

Ms Carolyn McNally
A/g Secretary
Department of Planning and Environment
23-33 Bridge Street
Sydney NSW 2000



4 June 2014

Dear Ms McNally

DRAYTON SOUTH COAL PROJECT – SUBMISSION TO DIRECTOR GENERAL

The Hunter Thoroughbred Breeders appreciates the opportunity to make a submission on Anglo American's Justification Report and Retracted Mine Plan with respect to their proposed Drayton South open cut coal mine.

The HTBA

The Hunter Thoroughbred Breeders represent over 150 industry organisations including thoroughbred breeders and suppliers of support services. The Hunter Valley's Thoroughbred Breeding Industry is Australia's premier multi-billion dollar breeding industry, representing over half of all thoroughbreds produced in Australia. It is Australia's largest supplier and exporter of premium thoroughbreds and is acknowledged as one of only three international centres of thoroughbred breeding excellence in the world. We are the largest agricultural industry in the Hunter Valley, the largest agricultural employer and a significant regional employer in our own right.

Prior Submissions

The HTBA has provided experts' advice, made numerous submissions (18 January 2013, 3 October 2013, 16 October 2013) and presented at the PAC public hearing on 10 October 2013 on Anglo American's Drayton South Project. This submission supports and supplements our previous submissions and additional submissions lodged with you by Coolmore Australia and Darley Australia. It focuses primarily on Industry and Equine Health matters raised by Anglo American in their Justification and Retracted Mine Plan reports.

The Drayton South Proposal - Justification Report and Retracted Mine Plan

Anglo American's Justification Report and proposal for a Retracted Mine Plan continue to overstate the benefits and understate the costs of this proposal. They continue to ignore the impact this mine will have on the viability of the Coolmore and Darley stud farms and the impact that this will have on the entire equine critical industry cluster should Coolmore and Darley withdraw.

Anglo American has consistently failed to address air quality, water quality and visual impact concerns relating to the mine. Air quality impacts remain unacceptable and do not represent worst-case scenarios. Surface and groundwater modelling does not comply with the Government's Aquifer Interference Policy and key concerns, including the final landform, remain unaddressed. Threats to the stressed Hunter River system remain unacceptably high and will increase the long-term salinity of the Hunter River system with unpredictable and unmanageable consequences for hundreds of years.

Anglo American has systematically failed to recognise and address the non-Aboriginal heritage and historical values of the studs and their scenic surrounds and importantly has failed to identify and assess the impacts of the proposed new Drayton South open cut mine on the Muswellbrook-Jerrys Plains Landscape Conservation Area.

Anglo American's proposal for an open cut coal mine at Drayton South does not (either entirely or adequately) address the Director General's Requirements and ignores the impacts of this mine on the viability of the Coolmore and Darley stud farms. It does not comply with the PAC's suggestions for a future much smaller mine plan.



By Anglo American's own admission, a much smaller mine plan conforming to the parameters outlined by the PAC is not feasible or economically viable. In this respect we note the PAC's conclusion that "If this much smaller mine footprint is found unviable, the Commission considers that the project cannot proceed." (PAC Report 2013, p25)

The Anglo American Justification and Retracted Mine Plan reports have not assuaged our previously expressed concerns about the impact of this proposal on our industry, employees, environment, water, air quality, and the health and wellbeing of our community. Rather, these reports have reinforced our concerns and clearly demonstrated that this one mine presents unacceptable risks that cannot be transparently or accurately modelled, managed or mitigated.

We dispute Anglo American's assessment of the impacts of this mine on our industry and equine health and consider that these opinions be treated with caution and given no weight.

International Best Practice

International best practice and respected international industry leaders have reaffirmed the Hunter Valley breeding industry's success and place in global and racing markets; the importance of clean air, water soil quality and topography as critical conditions that all investors and breeders value for the breeding and development of equine athletes; that international best practice dictates highly scenic landscapes for breeding, racing and training; that coal mining and world's best practice thoroughbred breeding are universally considered incompatible land uses; and that risks to image and reputation (based on threats to the aforementioned) discourage investment and place Australia at a competitive disadvantage.

Conclusion

On the basis of our expert advice and our own analyses, we remain of the view that the Anglo American Drayton South mine is not in the public interest. It will produce a net loss to the NSW economy of \$457m, an annual loss to our regional community of \$120m and, in the short term, will place at risk at least 640 jobs in our industry. It will threaten the industry's future viability and trigger the destruction of our equine critical cluster and our world-renowned status as not only Australia's Horse Capital but one of three International Centres of best practice for Thoroughbred Breeding in the world.

Based on our evidence regarding the socio-economic and environmental impacts and risks associated with this mine, it is our strongly held view that the PAC's recommendations - that the studs should be afforded the highest level of protection and that this mine should not proceed – should be adopted and the decision maker should not approve this mine.

We hope you will take the opportunity to review all of our submissions and expert reports (past and current) and come to the Hunter Valley to assess at first hand the enormity of the risks posed by this mine and the critical role Coolmore Australia and Darley Australia play to the interconnected Hunter Thoroughbred Breeding Industry.

