4.0 Strategic and Project Justification

Servicing of QR National's trains is currently undertaken at UGL's Broadmeadow facility. Provisioning and inspection of the QR National fleet occurs on Kooragang Island within the KCT. In addition to the KCT, QR National also operates a number of remote fuelling facilities on mine loading loops within the Hunter Valley.

The need for the proposed TSF is driven by ARTC's encouragement to re-establish the current train provisioning facilities outside of the Port Terminals to minimise rail congestion. The proposed TSF will allow for trains to be maintained and serviced away from the Port operations, alleviating the congestion of trains queuing on the Mainline before entering the KCT.

QR National's objectives for the TSF at Hexham are to:

- Establish a single new site for statutory and routine maintenance and inspections of QR National locomotives and wagons;
- Establish a site for locomotives and wagons to be stabled and for the storage of spare parts and fuel;
- Assist with the alleviation of congestion in the HVCC network by removing existing fuelling and servicing facilities from Kooragang Island;
- Provide an appropriate level of facilities away from the Port of Newcastle to allow for more efficient use of the existing infrastructure;
- Provide a safe, clean and efficient working environment for QR National staff; and
- Ensure that environmentally sustainable design principles are applied to the project design.

There are numerous and significant reasons for the proposed TSF to proceed. These are addressed below.

4.1 NSW 2021

NSW 2021 is the State Government's 10 year plan to guide policy and budget decision making and to deliver on community priorities. It sets long term goals and targets, and outlines immediate actions to help to achieve the goals. The goals reflect the Government's commitment to state growth to improve opportunities and quality of life for people in regional and metropolitan NSW.

NSW 2021 is based around five (5) key strategies:

1. *Rebuild the economy – restore economic growth and establish NSW as the 'first place in Australia to do business'.*

   The proposed development in its entirety represents an opportunity for a significant number of positions to be created and a significant investment. The proposed TSF component of the project will cost in the order of $130m to construct.

The proposed TSF will create in the order of 30 permanent positions which will benefit the region. In addition to these predicted full time positions it is expected that additional flow on effects will create further employment, particularly during the construction phase of the development.

It will also stimulate significant and continued business investment with Newcastle and the Lower Hunter Region for an extended period of time.

2. *Return quality services – provide better transport, health, education, policing, justice and family services, with a focus on the customer.*

   The proposed TSF is consistent with this strategy given that it will facilitate an increase of efficiency within the coal transportation chain.

3. *Renovate infrastructure – build the infrastructure that makes a difference to both our economy and people's lives.*

   The development will result in the relocation of fuelling and other provisioning and inspection activities currently located on Kooragang Island thereby reducing congestion and disruption within the terminal.

   The relocation of the activities will also provide for the more effective use of the available infrastructure on the Island and more efficient coal loading operations.

   Ultimately the infrastructure that supports coal transport and export capacity is of benefit to the broader community. Coal export makes a significant contribution to standard of living.

4. *Strengthen our local environment and communities – improve people's lives by protecting natural environments and building a strong sense of community.*

   The study area comprises disturbed lands, including evidence of widespread soil disturbance from excavation and filling, interspersed with revegetation and depressions.

   The project will have some impact on native vegetation and habitat however no threatened species or communities are considered likely to be significantly affected by the proposal. Furthermore a habitat for the Green and Golden Bell Frog is to be created.

   With the implementation of mitigation measures, the proposed development is considered to meet a no net loss outcome and is unlikely to result in significant impacts to threatened species, EEC's, migratory species or other Matters of NES pursuant to the EP&A Act and EPBC Act. In fact, with introduction of water quality measurements the proposal will improve the existing environment.

5. *Restore accountability to government – talk honestly with the community, return planning powers to the community and give people a say on decisions that affect them.*

   The proposed development will be publicly advertised to the community allowing comment to be made to the NSW DP&I in relation to the proposed development.

