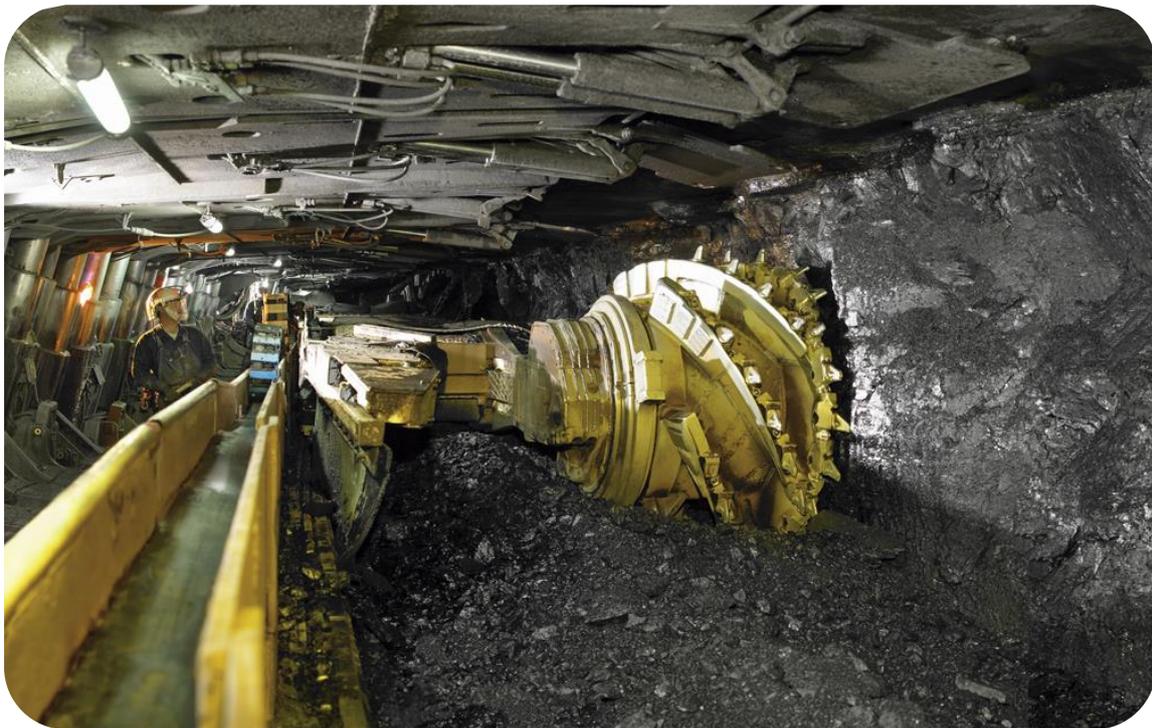


DENDROBIUM MINE EXTENSION PROJECT SUBMISSION (SSD-8194)

A Submission by Regional Development Australia (RDA) Illawarra



Submitted by:
Debra Murphy – CEO, RDA Illawarra

Executive Summary

Regional Development Australia (RDA) Illawarra provides support for the approval of Development Consent for the Dendrobium Mine – Plan for the Future: Coal for Steelmaking (the Dendrobium Mine Extension Project).

RDA Illawarra is of the view that the Dendrobium Mine Extension Project will be thoroughly assessed by both NSW and Federal Governments with expertise in complex environmental impacts. We have, therefore, restricted our submission to comments on the Project's jobs, economic benefits and the potential opportunity cost on the Illawarra regional economy.

The Wollongong economy is in dire need of full time and high paid jobs, with a 10,500 jobs target to be met over the next 10 years, in accordance with the Wollongong Economic Development Strategy (2019-2029). Our economy has seen significant changes with job losses in high paid roles and job gains in low paid jobs. The average mining employee earns nearly three times that of the average NSW employee. The Dendrobium Mine Extension Project is supported by RDA Illawarra as it both:

- provides extremely high paid jobs for the Illawarra regional economy, and
- is consistent with the Wollongong Economic Development jobs Strategy.