Yours sincerely



Dr Cameron Collins
President

**HUNTER THOROUGHBRED BREEDERS ASSOCIATION
SUBMISSION TO THE DIRECTOR GENERAL**

CONTENTS

PREFACE	4
1. SUMMARY OF CONCERNS	5
2. ANGLO AMERICAN JUSTIFICATION AND RETRACTED MINE PLAN REPORTS	7
3. RESPONSE TO DR KANNEGIETER’S REPORT ON EQUINE HEALTH AND INDUSTRY CONSIDERATIONS	8
4. COMMERCIAL REALITY - INTERNATIONAL INVESTOR PERCEPTIONS	11
5. THE HUNTER VALLEY THOROUGHBRED BREEDING INDUSTRY – AN INDUSTRY OF STATE AND NATIONAL SIGNIFICANCE	15
6. INTERNATIONAL BEST PRACTICE PLANNING & PROTECTION	19

APPENDICIES

1. PLANNING ASSESSMENT COMMISSION AND GATEWAY PANEL – KEY CONCLUSIONS	21
2. RESPONSE TO DR KANNEGIETER’S COMMENTS	27
3. STATEMENTS AND LETTERS FROM INTERNATIONAL INDUSTRY LEADERS	32
Mr John Warren, Queen Elizabeth’s Bloodstock and Racing Manager	
Mr David Redvers, Bloodstock Adviser, Sheikh Fahad Al Thani	
Mr Englebrecht - Bresges, Chief Executive Officer, Hong Kong Jockey Club	
Mr Willam Thomason, Jr, President and CEO, Keenland Association Inc	
Mr Pat Downes, H.H. The Aga Khan’s Studs	
Mr Edmond Mahony, Chairman Tattersall’s Ltd, UK	
Mr Philip Mitchell, General Manager, Juddmonte Farms Limited, Newmarket, UK	
Mr Hubie de Burgh, de Burgh Equine, Ireland	

PREFACE

The NSW Government has acknowledged the state significance of our industry in its Strategic Land Use Policies, has recognised and mapped our equine critical industry cluster and has acted to protect our industry from coal seam gas mining.

The Hunter Valley is a close and productive community where all community members are valued and respected. It is a community that values its people, industries, health, environment, its scenic and peaceful landscape, and importantly, a sustainable future and healthy economy. Our community has a long and proud history with the land (spanning nearly two centuries), we live amongst heritage listed landscapes, and have world famous reputations for our horse breeding and racing records and the production of award winning wines.

“Co-existence” is a term that has been much bandied about but its meaning is nebulous, often misunderstood and it is not a political or public panacea for land use conflicts. “Peaceful co-existence” should embrace the principles of good government and planning, the sustainable growth of region economies respecting diversification, the protection of strategic lands, waters, environment and agricultural industries and the separation of incompatible industry activities. It should encourage the development of our mineral resources in a balanced and sustainable manner – one that respects our environment and protects iconic industries and the wealth, investment and the sustainable jobs they create.

In our submission to the Planning Assessment Commission’s review of Anglo American’s Drayton South proposal we prefaced our comments by reiterating that our organization, and member organisations, are not opposed to mining. We acknowledge that mining has a place in the NSW economy. But mining should not displace other pre-existing, sustainable industries and the jobs and economic contributions they make to our regional, state and national economies.

The downturn in the mining boom has reinforced the need, and added impetus, for economic diversification. Mining companies in Australia are scaling down their operations due to the strength of the Australian dollar, falling world thermal commodity prices and high domestic costs. International experts and researchers are cautioning investors and Governments alike regarding the potential for stranded mining assets in Australia. Our political leaders (both national and state) are encouraging all efforts to promote growth in all other areas of our economy to build strong diversity and to prepare for and inoculate against the end of the mining boom era. Concerns regarding air pollution, human health and climate change are driving investments in alternative energies, influencing international commodity markets and international policies (particularly in China) to protect human health, reduce pollution and climate change. These policies, Governments and energy decisions are having, and will continue to have, profound effects on our economy and demand for resources - increasing the imperative for alternative industries, resources and strong diversified economies. It is against this backdrop that the decision on one more new mine, Anglo American’s proposed Drayton South open cut mine, takes on particular significance.

The Hunter’s Thoroughbred Breeding Industry is a strong, vibrant industry providing sustainable employment for over 200,000 people across its national value chain. It underpins NSW’s and Australia’s racing industry and has significant potential for export and domestic growth and investment. Thoroughbred breeding and racing is a fiercely competitive global industry. International and domestic investor perceptions affect reputations and investment decisions. Global investors are already reacting to the increasing encroachment of mining to our world renowned breeding operations.

The future of our entire industry, and the diversity of our regional economy, is threatened by one mine. The Planning Assessment Commission found “that there is value in maintaining a wide range of industries within a diversified economy. The Commission notes that this one mine has the potential to severely impact on the studs putting the equine industry at risk” (PAC report, p21). We agree with these statements and consider that the destruction of an entire industry would be a high price to pay for the sake of one mine.

1. SUMMARY OF CONCERNS

In our previous submissions to the Department and the Planning Assessment Commission we and our expert advisers have raised serious concerns about Anglo American's proposal for a new open cut coal mine at Drayton South

Based on this advice we remain strongly of the view that the proposed Drayton South open cut coal project will:

- result in a **net economic loss of \$457m to the NSW Economy**;
- result in a **loss of \$120m per annum to the local economy**;
- **risk the jobs of at least 640 people** in our industry and thousands more if the wider impacts of the Drayton South proposal are taken into account;
- **threaten the viability of Australia's two premier, international scale studs, Coolmore Australia and Darley Australia**;
- **fragment and unravel the Hunter Valley's equine critical industry cluster**;
- result in **unacceptable air quality impacts** that will directly affect our employees, our valuable bloodstock, and the health of our community;
- **adversely impact our vital ground and surface water systems** – including unacceptable long-term salinity increases in the stressed Hunter River;
- impose **unacceptable noise, blasting, lighting and air emissions** which will adversely impact the Hunter's thoroughbred breeding operations, our employees and our bloodstock;
- **irreparably damage the unique scenic, historic and agricultural landscape** which underpins our equine, wine and tourism industries and the heritage values of our area which is a recognised gateway to the Upper Hunter;
- **destroy the visual amenity, historical and cultural significance** (much of which is heritage listed) and the continuity of our land use which has been in place for over a century;
- **threaten the reputation of our industry, our brand**, and the on-site operations and viability of Coolmore and Darley and the future of the Hunter Valley's equine critical industry cluster.

