



Department of Planning, Industry and Environment
4 Parramatta Square
12 Darcy Street
Parramatta NSW 2150

16 March 2021

State Significant Development Application: Mount Pleasant Optimisation Project

Dear Sir or Madam,

Aurizon appreciates the opportunity to provide a submission in relation to Mach Energy's application for the Mount Pleasant Optimisation Project.

Our company is pleased to support Mach Energy's application to extract additional coal reserves from within the current Mining Leases in view of the economic and community benefits the project would generate, particularly for the Upper Hunter Valley region. The economic benefits include the creation of skilled, well-paid jobs, the supply of good and services by local businesses and the revenue generated from the additional exports of high-quality coal that would be produced at the Mount Pleasant operations.

The wider benefits include the responsible and sustainable management of mining assets and supply chain operations, including the contributions and linkages to the local communities in which MACH Energy and its service providers, which include Aurizon, operate. The extent and importance of a number of these benefits are outlined in this submission.

Exports of high-quality coal

As Australia's second most valuable export product¹, coal is an integral part of the nation's prosperity with an export value of \$44 billion in 2020². Coal royalty payments to the state governments of New South Wales and Queensland contributed \$5 billion³ in FY2020, and are used to fund schools, roads and hospitals. The coal industry directly employs more than 38,000 Australians⁴ with a further 120,000 indirect jobs supported by the industry⁵.

We particularly note the important economic contribution of coal mining in the Muswellbrook local government area.

¹ Second largest (by value) export product in 2020 (calendar year). Source: Australian Bureau of Statistics

² Australian Bureau of Statistics

³ Queensland Government: Budget Strategy & Outlook 2020-21, New South Wales Government: NSW Department of Planning, Industry, and Environment.

⁴ Australian Bureau of Statistics, Labour Account Australia (30 June 2020))

⁵ Minerals Council of Australia, *Coal: Building Australia's future*

Based on data from the 2016 Census, 20.3 per cent of people employed in the Muswellbrook local government area were employed in coal mining⁶, the highest proportion of any industry. By way of comparison, the next largest industry for employment in the local government area employed 3 per cent of all employed people.

The economic contribution made by the coal industry is underpinned by the major capital investments and the large operational expenditure made by MACH Energy and other coal producers with mining operations in the region.

Coal produced by MACH Energy's current operations is amongst the highest quality thermal coal mined in Australia for export. With a proposed product similar to the existing operations, the Optimisation Project will contribute to continuing the reliable supply thermal coal to Australia's trading partners that utilise Australian export product for energy generation. The coal exported by MACH Energy is being used in advanced and highly efficient lower emission power plants in Asia. Therefore, high-quality Australian coal exports are facilitating the transition to lower emissions.

Aurizon's business and operations in NSW

Aurizon is an Australian company listed on the Australian Securities Exchange. In FY2020, our company's rail haulage operations carried 262 million tonnes of freight in Queensland, New South Wales and Western Australia.

Having commenced heavy haul rail services in the Hunter Valley in 2005, Aurizon now hauls almost 60 million tonnes of coal per annum with a market share of around 30 per cent. In addition to export volume, Aurizon also hauls coal for use in domestic energy generation. The growth in coal volumes transported by Aurizon over the last 15 years are shown at attachment A.

Beyond coal services, Aurizon most recently completed the \$42m acquisition of ConPorts, a bulk export terminal and ship loading facility which is adjacent to rail lines at the Port of Newcastle.

We currently have 490 employees who live and work in the NSW regions of Newcastle, the Upper Hunter Valley and Gunnedah. Our employees in NSW are a valued part of the company's total workforce of approximately 4,700 people in full-time positions.

The coal Aurizon hauls for MACH Energy is either transported to the Port of Newcastle for export to international customers, or transported to NSW power stations for domestic customers

MACH Energy's contract with Aurizon has provided the opportunity to plan our supporting infrastructure investments, including in maintenance and support services, for an extended period.

Aurizon's ability to provide efficient operations and to continue improving our haulage services depends on investments in our rollingstock, facilities, as well as in technology services and maintenance operations that support supply chain operations. Over more than a decade, Aurizon has invested over \$1.1 billion in rollingstock, operations and maintenance facilities and in technology to support our NSW operations⁷.