The Illawarra steel industry is a critical sector and cornerstone of our economy. It is equally important to South32 and BlueScope/Illawarra steel industry that the Dendrobium Mine Extension Project receives approval and continues to supply coal directly to BlueScope's Port Kembla Steelworks. The vertically integrated supply chain and current operational configurations of both BlueScope and South32 need to continue to provide sustainable steel production in the Illawarra region.

The opportunity cost of this project, should the project not be approved, would be detrimental to the Illawarra region and NSW, in terms of economic consequences. The potential negative impact on Illawarra's steel industry is of concern. The total project economic benefit is \$1,081.2 million and the Net Present Value (NPV) of the Project is \$1,073.2 million.

The Dendrobium Mine Extension Project is anticipated to provide significant positive economy-wide impacts for both the Illawarra regional economy, as well as the economy of NSW. Gross regional product (GRP) is projected to increase by \$2,382.8 million in NPV terms. Moreover, the projected increase in gross state product (GSP) is \$2,285.8 million in NPV terms.

It is on this basis that RDA Illawarra supports the approval of the Dendrobium Mine Extension Project.

Introduction

Regional Development Australia (RDA) Illawarra welcomes the opportunity to provide this submission on the Dendrobium Mine – Plan for the Future: Coal for Steelmaking (the Dendrobium Mine Extension Project).

Wollongong is the third largest city in New South Wales and the tenth largest city in Australia. The Illawarra Shoalhaven has a population of 404,000 (2016) and is projected to grow to over 480,000 people by 2036.

The region has a strong industry base of manufacturing, mining, engineering, finance and business services, tertiary education, tourism and retail. The area also has the deep-water Port of Port Kembla and steelmaking has been a cornerstone of our economy for nearly 100 years.

About RDA Illawarra

RDA Illawarra has an active and facilitative role in the Illawarra region, with a clear focus on growing a strong and confident regional economy that harnesses competitive advantages, seizes on economic opportunities and attracts investment.

RDA Illawarra Board and staff are neutral brokers and collaborators across all levels of government, community, business and stakeholders for the growth of the Illawarra's economy (including Wollongong, Shellharbour and Kiama LGAs).

Dendrobium Mine Extension Project Background

The Dendrobium Mine, owned and operated by South32, is located at Mount Kembla in the Wollongong LGA and currently employs around 400 people. Underground coal mining has been ongoing in the area for more than 100 years.

The Dendrobium Mine Extension Project ('Project') – *Plan for the Future: coal for steelmaking* will see the continuation of mining activities in Dendrobium's next two underground mining areas (5 and 6). The production of metallurgical coal, which is used for steelmaking, would continue until 2048 at an estimated capacity of up to 5.2 million tonnes per annum run of mine (ROM) coal.

It is understood that the Project would provide ongoing employment for 500 people, as well as create 200 construction jobs. The capital investment value of the Project is estimated under the central case as \$731.6 million.

Dendrobium Mine Extension Project Environmental Impacts

The Dendrobium Mine Extension Project is a State Significant Development and the Environmental Impact Statement (EIS) is currently on exhibition. The Project will be assessed in accordance with Part 4 of the NSW *Environmental Planning and Assessment Act, 1979* and in response to the Secretary's Environmental Assessment Requirements (SEARs) issued by NSW Government.

The Federal Government has deemed the Project a 'controlled action' and it will also require approval under the Commonwealth *Environment Protection and Biodiversity Conservation (EPBC) Act, 1999*.