4.2 STATE AND REGIONAL SIGNIFICANCE

Australian Rail Track Corporation (ARTC) is encouraging "above rail operators", including QR National, to re-establish their current train provisioning facilities outside of the ports to minimising rail congestion on the approach to the dump stations. ARTC documented these requirements in the 2012-2021 Hunter Valley Corridor Capacity Strategy, this project by QR National responds in part to the ARTC strategy.

In this context the proposal is vitally important to the local, regional and national economies as it supports the efficient and competitive delivery of coal for export. Continuing strong world demand for coal is encouraging major investment across the entire coal chain; this includes the establishment of new mines, increasing investment in the rail system and initiatives to increase the coal export capacity of the Port.

4.2.1 *The Coal Industry*

Newcastle is presently the largest coal exporting harbour in the world, exporting over 97Mt of coal in 2009–10 with plans to expand annual capacity to 180Mt by 2013. Mining of black coal is one of Australia's most important industries, creating significant employment in regional Australia, fuel for low-cost electricity generation and steel-making, and vital export income. Australia is the world's biggest coal exporter, and black coal is Australia's largest export, worth more than $A50b in 2008-09. For additional detail relating to the coal industry's importance refer to Section 4.3 and Section 9.16 of this EA.

4.2.2 *Hunter Valley Coal Chain*

The TSF will play an important part in improving the HVCC network. The HVCCC has indicated support of QR National's TSF application.

The Hunter Valley coal industry is serviced by three coal loader terminals which are owned and operated by Port Waratah Coal Services (PWCS) and Newcastle Coal Infrastructure Group (NCIG). The terminals are:

- PWCS Carrington Coal Terminal;
- PWCS Kooragang Coal Terminal; and
- NCIG Coal Terminal, Kooragang Island.

Most of the track in and around the terminals is leased from ARTC and all train operations are controlled by ARTC.

The established operators, QR National and Pacific National were joined in 2011 by X-Rail, a joint venture between Xstrata and Freightliner, which will service a portion of the Xstrata task. Southern Shorthaul (SSR) has also entered the market hauling coal from Newstan to Newcastle and Port Kembla for Centennial Coal, while Qube Logistics (through its acquisition of Southern and Silverton) provides containerised coal haulage for a number of producers.

4.2.3 Kooragang Island Terminal 4

The development of T4 is being undertaken by PWCS which has been granted a lease of the remaining vacant land on Kooragang Island. The site for T4 sits immediately to the west of the existing PWCS facility and to the north of the NCIG rail facility. Getting an appropriate configuration for rail access into this facility is complex due to the constraints of current infrastructure and the environmentally sensitive areas around Kooragang Island.

The proposed TSF will support the growth of the HVCC by providing efficient refuelling and inspection facilities outside of the Newcastle Port Terminals.

4.2.4 State Growth Objectives

The proposed development is consistent with overall State planning objectives, with the site being strategically identified for employment outcomes under the LHRS.

NSW 2021 promotes investment and including investment in regional NSW whilst at the same time ensuring environmental outcomes are achieved. This strategy is consistent with the project objectives.

The proposed TSF is also consistent with the objectives and considerations of the LHRS, where the site is strategically identified for employment outcomes. The proposed TSF is also consistent with the following regional planning policies, which are further addressed within Section 7.2:

- State Infrastructure Strategy; and
- Lower Hunter Regional Strategy.

4.2.5 Freight Hub Hunter Report

The *Freight Hub Hunter Report* (Strategic Design & Development Pty Limited, Cox and Hyder 2008) was prepared to analyse economic demand and opportunities for a freight hub in the Hunter and associated activities in the context of regional, state and national development over 25 years (to 2031) in line with the Regional Strategy.

The report investigated long term prospects for intermodal freight to/from Newcastle and its potential to make use of an intermodal facility. The report concluded that while the movement of containers would be the primary catalyst for a major intermodal facility, there is also significant potential for general domestic freight to avail itself of the opportunity provided by such a facility to either transfer to rail or to more efficient line haul road transport. The report further concluded that under certain conditions a link from Fassifern to Hexham could be required to support the freight hub, this is further outlined within Section 7.2.3.

The proposed TSF would not obstruct the most recently considered alignments for the Fassifern to Hexham Rail Link and would not impact upon the viability of the proposed freight hub.

