazardous materials. The RFS should be requested to comment on this document and the information amended to include bushfire threat.

10. Workforce Accommodation Study

It is considered that the Workforce Accommodation Study contains incorrect information. The Study states that Dubbo has a total of 1,220 vacant residential lots. Council's current analysis of residential land supply data undertaken in November 2012 shows that a total of 39 residential lots are currently available for sale in the City.

In addition, the Study also details that Council approves 213 new residential dwellings (including units) annually. Although Council achieved this figure during one year, the Study has not provided an average, which is substantially below this figure.

11. Temporary Workers Camp

Council has significant concerns in relation to the provision of the temporary workers' camp on the site during the construction phase of the development. The proposed mine site is situated within a close proximity of the village of Ballimore which is situated on the eastern edge of the Dubbo LGA. The EA has not provided information addressing the impact of the temporary workers' camp on the services provided in Ballimore and potential impacts on Ballimore.

12. Access to Health and Community Services

As you would be aware, the State Government will be undertaking a \$79.8m re-development of the Dubbo Base Hospital. The provision of updated medical facilities for the Dubbo LGA and the region is of vital importance.

Council is aware that the provision of temporary workers within the community may not necessarily be utilised by the State Government in considering the health needs of the City and the region in the coming years.

It is noted that the EA provides information that consultation with all relevant health service providers has been undertaken. However, Council requests written documentation be provided from the NSW Department of Health detailing that the temporary employees and transient labour

is considered by the Department of Health in the provision of health facilities and services for Dubbo.

13. Environmental Assessment Commitments

The Environmental Assessment contains numerous commitments in relation to development of the mine and associated facilities. Council requests an undertaking from the proponent that all commitments will be provided as part of the development.

Council appreciates the opportunity to provide comments in relation to the Application. The information provided above has raised a number of concerns with the proposal which Council understands, from meetings with the Applicant, that further information can be provided to address a number of outstanding matters.

It would be appreciated if Council is provided with a written response detailing consideration of the matters raised above.

In addition, Council has also requested a private meeting with the Planning Assessment Commission prior to the Planning Assessment Commission hearing on 11 December 2012. Council understands that this opportunity was extended to Mid-Western, Warrumbungles and Wellington Councils and would appreciate the same opportunity.

Further enquiries should be directed to Council's Planning Services Supervisor, Steven Jennings, during normal office hours, on 6801 4000.

Yours faithfully



Melissa Watkins

Director Environmental Services



Mike Baird MP

NSW Treasurer
Minister for Industrial Relations

MEDIA RELEASE

Thursday 15 November 2012

GREEN LIGHT FOR SALE OF NSW'S ELECTRICITY GENERATORS

Treasurer Mike Baird today announced the NSW Government will proceed with the sale of the State's electricity generators and the sale or lease of the Cobbora coal mine development, to fund critical infrastructure projects across NSW.

Mr Baird said the scoping studies received by State Cabinet have cleared the way for the transactions, which will free up much needed capital for infrastructure spending on transport, school and hospital projects across the State.

"The O'Farrell Government is working hard to reverse the financial mess and debt it inherited from the former Labor Government and to retain its AAA credit rating," said Mr Baird.

"The sale of the State's electricity generators will release up to \$3 billion dollars for investment in priority infrastructure projects across NSW, while also saving the State billions of dollars in avoided costs to meet future generation capacity needs.

Mr Baird said the Government would progress with the generators' sale based on the advice of its expert financial advisors which reaffirmed the Tamberlin Inquiry's finding that there is significant value for taxpayers in going ahead with a sale process, based on the expected sale proceeds and by removing costly liabilities.

Mr Baird said the sale process for the generators would begin immediately and would be transacted sequentially during 2013 and 2014 .

The sale process will begin with the Gentrader assets, followed by the merchant generation assets.

Gentrader assets:

- Eraring Energy (Eraring and Shoalhaven); and
- Delta West (Mount Piper and Wallerawang).

Mr Baird said the Government will commence the sale process for the Gentrader assets through bilateral negotiations with EnergyAustralia (TRUenergy) and Origin Energy, the counterparties to the Gentrader agreements.

"These parties are likely to value the assets behind the agreements more highly than other parties because they will be able to extract significant ongoing synergy benefits from ownership that are not available to other potential purchasers," said Mr Baird.

MEDIA: Rachael Storey – 0467 741 310

“Along with these bilateral negotiations, the Government will also pursue a range of other options to ensure that any disposal of the Gentrader assets maximises the financial returns for the State. There are a number of other operators who are interested in these assets.”

Merchant generation assets:

- Macquarie Generation (Bayswater and Liddell); followed by
- Delta Central Coast (Colongra and Vales Point).

A range of associated development sites at Bayswater, Tomago and Munmorah will also be offered in parallel.