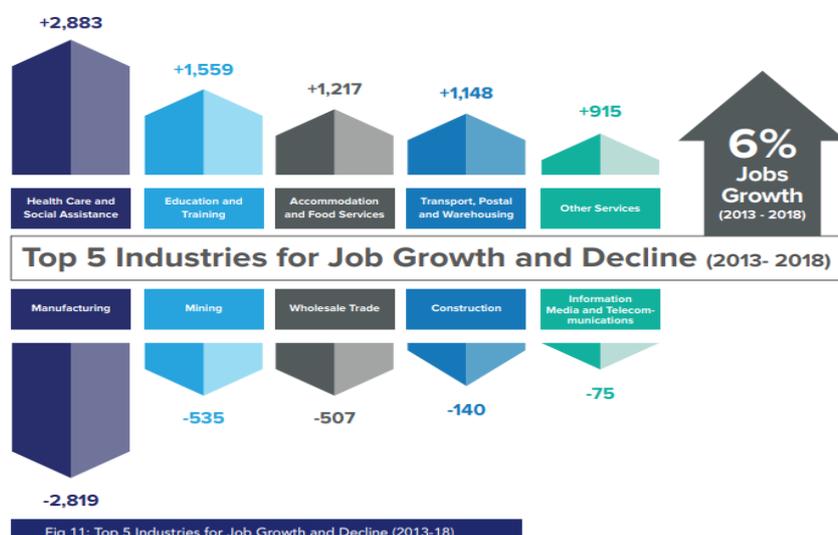
Given the aforementioned regulatory and rigorous assessment framework, RDA Illawarra is of the view that the Project will be thoroughly assessed by both NSW and Federal Governments with expertise in complex environmental impacts. We will, therefore, restrict our submission to comments on the Project's jobs, economic benefits and potential opportunity cost on the Illawarra regional economy.

Illawarra regional economy and jobs

Over the past 5 years (between 2013 and 2018), the Wollongong LGA has had an increased 6% in jobs growth. However, according to the *Wollongong City Council (WCC) Draft Economic Development Strategy*, the jobs growth has not been in the 'right' industry sectors. The sectors that have seen the biggest job losses tend to be those with a propensity for higher wage full time jobs (such as mining and manufacturing). Conversely, the biggest employment gains have been in sectors that have a more part-time/casual and lower paid employment. See 'gains and losses' in Wollongong economy table below, which shows a loss of around 535 jobs in the Mining sector over the last 5 years.

Gains and losses

The slower growth in median incomes is related to the types of jobs Wollongong has been gaining and losing in recent years. Fig 11 highlights the top 5 sectors for job gains and losses.

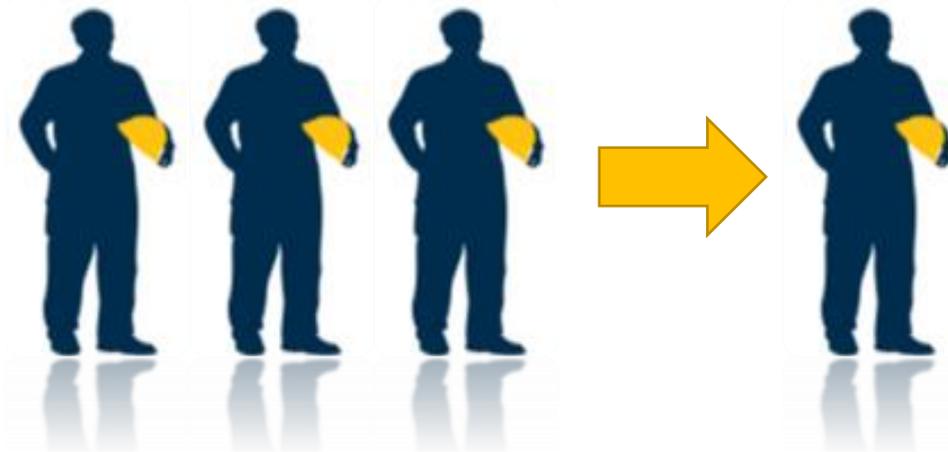


Given the significant losses of high paying jobs in the past, one of the strategic objectives of the Wollongong City Council Economic Development strategy is to focus on lifting median incomes by generating new jobs in industries that are higher paying and have a greater share of full time jobs, such as mining. Mining and manufacturing are key sectors of our regional economy that need to continue to secure sustainable jobs to ensure that the 10,500 high paid and secure jobs target in the next 10 years is met in Wollongong LGA.

