



21 December 2012

Major Projects Assessment
Department of Planning and Infrastructure

By email: plan_comment@planning.nsw.gov.au

Support for QR National Hexham Train Support Facility

I write in support of QR National's application for planning approval for its Train Support Facility at Hexham, NSW.

Background

The Hunter Valley Coal Chain Coordinator Limited ('HVCCC') is a company limited by the guarantee of its Members, who are the coal producers and service providers operating in the Hunter Valley. QR National, the second largest coal haulage rail operator in the Hunter Valley, is an HVCCC Member.

The objects of HVCCC are to plan and coordinate the Hunter Valley coal chain in order to maximise the volume of coal transported through the coal chain, at minimum total logistics cost and in accordance with the agreed collective needs and contractual obligations of its Members.

In carrying out its objects, HVCCC undertakes long term capacity modelling of the coal chain and provides advice to its Members on the infrastructure and operational improvements that are required to meet the annual throughput target for the coal chain. The annual target reflects the demand for Hunter Valley coal as contracted by coal producers with the Port of Newcastle coal terminals.

Given the nature and interdependencies of the Coal Chain, it is critical to the achievement of the throughput targets that each coal chain service provider and producer delivers their improvements as identified in HVCCC's coal chain modelling.

Supporting continued Coal Chain export growth

In 2011 coal exports from the Port of Newcastle totalled some 114 million tonnes ('Mt'). It is expected that in 2012 the coal chain will deliver export throughput in the order of 135Mt. By 2020 coal chain capacity has the potential to reach 300Mt.

Between 2006 and 2012 industry has invested approximately \$3bn in coal chain infrastructure to meet demand and is forecast to invest a further \$4.5bn from 2012 to 2014.

HVCCC's coal chain capacity modelling identifies the need for QR National to deliver the train support facility at Hexham as part of the suite of infrastructure projects and operational initiatives required to ensure that the coal chain can meet forecast demand and that the significant industry investment in coal chain infrastructure is efficiently utilised.

As demand grows it becomes increasingly important to optimise the efficiency of the Hunter Valley coal supply chain from mine to port to meet demand and from which all Hunter Valley coal industry participants benefit.

QR National's Hexham facility is a critical element of the coal chain's solution to inefficiency caused by coal terminal congestion, to which the Hunter Valley rail haulage operators' current train fuelling, provisioning and maintenance practices on Kooragang Island contribute significantly.

Collectively these rail haulage activities could cause a loss of coal chain capacity in excess of 30Mtpa by 2013, if left unaddressed.

The timely delivery of the Hexham facility, which will allow a substantial proportion of these activities to be removed from Kooragang Island, is therefore critical.

QR National's current arrangements for fuelling and maintaining its Hunter Valley coal trains in the vicinity of the coal terminals on Kooragang Island disrupts the continuous flow of trains dumping at the coal terminals and therefore creates terminal congestion. This congestion has an upstream impact that is experienced throughout the supply chain by all participants, as it impacts the free movement of train traffic throughout the Hunter Valley rail network.

This causes extensive delays in coal movements through the supply chain, undermining the ability to achieve throughput targets and contributing to the queue of coal vessels that wait off shore for their turn to load, resulting in significant demurrage costs for coal producers.

The cost of inefficient use of the capital represented by supply chain infrastructure, in addition to the direct costs of supply chain inefficiency such as throughput loss and demurrage fees, can potentially act as disincentives to the infrastructure investment that will be required across the supply chain to meet the continued and growing demand for Hunter Valley coal.

For these reasons HVCCC supports the timely delivery of QR National's train support facility at Hexham. Should you require further information regarding the imperatives for this facility and the impacts on the coal chain should it not be delivered, please do not hesitate to contact me on ph.(02) 4910 3500.

Yours sincerely



Jonathan Vandervoort
Chief Executive Officer