Mr Baird said there would also be a concurrent sale process for a small portfolio of renewable assets in wind and hydro power currently owned by the State.

“These assets are high quality, strategic assets which will attract interest from both domestic and global energy market participants. Selling them in sequential packages is designed to maximise value for taxpayers,” Mr Baird said.

“The State has inherited a range of difficulties from the former Labor Government’s gross mismanagement of the Gentrader sales that will need to be worked through to ensure that full taxpayer value can be realised.

“The sale process will save the State around \$1 billion in avoided ongoing operations and refurbishment costs. Additionally, the sale will potentially save a further \$6 billion to meet future generation capacity needs.”

Mr Baird said the NSW Government would encourage the entry of new market participants through the sale process which would boost competition in the electricity sector for the benefit of consumers.

Mr Baird also said the planning and approvals process for the development of Cobbora is on track and will remain a priority unless and until a superior alternative is established.

“The Labor Government’s decision to invest in a coal mine created significant risks and massive liabilities for the State,” said Mr Baird.

“Indeed the expert advisors put the potential loss to the State currently at about \$1.5 billion for the Cobbora transaction.

“The O’Farrell Government is determined to minimise these risks and liabilities and will explore all possible options for the mine development, including investigating whether alternative sources of coal are available to satisfy its obligations under existing coal supply agreements,” Mr Baird said.

Mr Baird said the sales will only proceed if they are of net benefit to taxpayers.

THE TRANSACTION IN CONTEXT

What is the National Electricity Market (NEM)?

- A wholesale market through which generators sell electricity to retailers and end users. The NEM is made up of 46,560 MW of registered generation capacity spread across NSW, QLD, VIC, SA, TAS and ACT.

Which state or territory is the largest NEM participant?

- NSW has the largest electricity consumption in the NEM and the largest installed generation capacity.
- NSW's total generation accounts for more than 25% of NEM generation.

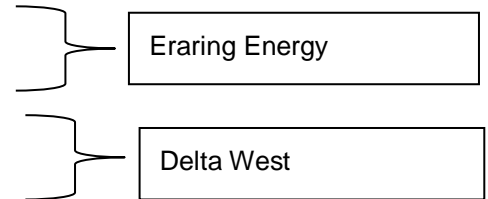
How does power transfer between these areas?

- Via interconnectors but the amount of power that can transfer between states, in either direction, is limited by the interconnector's capacity.

What is the NSW Government selling?

- The "Gentrader" assets – four power stations (plants only, power output was sold in 2010*)

1. Eraring (coal) - installed capacity of 2,880MW
2. Shoalhaven (hydro) – installed capacity of 240MW
3. Mt Piper (coal) – installed capacity of 1,400MW
4. Wallerawang (coal) – installed capacity of 1,000MW

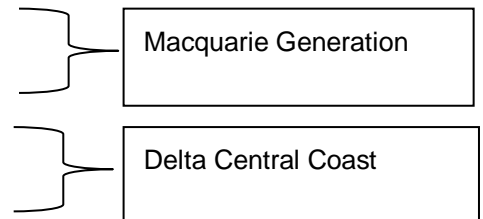


* Output of Eraring energy was sold to Origin Energy

* Output of Delta West was sold to TRUenergy (now EnergyAustralia)

- Four power stations ("merchant" assets - plant and output)

5. Bayswater (coal) – installed capacity of 2,640MW
6. Liddell (coal) – installed capacity of 2,000MW
7. Colongra (gas) – installed capacity of 667MW
8. Vales Point (coal) – installed capacity of 1,320MW



- Three development sites for coal and gas-fired power stations
- A range of renewable energy assets (two wind and five hydro assets)

What is the generation market share of these assets by capacity?

For the NEM:

- Macquarie Generation 10%
- Delta Electricity 10%
- Eraring Energy 7%

For NSW:

- Macquarie Generation 29%
- Delta Electricity 28%
- Eraring Energy 19%

How will the Government sell the assets?

- Through a competitive bid process. The Government will offer the four Gentrader assets as one package (1, 2, 3 + 4) followed by the merchant generation assets, offering the Macquarie Generation assets first (5 + 6) followed by the Delta Coast assets (7 + 8).
- The renewable assets and development sites will be sold in parallel to all the above assets.

What about the Cobbora Mine?

The Cobbora Coal Project is a proposed new open cut coal mine located approximately 5km south of Cobbora, 22km south-west of Dunedoo, 64km north-west of Mudgee and 60km east of Dubbo.

The planning and approvals process for the development of Cobbora is on track and will remain a priority unless and until a superior alternative is established.

The Government will explore all possible options for the mine development, including investigating whether alternative sources of coal are available to satisfy its obligations under existing coal supply agreements.

Source: ACIL Tasman, State of the Energy Markets 2011, AEMO Statement of Opportunities 2012, AEMO website