We have presented factual and expert evidence that supports our claims that the information put forward by Anglo American regarding the proposed Drayton South Project:

- is **deficient and misleading** in terms of the costs and benefits of the Project as a whole, and whether it will result in a net benefit for the NSW community;
- is **deficient in its assessment of, and ability to satisfactorily manage or mitigate, the surface and groundwater impacts of the Project**.
- Presents **serious, adverse and unacceptable air quality risks** to the health and well being of the Coolmore and Darley resident employees, their families and our community;
- Presents **unacceptably high visual risks** which will irreversibly alter the Hunter Valley landscape, topography, historical heritage and the reputation, brand, image and investment attractiveness of our industry;
- **Fails to address the cumulative impacts of mining** on our industry and the health of our employees and communities;
- **misrepresents the sensitivity of thoroughbred breeding operations, reputation and industry to mining threats** in such close proximity to the two international stud farms;
- **presents incorrect or irrelevant information on horse health** that has little application or relevance to our operations and horses in the Hunter Valley;
- **presents conflicting and unsubstantiated information**;
- is **based on unreliable and inaccurate information, modelling and predictions**;
- **presents risks to the Coolmore and Darley businesses**, our industry, reputation, brand, environment, community, and water systems that cannot be managed or mitigated.

Anglo American's Compliance Performance Record

Over the past 13 years of the Anglo Drayton Mine operation (for which compliance records are publicly available on the EPA website), Anglo has failed to comply 10 out of the 13 years.

Areas of non-compliance have included airblast overpressures; failure to monitor points, samples, and particulate matter; water discharge from rail loop dam due to high intensity of rainfall; air sampling equipment failure; ROM coal mine exceeding licence limits; lack of noise compliance and noise limit exceedences; odours from spontaneous combustion; dragline operating in an area affected by spontaneous combustion; dust emission exceedences and complaints; blasts fired exceeding blasting limits and blasts fired outside of time permitted by the licence; and failure to undertake appropriate dust monitoring.

Anglo American's compliance record to date provides ample evidence that water, dust, blasting and air quality threats – which are paramount considerations when a mine is 500m from the boundary of leading thoroughbred studs – have not been adequately managed.

Judging on past performance, we have no confidence that these types of breaches will not occur in the future when the risks to our business, reputation, employees and environment will be most acute.

The Proponent has already proved itself incapable of complying with important environmental conditions in its existing operation. Given the gravity of environmental risks identified by the PAC and the potential for irreversible environmental damage and real environmental harm posed to the two studs, (which anchor our whole industry) no amount of conditions could possibly deter or mitigate these threats or risks.

2. ANGLO AMERICAN JUSTIFICATION REPORT AND RETRACTED MINE PLAN (RMP)

Expert research undertaken for the HTBA, Coolmore and Darley Australia on the Justification Report and RMP has reinforced our earlier views and confirms that:

- the net economic loss to NSW and the local economy (\$457m and \$120m per annum respectively) and the potential jobs losses to our industry, 640 people, have not changed as a result of the RMP;
- Anglo uses unrealistic and artificially high coal price assumptions in its cost benefit analyses;
- when a more realistic coal price assumption of \$90 per metric tonne is used, the Project never breaks even and results in a net loss (\$89m) to the NSW economy;
- should the Drayton South mine proceed, it will affect the viability of the Coolmore and Darley stud farms and trigger the demise of the Hunter Valley's equine critical industry cluster;
- the RMP does not address the PAC's recommendations and remains an unviable proposition;
- Anglo American and its experts continue to overstate the benefits and understate the costs of the Drayton South Project;
- the air quality impacts of the Drayton South Project remain unacceptable and do not represent worst case scenarios;
- serious concerns relating to surface and groundwater and the final landform have not been addressed. Threats to the stressed Hunter River system cannot be managed or mitigated;
- the water risks associated with this Project remain unacceptably high, will increase the long-term salinity of the stressed Hunter River system upon which our industry and communities rely, and will have unknown consequences for the stressed Hunter River system for hundreds of years;
- Anglo American's water modelling does not comply with the Government's Aquifer Interference Policy;
- Anglo American has systematically failed to recognise and address non-Aboriginal heritage and historical values of the studs and their scenic rural surrounds;
- Anglo American has failed to identify and assess the impacts of the proposed Drayton South mine on the Muswellbrook-Jerrys Plains Landscape Conservation Area;
- Anglo American has consistently failed to adequately acknowledge, model and address the visual impacts of the proposed mine to the studs' operations, reputation and image;
- modelling and other predictions made by Anglo American's experts lack transparency and credibility and are not based on science;
- Anglo American has systematically failed to acknowledge the impacts this one mine will have on Darley and Coolmore;
- Anglo American has ignored the impacts this mine will have on Hunter Valley's historic and scenic landscape; the heritage values of this rural area; the "sense of place" and the Hunter Valley's reputation both nationally and globally;
- the proximity of the RMP remains less than 1km from Coolmore and Darley presenting significant threats to their business, bloodstock, employees and the integrity of the landscape in which they operate.

The PAC in its December 2013 report recognized the deleterious impact this one mine would have on Darley, Coolmore and the Hunter Valley's equine critical industry cluster. It also recognized that the air quality and water impacts of this mine were unacceptable and could not be mitigated. In addition to these risks it is evident that there will be no way to mitigate the irreversible impact this mine will have on the landscape surrounding Coolmore and Darley and, the history and heritage and the rural "sense of place" that currently characterizes this Gateway to the Upper Hunters breeding, winery and tourism attractions.

The PAC recommended that the Coolmore and Darley Studs be afforded the highest level of protection and that this mine should not proceed. In the event of a future application for a much smaller mine, the PAC again recommended that if a smaller mine was technically or financially not feasible, then the Drayton South Project should not proceed.

Anglo American's RMP has confirmed that a smaller mine is not financially viable. Based on the evidence outlining the socio-economic and environmental risks associated with the Drayton South Project it is our view that the PAC's recommendations should be adopted and the decision maker should not approve this mine.