Our investments in NSW rollingstock have included the purchase of 11 new locomotives and approximately 800 new coal wagons acquired and deployed for coal haulage services in regions where Aurizon operates. We recognise the importance of continuing to make investments aligned with optimising service delivery.

⁶ Australian Bureau of Statistics, 'Muswellbrook (A) (Local Government Area), 2016 Census QuickStats', [2016 Census QuickStats: Muswellbrook \(A\) \(abs.gov.au\)](https://abs.gov.au)

⁷ The combined total of all past investments made in the Hunter Valley and Gunnedah Basin regions by Aurizon.

Modernising our rollingstock fleet is a key component of Aurizon's approach to lifting the productivity of operations and ensuring the services we provide contribute to the provision of competitive and sustainable export supply chains.

Safety

The safety of our employees, the customers and suppliers who we work with and the communities in which we operate is Aurizon's highest priority.

As a large rail freight business, we recognise we have a responsibility to continuously improve the safety of our operations.

We are committed to a workplace culture that is proactive and genuinely committed to providing safe workplaces and operations. Our culture is supported by investments in safety equipment, systems and the measurement and reporting of safety performance.

While over the past decade there has been long-term improvement in Aurizon's safety performance and culture, we remain focused on driving further significant improvements. We are continuing to invest in people, high quality equipment, technology and processes to deliver more safety benefits for our employees, customers and the wider community.

Sustainability

Aurizon has a close alignment with MACH Energy's commitment to sustainability, which is based on embedding sustainable practices into the company's day to day operations. This commitment complements the high priority that Aurizon gives to ensuring that the transport supply chain is developed and operated sustainably, and to effectively managing and reducing the impacts our operations and support services make on the natural environment.

Our 2020 Sustainability Report provides a comprehensive explanation of the priorities and actions the company has committed to achieving, which are consistent with clear and well understood company values. Our values are the basis on which we are continuing to build a strong company that contributes to a sustainable future for our employees, customers, shareholders and the communities in which we operate⁸.

An example of this is in the use of high-quality thermal coal produced by MACH Energy. When combined with low emission generation technology, MACH Energy's high energy thermal coal requires less coal to be burnt in the electricity generation process. This leads to a net reduction in emissions when compared to the use of lower quality thermal coals in the same process.

Regional communities

A further priority for Aurizon is to build on the positive contribution our businesses make to the regional communities where our employees live and work and where our train and supply chain operations are located.

More than 80 per cent of Aurizon's employees are based in regional locations. With regard to our NSW operations, all of Aurizon employees who work in operational and maintenance positions in Newcastle, the Upper Hunter Valley and Gunnedah Basin live in the towns and communities of those regions.

We are working to build further on our presence in regional communities. Over the last four years, the company has worked to support having more leadership and support services based closer to our operations in regional locations, including in regional NSW.

⁸ Aurizon 2019 Sustainability Report: Delivering for a Sustainable Future, <https://www.aurizon.com.au/sustainability/overview>

Another way that Aurizon and MACH Energy contribute to regional areas is through the commitment that both companies have to supporting and working with local communities. Both businesses work with organisations and individuals in regional communities to continuously maintain safety, including the safety of the communities where we have our operations. We also engage in ongoing dialogue with community representatives and use this dialogue to improve our performance. Similarly, we strive to understand and contribute or lend a hand to support local community issues and priorities.

Aurizon has established a Community Giving Fund to support charitable and not for profit organisations in the regions where we operate. Since 2011, Aurizon has supported more than 430 charities and not-for-profits to support work in fields that include education, community safety, environmental improvement projects and health and well-being.

In addition, Aurizon supports regional communities by purchasing business inputs from local suppliers. In 2019-20 Aurizon spent \$1.25 billion with suppliers to our businesses across Australia. A large proportion of our suppliers are themselves located in regional areas, including in the wider Newcastle and Hunter Valley region. These businesses supply goods and services including equipment hire and office services.

Allowing the development of projects to extract additional product, such as the Mount Pleasant Optimisation Project, will mean that Aurizon can continue to extend employment and supply contract opportunities to regional locations, as well as allowing further community linkages and contributions that are a priority for our company.