4.2.6 Lower Hunter Transport Needs Study

The *Lower Hunter Transport Needs Study* (Hyder Consulting Pty Ltd 2008) examined the long term transport needs for the Lower Hunter Region of NSW. The study considered population growth, settlement patterns, travel patterns and freight movements to determine the transport needs of

the Lower Hunter Region and to provide a basis for identifying future infrastructure requirements and prioritizing projects. The study commenced in July 2008 and was completed in May 2009.

It is noted that the study relied on working documents of the *Freight Hub Hunter Report* discussed in Section 4.2.5 above. Of relevance to the proposed TSF is the inclusion of the Fassifern to Hexham Rail Link and freight hub discussed in both the report and the study. As discussed in Section 4.2.5, the proposed TSF Project would not obstruct the more recently considered alignments for the rail link and would not impact the viability of the proposed freight hub due to the proposed TSF being located parallel to the Mainline.

4.3 ECONOMIC BENEFITS

The development of the TSF will entail a significant investment for the region and provide extensive flow on benefits to the wider community. Estimates indicate the development of the QR National TSF at Hexham will:

- Contribute around $130m directly to the economy during construction. This will generate the equivalent of 727 job years directly in construction related activities;
- Based on ABS benchmarks, generate a further $118m of activity in production induced effects and $125m in consumption induced effects;
- Result in at least $373m of construction generated total economic activity;
- During construction generate at least 2,986 job years in the economy (direct and multiplier impacts);
- Provide around 30 full time and part time jobs on site after construction;
- Contribute in the order of $8.9m per annum to NSW Gross State Product brought about by wages paid to workers involved in the operation of the facility; and
- Provide strategic infrastructure to support the state's coal export sector which is a key driver of the Regional and State economy.

The TSF is important to local, regional and national economies as it supports the efficient and competitive delivery of coal for export. A continuing strong world demand for coal is encouraging major investment across the entire coal chain; this includes the establishment of new and existing mines, increasing investment in the rail system and initiatives to increase the coal export capacity of the Newcastle Port.

4.4 LOCATIONAL CRITERIA

The site location is ideally suited to the proposed development, located close to the Port of Newcastle, mining activities in the Hunter Valley and being located immediately adjacent to the existing rail network.

The proposed development of the site presents an opportunity to improve lands of strategic value adjoining Hexham Swamp National Park and the Hexham Swamp Nature Reserve. Proposed water quality controls, which are addressed in Section 9.4.3, will improve water flow quality to these adjoining lands.

The site is located away from substantial residential areas and in conjunction with appropriate controls will ensure that there are no unreasonable impacts to the surrounding area. This is confirmed through the environmental investigations provided in Section 9 of this EA.

There are only limited sites in the Hunter which have the locational attributes required for a TSF including flat land, length of site to cater for coal trains and separation from housing all within proximity of the existing rail network. QR National has spent a number of years looking for a site in the Hunter and many years consolidating land for the purpose. QR National is confident that the Hexham site is appropriate and represents a rare opportunity.

QR National began searching for appropriate sites in the Hunter in 1998. The main locational criteria for the site were:

- Good proximity the HVCC network via the GNR and the KCT;
- Availability of land with a relatively straight length of approximately 3.0km adjoining the existing rail network to allow adequate train access and egress at a suitable rolling speed;
- Relatively flat topography with minimal change in grade over the length of the site;
- Proximity to services and labour. The TSF requires multiple daily B-double fuel truck deliveries and the regular delivery of other train provisions. As such proximity to a major service centre with a high quality road access was essential;
- Minimising externalities associated with noise, dust and vibration. To avoid poor amenity outcomes for residential and other sensitive land uses it was essential that the site be located an appropriate distance from established urban areas;
- Minimising environmental impacts by utilising existing industrial or disturbed ecological areas; and
- Proximity to available labour within Newcastle and the Hunter Valley.

Additionally, it is important to note that environmental and economic considerations were taken into account in regards to the location of the TSF as addressed in Section 5.9.