3. RESPONSE TO DR KANNEGIETER'S REPORTS ON EQUINE HEALTH AND INDUSTRY CONSIDERATIONS

3.1 Planning Assessment Commission Report and Findings

The Planning Assessment Commission found that the Coolmore and Darley properties "have a unique combination of scenic, historic and agricultural qualities which lend themselves to the equine and tourism industries but could also be argued to have a significant heritage value of their own ... this combination of attributes is extremely difficult, if not impossible, to find elsewhere." (PAC Report 2013 p 12)

The PAC's expert advisers examined the significance of the Coolmore and Darley studs to the industry and the region and concluded "The Upper Hunter Equine CIC is of significant regional, state and international importance for a number of reasons:

- It is important to the Australia and international racing industry;
- It has economic importance to the region, state and nation; and
- It is an iconic industry that defines' the region's identity." (PAC Report 2013, Appendix 4, p38)

The PAC's advisers concluded that if "Coolmore and Woodlands horse studs exit the cluster, this will cause the decline and possible demise of the CIC. Coolmore and Woodlands horse studs should be provided absolute protection from the impacts of open-cut mining as proposed by the Project in order to preserve the sustainability of the CIC." (PAC report 2013, Appendix 4, p4)

It is clear from the Planning Assessment Commission's report and that of its advisers, that the proposed new open-cut coal mine proposed at Drayton South would not only impact highly valued and internationally regional and state significant agricultural resources, it would impact on the entire critical industry cluster placing an entire industry and highly valued agricultural resources at risk.

A summary of key PAC and Gateway Panel findings and recommendations relating to the Drayton South Proposal, Coolmore and Darley's importance to our industry and the equine critical industry cluster, incompatible land uses, air quality, noise, blasting and lighting, water, non-aboriginal heritage and visual impacts is presented at Appendix 1 to this submission.

3.2 Dr Kannegieter's Industry Considerations

In his reports for Anglo American, Dr Kannegieter makes a series of statements and provides his own opinions in respect to the industry, the thoroughbred breeding business and the studs that are without foundation, not based on science or appropriate industry experience. Whilst one might accept that Dr Kannegieter is a veterinary surgeon, his comments beyond that field should be given no weight. Our veterinary experts have challenged Dr Kannegieter's comments and research on equine health. In respect of all matters where no basis of fact is provided, Dr Kannegieter's views ought to be treated with great caution.

Dr Kannegieter's comments demonstrate a lack of understanding of the fundamental business model that underpins the operations of the Hunter Valley's thoroughbred breeding stud farms and international best practice.

Dr Kannegieter's qualifications are that of a veterinary surgeon, and do not, on our understanding of his qualifications, include expertise on the business operations of our industry.

Dr Kannegieter's opinions do not align with those of more qualified and experienced operators and professionals in our industry.

Responses to the key industry issues raised by Dr Kannegieter are provided at Appendix 2 to this submission.

3.3 Equine Health

Australia's Thoroughbred Breeding Industry breeds elite athletes that are world-renowned. Published information on the possible effects of coal mining dust on equine health is scant. However the absence of evidence does not equal the evidence of absence.

In our earlier submissions, we noted that the equine health impacts presented by Anglo American and their expert (Dr Kannegieter's report: Drayton South Project – Horse Health Literature Review:

The effects of dust on the equine lower respiratory tract are not soundly based. They are inaccurate, misleading and do not reflect conditions that apply to the Hunter Valley. We noted that:

- the information presented by Anglo American and Dr Kannegieter was based largely on studies of stabled horses in race training and has little relevance to the majority of horses in the Hunter Valley region;
- the implication that horses commonly inhabit dusty environments but are well adapted to high levels of dust is inaccurate (as documented by the author himself throughout the report);
- it is well established that a significant proportion of horses are adversely affected by the "dustiness" of their environments;
- no information is provided about the specific adverse effects associated with dust generated by coal mining;
- no information is provided to support the statement that "horses have a highly refined respiratory tract that greatly protects against contamination";
- the author appears to be attempting to trivialise the potential effects of environmental pollutants on equine airway by stating that these effects would be difficult to differentiate from the contribution of other factors. This is not a valid argument.
- the statement that horses exposed to "high levels of dust can compete to the best of their ability" is incorrect and contradicted on numerous occasions in the body of the report;
- the author states that dust without endotoxin does not contribute to inflammatory airway disease (IAD) however this is not known for certain. Further this line of argument is not relevant to the potential effects of coal mining-related dust on horses on breeding farms;
- the conclusions referring to cleaning practices and bedding types in stabled horses is irrelevant to dust associated with coal mining activities.

Our expert's advice on Dr Kannegieter's response (contained in Appendix D of the Anglo American's Justification report) notes that:

- the bulk of Dr Kannegieter's response in the Justification Report references his own material from his earlier report (Drayton South Project – Horse Health Literature Review: The effects of dust on the equine lower respiratory tract);
- this report contains no information on the possible effects of noise, vibration or blast overpressure;
- it should be recognised that very little scientific information (as opposed to personal opinion) has been provided to allay the concerns of the Planning Assessment Committee;
- the greatest deficiency of Dr Kannegieter's initial report and his comments contained in the Justification Report is the almost complete lack of information regarding the possible effects of dust arising from coal mining activities on the respiratory health of horses;
- In the Justification Report (Appendix D p4) Dr Kannegieter states that "... dust from the Project will be free of any other irritants, in particular endotoxins, moulds, bacteria and other allergens which are the primary causative factors in equine lower respiratory tract disease ..." This

statement completely ignores the contribution coal mining dust to respiratory disease that is well recognised in human medicine.