Diversity and inclusion

Aurizon has a commitment to building greater diversity and inclusion in our workforce, with a focus on increasing the representation of women and Aboriginal and Torres Strait Islander men and women across the company, including in skilled operational roles. Aurizon appreciates that an inclusive workplace, which supports gender balance and equality, drives better performance and outcomes for our customers, shareholders and the communities where employees live and work.

The representation of women in our workforce is currently about 22.6 per cent, up from 12 per cent in 2012. Our aim is to continue to increase the representation of women, including by providing more opportunities to pursue skilled pathways through apprenticeships and training programmes at Aurizon.

Providing effective employment, training and development opportunities for Aboriginal and Torres Strait Islander Australians has also been part of Aurizon's broader commitment to achieving greater understanding and contributing to reconciliation.

We have made significant progress, with the percentage of Aboriginal and Torres Strait Islander employees in our workforce increasing from approximately 2.5 per cent of all employees in 2012, to more than 5 per cent today.

Our aim is to make further progress in providing opportunities for Indigenous Australians as set out in Aurizon's second Reconciliation Action Plans (RAP) which was released in July 2018, has been endorsed by Reconciliation Australia as a 'Stretch' RAP⁹.

Long-term benefits

MACH Energy has demonstrated its commitment to efficiently and sustainably working with its supply chain partners, including Aurizon, to deliver its product to customers.

⁹ Under Reconciliation Australia's RAP framework, a 'Stretch' RAP is 'best suited to organisations that have developed strategies and established a strong approach towards advancing reconciliation internally'. This type of RAP is 'focused on implementing longer-term strategies, and working towards defined measurable targets and goals' (<https://www.reconciliation.org.au/reconciliation-action-plans/#ra-stretch-rap>).

The proposed approach to the development of Mount Pleasant Optimisation Project would deliver very significant economic benefits for the NSW economy, recognising that a key priority for MACH Energy is to invest in, and support the development of, sustainable business operations.

Given the regional presence and the commitment of MACH Energy, a large proportion of the economic benefits would be shared with the regional communities, primarily in Upper Hunter Valley region.

These benefits include the creation of additional skilled and well-paid jobs. The Minerals Council of Australia's 2018 publication *Miners @ Work* shows that mining has, on average, the highest wages of all major industries in Australia¹⁰. In 2017, the average weekly earnings of minerals industry employees was \$2,678, which was 65 per cent higher than the average weekly earnings across all industries¹¹. Furthermore, the gross value to the economy per mining industry employee is substantially higher than for any other major industry.

In addition, jobs in this mining sector and the industries that provide services to mining involve the development of skills and capabilities that provide opportunities for employees to enjoy rewarding careers. The skills and experience gained in mining are recognised and valued by many other industries. These benefits are especially important to regional communities where high skilled and well-paid employment opportunities can be limited when compared to the opportunities available in the major cities. In addition, Aurizon, MACH Energy and other employers in the mining and transport sectors appreciate and foster diverse and inclusive workplaces.

Aurizon has worked very closely with MACH Energy over recent years, commencing with preparations for MACH Energy's first coal production at Mount Pleasant. During 2020, in a NSW first, Aurizon collaborated with MACH Energy, leveraging technology to implement a new train configuration. This configuration improves efficiency whilst optimising transportation of coal to both domestic and export markets.

We recognise and appreciate that MACH Energy has a strong commitment to working closely with partners and service providers such as Aurizon to develop effective partnerships that deliver ongoing benefits. Similarly, MACH Energy is committed to making a positive contribution within the local Upper Hunter community over the medium and long term.

Given the substantial community benefits the project would deliver to the Upper Hunter region and to New South Wales, Aurizon is very pleased to support the proposed Mount Pleasant Optimisation Project.

Yours sincerely,



Ed McKeiver
Group Executive Coal

¹⁰ Minerals Council of Australia, *Miners@Work: Australia's World-Class Mining Workforce*, May 2018, p. 4

¹¹ Ibid

Attachment A: Aurizon coal haulage volumes in New South Wales since 2006