The average annual planned wage for full time coal mining employees is \$194,085* per annum for the life of the proposed mine project development (*Source: *Cadence Economics, Appendix L, p. 17*). When compared with the average NSW wage of \$66,611 per annum, the average mining employee earns nearly three times that of the average NSW employee.

Therefore, this Dendrobium Mine Extension Project is supported by RDA Illawarra as it both:

- provides extremely high paid jobs for the Illawarra regional economy, and
- is consistent with the Wollongong Economic Development jobs Strategy.



Illawarra Steel industry and coal supply

Originally, the Port Kembla Steelworks was located in Wollongong to be close to high quality coking coal. BlueScope's raw steel production, which is part of their Australian Steel Products business, is reliant on high quality coking coal to produce steel at Port Kembla. It is our understanding that approximately 60% of BlueScope's coking coal needs for the production of 2.6 million tonnes per annum of steel, are provided by coal produced at Dendrobium Mine.

All of the coal extracted at Dendrobium Mine is taken by rail and processed at the washery/coal preparation plant, which is located on BlueScope's Port Kembla Steelworks site. The vertically integrated supply chain of Dendrobium coal for the production of steel by BlueScope's Port Kembla Steelworks should not be

under-estimated. High quality coking coal from Dendrobium is supplied on a 'just-in-time' basis to BlueScope to enable the production of steel.

RDA Illawarra contends that this project should be approved, as it is equally important to South32 and the Illawarra steel industry that the Dendrobium Mine Extension Project receives approval and continues to supply coal directly to BlueScope's Port Kembla Steelworks.

The vertically integrated supply chain current operational configurations of both BlueScope and South32 need to continue to provide sustainable steel production in the Illawarra region.



Economic Impacts of the Project

The Economic Impact Assessment by Cadence Economics for the Dendrobium Mine Extension Project (*Appendix L*) identified the economic importance of the Project to the Illawarra region and was based on the net economic benefits of only the new Mine Areas 5 and 6, which is a conservative approach.

The Cost Benefit Analysis was undertaken by Cadence on the Central Case of the Project, which identified both direct and indirect economic benefits of the Project, based on a capital expenditure of \$731.6 million and an average coal sale price of \$173.7 per tonne. The total net benefit is estimated to be \$1,073.2 million in Net Present Value (NPV). The following table outlines the net benefits of the Project in more detail (*Table 1, page iv*):

DIRECT BENEFITS	NPV
1. Net producer surplus attributed to NSW	\$74.9m
2. Royalties, payroll tax and council rates	\$272.1m
3. Company income tax apportioned to NSW	\$150.8m
TOTAL	\$497.8m

IN-DIRECT BENEFITS	NPV
1. Net economic benefit to NSW workers	\$365.8m
2. Net economic benefit to NSW suppliers	\$217.6m
TOTAL	\$583.4m

TOTAL PROJECT ECONOMIC BENEFIT	\$1,081.2m
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NPV OF PROJECT (ie less indirect costs)	\$1,073.2m
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The opportunity cost of this project, should the project not be approved, would be detrimental to the Illawarra region and NSW in terms of negative economic consequences.

The Dendrobium Mine Extension Project is anticipated to provide significant positive economy-wide impacts for both the Illawarra regional economy, as well as the economy of NSW. Gross regional product (GRP) is projected to increase by \$2,382.8 million in NPV terms. Moreover, the projected increase in gross state product (GSP) is \$2,285.8 million in NPV terms.

Recommendations

RDA Illawarra **supports** the Dendrobium Mine Extension Project and recommends Development Consent approval is provided for the Project.

Yours sincerely



Debra Murphy
Chief Executive Officer
RDA Illawarra