- The effects of dust related to coal mining activities on the respiratory health of horses are largely unknown. However, it should be noted that the frequency of reports within the veterinary scientific literature do not necessarily reflect the incidence of disease;
- Components of coal and coal dust other than silicates cause significant disease in human coal miners;
- Differences between the human and equine respiratory tract are described in a simplistic way and Dr Kannegieter has suggested that these differences might protect the equine lungs from inhaled dust. No scientific evidence is provided to support this suggestion;
- Despite differences in anatomy, a proportion of inhaled fine particulate material is clearly deposited in the peripheral airways of horses. Particles measuring less than 5 micrometers are deposited in the lungs of both horses and humans, and it is these particles that pose the greatest health risk;
- If the amount of particulate matter in the environment increases, then the amount of material reaching the peripheral lung can be expected to increase;
- Dr Kannegieter's initial report focussed on Inflammatory Airway Disease and Recurrent Airway Obstruction which is completely irrelevant when considering the potential effects of airborne particulate matter arising from coal mining;
- This distracting focus has been continued in Anglo American's Justification report;
- The apparent conclusion that horses commonly live in very dusty environments but are well suited to those environments is patently incorrect and should be disregarded.

In our view, and that of our experts, the equine health analysis presented by Anglo American – throughout all their reports - is misleading and unreliable, and does not meet with Director General's Requirements. It should be given no weight.

The analysis provided by the Proponent does not properly reflect the operation of our industry in the Hunter Valley. It misunderstands and misrepresents the operation of our industry and presents information on horse health that is incorrect, not well researched, without foundation, not supported by empirical data and has little relevance to thoroughbred breeding operations and the majority of horses in the Hunter Valley.

4. COMMERCIAL REALITY – INTERNATIONAL INVESTOR PERCEPTIONS

4.1 The importance of landscape, soils, water, air quality and reputation

International experts from the US, UK, Ireland, Hong Kong – representing auction houses, breeders, investors, and Jockey Clubs - all attest to the critical importance of the landscape, soils, water and air quality to breeding champion racehorses, international marketing and investment decisions.

The encroachment of mining operations on the Hunter Valley's world renowned thoroughbred breeding industry is already impacting on our image and reputation and is discouraging investment and growth in our industry.

Unlike any other premier thoroughbred breeding region in the world, the Hunter Valley is not protected or adequately buffered from coal mining. Kentucky in the USA represents the largest concentration of thoroughbred enterprises in the world. Australia's Hunter Valley has the second largest concentration of thoroughbred studs in the world. Unlike the state of NSW, the state of Kentucky protects its thoroughbred breeding industry.

Gillespie Economics in the Anglo American Justification report states that "coal mining and the equine industry have co-existed in the State of Kentucky, USA and many of the individual counties in Kentucky" (Appendix 1, p2). As revealed by the research undertaken by Mr Wight, what Gillespie Economics fails to report is that the mining operations in Kentucky are some 70 km to 135 km away from the nearest thoroughbred breeding operations.

The increasing encroachment of coal mining in close proximity to our international scale studs is inconsistent with international experience. It is shocking international investors, including investors from the USA, and thwarting opportunities for growth and investment in our industry.

4.2 International Investor Perceptions

Earlier this year **the Queen's bloodstock manager, Mr John Warren** remarked that he was "totally shocked" when he travelled by helicopter across the Hunter. He is quoted as stating the Hunter Valley's reputation as a "rare gem" for horse breeding was being endangered by the "terrifying spread of coal mines". He warned that discerning international horse owners would reconsider sending their prized thoroughbreds to the Hunter Valley if coal mines continued to spread closer to leading studs such as Coolmore and Darley.

Mr Warren was quoted to say "if China takes off those owners won't want to be in Australia – they'll want to be in New Zealand. You shouldn't shoot yourself in the foot." Mr Warren also said that the Hunter was one of the three greatest horse-breeding areas in the world along with Kentucky and England's New Market. "The (NSW) government should be aware of just how special this place is."

More recently NSW lost an important investment opportunity to New Zealand. Mr David Redvers, Qatar's Sheikh Fahad Al Thani's bloodstock adviser decided to invest in Victoria or New Zealand after taking a flight over the Hunter Valley and witnessing the open coal mines encroaching on the Hunter's famed thoroughbred breeding industry. "The Hunter Valley, having seen what I have seen will come straight off the shopping list" Mr Redvers said.

Qatar racing has become one of the world's biggest investors in the thoroughbred industry and is ready to expand further. Over the past four years, Qatar racing has grown from one horse winning the Melbourne Cup in Dunaden, to 240 horses in training and a large breeding part of the business. Qatar has a number of stallions standing in the Southern Hemisphere and looking to expand further.

The Hong Kong Jockey Club is another significant purchaser of Australian thoroughbred horses. Over the past three years, the Hong Kong Jockey Club has purchased almost 500 horses from Australia at a

value of some \$90 million. Almost 50 % of the horses acquired by the Hong Kong Jockey Club from Australia have been bred in the Hunter Valley.

The **CEO of the Hong Kong Jockey Club, Mr Englebrecht-Bresges**, has reaffirmed the strong global competition for thoroughbreds, the importance of buyer confidence, the critical importance of the physical characteristics that support the development of excellent bone structure, including pasture and air quality. He notes that if these physical characteristics are eroded in any way then buyer confidence will be eroded.

Mr Englebrecht-Bresges has confirmed that if the perception takes hold that the quality of horses bred in the Hunter Valley has been compromised by the proximity of open-cut mining, then this will place the Hunter Valley breeders at a material disadvantage.

This risk is most acutely understood if one compares Australia, which currently supplies 40% of Hong Kong's horses, with New Zealand, which supplies 33 %. He concludes that the current strength of the Hunter Valley's breeding sector vis a vis New Zealand clearly turns on prestige and reputation not price. In all other relevant aspects, horses bred in the Hunter Valley and horses bred in New Zealand are effective substitutes - transport costs to Hong Kong, availability and cost of pre-training and agistment are all comparable between the two. The same holds true for Victoria, South Australia, and Queensland all of which have substantial breeding.

Keenland is the world's largest Thoroughbred Auction Company based in Lexington Kentucky, USA. The President and CEO of Keenland, Mr Thomason Jr, has reinforced that the company is dependent on international trade and has a strong trade relationship with Australian breeders. He confirms that Darley and Coolmore represent the top tier of their clientele and industry worldwide and represent the cornerstone of the Australian industry. Mr Thomason Jr reinforces that clean air, pure water and productive land is paramount to the survival of the Coolmore and Darley operations. He also confirms that threats to the survival of these farms through blasting, air and water contamination will threaten the very survival of the entire Thoroughbred industry in Australia.

The manager of the Aga Khan's studs, Mr Pat Downes, has also expressed concern regarding the devastation that mining development would cause to the largest bloodstock operations in Australia and the extremely significant effect it would have on the industry in the Hunter Valley. He has reinforced the importance of clean air, water and soil to raise horses and the need to protect this important industry and revenue generator in the state of New South Wales.

Tattersalls UK is the oldest bloodstock auctioneers in the world and the largest in Europe. It is an international firm offering 10,000 thoroughbred horses each year at its major sales. The Chairman of Tattersalls UK, Edmond Mahony, has reinforced the critical importance of the Hunter's thoroughbred breeding industry to the international racing and bloodstock community and the factors that have a bearing on the confidence of investors to continue to finance the growth of the industry. Mr Mahony states that there can be no dispute as to the significance of the Australian thoroughbred breeding industry on the international stage. Bearing in mind that it is acknowledged that the Hunter Valley is the benchmark for Australia's national breeding industry, the significance of this region being able to offer a natural environment commensurate with the excellence of its facilities and comparable to that offered by competing breeding centres around the world, cannot be overestimated.

He acknowledges that those who operate in the international bloodstock industry are acutely aware that many of the key players with the greatest investment in this industry are international/global investors who inject substantial funds into the local economies where they choose to invest. Spending by the owners of bloodstock may by its nature be discretionary, but it cannot be taken for granted, and any deterioration in the quality of the environment offered to the world class bloodstock they own will ultimately lead to an inevitable process of decline and disinvestment. It is precisely these companies and individuals whose continued investment would be jeopardised if the

absolutely necessary criteria for the successful production of high quality thoroughbreds – pristine air, land and water quality and visual amenity – are in any way diminished. It is clear that these conditions, which are necessary to support the successful continuation of the valuable national and international economic activity derived from the Hunter Valley’s thoroughbred breeding industry, would be seriously affected by the proposed Drayton South development.

Mr Mahony reinforces that the Hunter Valley is a very special place, and planning its future is no doubt challenging and places significant responsibility upon the New South Wales Government to achieve a series of outcomes which will not threaten the long-term vitality and viability of its thoroughbred breeding industry.

Juddmonte Farms, is an international award winning thoroughbred breeding farm owned by Prince Khalid bin Abdullah of Saudi Arabia, with operations in England, Ireland and Kentucky. The General Manager of Juddmonte, Mr Philip Mitchell has reinforced the paramount importance of the land on which a horse is raised – including the purity of the air. He very clearly dismissed the suggestion that raising a foal alongside a coal mine would have no detrimental effect on its long-term future as a racehorse. He also states that to continue coal mining in the Hunter Valley would be a “blight on the landscape and prejudice the Hunter Valley as a centre of excellence for the Thoroughbred Industry”.

Mr de Burgh, of de Burgh Equine, is a 38-year veteran of the bloodstock industry with experience derived from his work on leading stud farms in Ireland, USA and Australia. His company is based in Ireland and services investors in bloodstock on a global basis. Bloodstock under his company’s management is valued at US \$800 million and rising.

Mr de Burgh recognises that the Thoroughbred Industry is a global industry in which, over the past twenty years, Australia has made great progress to become one of the leading thoroughbred countries in the world. He noted that one of his American clients, after a recently visit to the Hunter Valley with the aim of making a substantial investment in both land and bloodstock, “returned to the US horrified by the invasion by the coal mining industry on one of the world’s finest areas for raising thoroughbreds.” He has decided not to invest in Australia due to the uncertainty of the future of raising Thoroughbreds in the Hunter Valley. A substantial loss to the area from an individual with substantial capital to invest in the industry and Australia.

Mr de Burgh has confirmed that the Thoroughbred Industry takes all things seriously and one of the most important is a healthy environment for what is a fragile commodity. He notes that each major thoroughbred breeding/racing country is competing for international investment. It takes decades or more to create a global brand name and the Hunter Valley has done this successfully. “It would be a real shame to lose this for the short term financial gain from the coal mines versus the long term future of one of Australia’s most successfully recognised assets.”

Copies of the letters referenced in this submission along with public statements made by international industry leaders are at Appendix 3.

4.3 Perception Equals Reality

The above statements from world leading authorities and Thoroughbred Industry Leaders demonstrate that:

- Over the past two decades, Australia has worked hard and has achieved great success in global breeding and racing markets;
- Australia is world renowned as one of three international centres of breeding excellence in the world alongside Kentucky in the USA and Newmarket in the UK;
- Clean air and water, soil quality and topography are critical conditions that all investors and breeders value and are essential for the breeding and development of equine athletes;

- International best practice dictates, values and conserves highly scenic landscapes for breeding, racing and training;
- Coal mining and world's best practice, international scale, thoroughbred breeding are universally considered incompatible land uses – in Kentucky and Newmarket breeding and racing is proactively protecting from competing development and land uses;
- The global market for thoroughbred investment dollars is fiercely competitive;
- Risks to image and reputation will place Australia at a competitive disadvantage;
- While Australia's industry is perfectly placed to take advantage of global investment opportunities, Australia's Thoroughbred Breeding Industry in the Hunter Valley is at risk of losing market share to its global competitors, particularly NZ, due to the incursion of mining and its proximity to our premier studs;
- Perception is reality – NSW and the Hunter Valley is already losing opportunities for significant investment, industry growth and jobs creation due to the increase, expansion and closeness of mining to our breeding operations.

5. THE HUNTER VALLEY THOROUGHBRED BREEDING INDUSTRY – AN INDUSTRY OF STATE AND NATIONAL SIGNIFICANCE

5.1 Industries of state, national and international significance

The Hunter Valley's Thoroughbred Breeding industry:

- is Australia's largest producer, supplier and exporter of thoroughbreds;
- represents the second largest concentration of thoroughbred breeding operations in the world, second only to Kentucky in the USA;
- is the largest agricultural industry in the Hunter Valley with incomes double the gross value of irrigated agricultural production; 4.5 times the value of dairy and 10 times the value of meat and cattle;
- is the largest agricultural employer, employing over 1,000 people directly and 3,000 indirectly and hundreds of thousands across our national value chain;
- invests in the local region – over 85% of our investments stay in the region;
- contributes \$5b to the national economy (\$2.2b of which is generated in regional areas);
- contributes \$2.4 billion to the NSW economy;
- produces 75% of the horses racing in Sydney and Melbourne (with Coolmore and Darley together representing at least 50% of that market);
- represents 70% in volume and 80 – 90% in value of Australia's thoroughbred exports to markets including New Zealand, Singapore, Hong Kong, China, Malaysia and Japan
- represents over 80% of the progeny offered at premium sales such as the Magic Millions and Inglis sales;
- supports a sophisticated network of equine support industries, including the largest equine hospital in the Southern hemisphere.

Nationally our industry is a significant national employer with over 230,000 employees and participants across Australia. Our national industry is overwhelmingly dependent on the success and future of the Hunter Valley's thoroughbred breeding industry.

In NSW, our breeding and racing industry:

- comprises over 3,000 breeders employing over 6,600 people;
- supports 128 racing clubs;
- has 69,000 people employed or participating in breeding and racing;
- involves over 34,000 people directly in breeding, racing or training;
- has 21,837 thoroughbred owners;
- has a projected growth of 5% per annum to 2018 (Ibis);

It should be noted that the epicentre of the NSW breeding industry, representing some 90% of this activity is based in the Hunter Valley.

In the Hunter Valley:

- the thoroughbred industry is the biggest agricultural sector;
- thoroughbred industry income (studs and broodmare farms) was conservatively estimated by Marsden Jacob Associates to be \$298million in 2009.
- this is nearly double the gross value of irrigated agriculture production for the Hunter-Central Rivers region of \$155 million (excluding the thoroughbred industry).

- the next biggest agricultural sectors are dairy (\$65 million), meat cattle (30 million) and Hay (\$7 million). (Marsden Jacob Associates, Economic Assessment of the Proposed Drayton South Open Cut Coal Mine Development on the Hunter Valley Thoroughbred Industry, p6)
- in addition to the studs, the industry has **over 150 broodmare farms** and a **sophisticated network of equine supply and support industries**, including the largest equine hospital in the Southern Hemisphere;
- the industry is a **significant local employer** (employing over 1000 people directly and 3000 people indirectly);
- represents the **world's second largest concentration of studs behind Kentucky in the USA**.

The Thoroughbred Breeding industry is recognised by the NSW Government as having State, national and international significance. It is a significant agricultural industry and one of two recognised critical industry clusters in the Hunter Valley that have been mapped and are now protected from the impacts of coal seam gas mining.

5.2 Hunter Valley Breeding Industry – Interconnected and Co-Dependent

In our previous submissions we highlighted the fact that the major stud farms in the Hunter Valley support over 100 broodmare farms and a sophisticated network of support industries – including veterinarians, farriers, horse transport companies, veterinary laboratories, feed merchants, lucerne growers, horse breakers, agronomists, irrigation specialists, saddlers, catering and hospitality companies. The industry also supports equine auction houses such as Magic Millions and Inglis. The Hunter Valley Thoroughbred Breeding Industry is also interconnected and inextricably linked to NSW's Racing Industry.

The Hunter Valley Thoroughbred Breeding Industry underpins these business operations and approximately 85% of capital expenditure by the industry is spent within the Hunter region. The broodmare farms are located in the Hunter Valley as a result of the premium stallion bloodstock standing in the Hunter Valley. The Scone Equine Hospital, the largest in the Southern Hemisphere and a centre of equine veterinary practice and research in its own right, provides veterinary care for 90% of the stud farms in the area. It is located in the Hunter Valley because of the critical mass of Thoroughbred breeding operations in the region. Without Coolmore and Darley the critical cluster of equine operations in the Hunter Valley would fragment and unravel.

We agree with the PAC's conclusions that Coolmore and Darley are "in actual fact the core businesses in the CIC ... they are the most important of all central actors and these studs are central to the functioning of the cluster" (PAC Report 2013, p 11).

5.3 Exports

Australia's major export markets include Hong Kong, Macau, Malaysia, Singapore, Philippines, New Zealand and South Africa.

Australia is a respected and major supplier of Thoroughbred horses to Asia and is well positioned to respond to increasing interest from China.

In 2011 thoroughbred imports to these countries from Australia were significant – with imports to New Zealand, Philippines Malaysia representing 87.53%, 62.26% and 53.25% of those countries imports respectively. Imports from Australia to Hong Kong and Macau represent 41.14% and 46.95%.

Percentage of total thoroughbred imports from Australia (2011)			
Malaysia	53.25%	Macau	46.95%
Singapore	43.16%	New Zealand	87.53%
Philippines	62.26%	South Africa	33.33%
Hong Kong	41.14%		
Source: Asian Stud Book Conference figures			

In 2012 imports to New Zealand and the Philippines from Australia increased to 86.84% and 69.44% respectively (Source Asian Stud Book Conference Figures).

The increasing quantity of thoroughbred horses imported by these countries reflects the demand for, and reputation of, Australia's thoroughbred horses the majority of which are bred in Hunter Valley.

5.4 Coolmore and Darley

Coolmore and Darley are Australia's market leaders in breeding and racing. Together they command over 40% of the stallion market in Australia and over 50% of the Hunter Valley stallion market. In this respect together these studs are larger than all other states in Australia combined.

They are as dominant in the sales ring as they are on the racecourse (representing over 40% of the market in both). Coolmore and Darley stallion sires represent 50% of the top ten stallions in Australia. The progeny of their stallions are highly successful, highly valuable and coveted by domestic and international breeding and racing interests.

Our industry is founded on the strength of our premium stallions. The stallion studs' operations are inextricably linked to the 150 broodmare operations clustered in the Hunter Valley and the sophisticated network of equine support industries that would not be in the Hunter Valley but for the premium stallion stud farms that have established operations in the Valley. The Hunter Valley's breeding industry also underpins NSW's racing industry and the significant revenue, investment and tourism that NSW racing attracts.

It is abundantly clear to anyone who understands the interconnected nature of our industry, that the withdrawal of Darley and Coolmore would have a devastating effect on the equine's critical industry cluster. This is particularly the case if the studs moved interstate and, as would be expected, their clients followed.

The PAC's expert found that "Coolmore and Woodlands (as Darley Australia operated in conjunction with Kelvinside stallion stud) are the most important of all core businesses in the CIC. These studs are central to the functioning of the cluster." (PAC Report 2013, Appendix 4, p4)

5.5 The destruction of an entire industry is a high price to pay for one mine

The PAC recognised the importance of Darley and Coolmore to the Hunter Valley's equine critical industry cluster. It recognised that, should Coolmore and Darley decide to relocate, this would have devastating consequences for our entire industry.

If a decision was taken that adversely impacted Coolmore Australia's and Darley Australia's operations, this decision would also trigger the fragmentation of our critical industry cluster, the demise of our world-renowned thoroughbred breeding industry and the loss of thousands of sustainable jobs in the Hunter region and more broadly in NSW and throughout Australia.

Our internationally renowned industry has taken many decades to build. International breeding and racing experts and investors alike consider the Hunter Valley a "rare international gem" that has all the attributes (environmental, topographical, scenic and reputational) to continue to grow and take advantage of investment and further growth potential as our breeding and racing markets, and those throughout Asia, expand.

A decision to approve the Drayton South open cut coal mine in such close proximity to two international scale studs - that are the epi-centre of the Hunter's and Australia's breeding industry - would signal the beginning of the end of our entire industry, sustainable jobs, export, tourism and future investment potential.

It will damage Australia's global reputation as one of three Thoroughbred Breeding Centres of Excellence in the world. It will forever destroy the historic landscape and "sense of place" in which Darley and Coolmore operate and which is the driving force behind the Upper Hunter's title of "Australia's Horse Capital" and the Gateway to the Upper Hunter's thoroughbred breeding, wine and tourism industries.

This would be a very high price to pay for the sake of one mine.

6. INTERNATIONAL BEST PRACTICE PLANNING & PROTECTION

The thoroughbred breeding industry in the Hunter Valley is internationally recognised as one of three international centres of thoroughbred breeding excellence in the world – alongside Kentucky in the USA and Newmarket in the UK.

Unlike comparable thoroughbred breeding Centres of Excellence in Kentucky USA and Newmarket in the UK, Australia's premier thoroughbred breeding region in the Hunter Valley is not afforded any protection from coal mining.

6.1 Lexington-Fayette - Kentucky USA

"The Kentucky equine cluster in Lexington in Fayette County is recognised as the country's signature industry and protected against competing land development – including by purchasing back landholders development rights (which amongst other things then prohibits activities such as mining and quarrying)" (PAC Report 2013, p11).

This is to *"protect the agricultural, equine and tourism economies and conserve the natural, scenic, open space, historic and agricultural resources of rural Fayette County."* PAC Report 2013, p11-12)

Kentucky's Purchase of Development Rights Program goals are to:

- Purchase Conservation Easements to protect 27% of the County over the next 20 years;
- Protect the agricultural and equine economies of Fayette County by conserving large areas of farm land;
- Conserve and protect the natural scenic, open space and the historic and agricultural resources of rural Fayette County; and
- Protect the tourism economy of Fayette County by preserving the unique character and "Sense of Place" that attracts visitors from all over the world. (PAC report, Appendix 4, p26)

To date 240 farms totaling more than 27,443 acres are now permanently protected by conservation easements. Most (131) of these farms are equine farms. (PAC Report, Appendix 4, p26).

6.2 Newmarket Equine Cluster (Suffolk County, UK)

Equally the Newmarket Equine Cluster in Suffolk County, UK affords the Newmarket equine critical industry cluster development protection from competing land uses.

The Forest Heath District Council's Core Strategy Development Plan Document forms part of the Local Development Framework for the Forest Heath district and states:

- The importance of the horse racing industry and Newmarket's associated local heritage character will be protected and conserved throughout the plan period;
- The horseracing and bloodstock industries around Newmarket dominate the economy of the town and its surrounding area. Current planning policies aim to ensure that these industries thrive and prosper ...

The Council's Planning Policies:

- Do not permit proposals for development which would adversely affect the use or appearance of racecourse or training grounds or result in their loss
- Changes to the use of studs lands, for any other purpose than that essential to horse racing is not permitted
- Racecourse training grounds and stud farms around Newmarket are defined as areas of local landscape value;
- Where the special character is of exceptional value, individual groups of training establishments are designated as Conservation Areas. (PAC Report 2013, Appendix 4, p 26-27)

6.3 Best Practice Protection and Conservation provides Competitive Advantage

The UK and USA recognise the unique attributes (including environmental, topographical, scenic, historical and heritage) that both comprise and define international equine critical industry clusters. They are internationally recognised centres of excellence whose importance is valued, protected and conserved.

The thoroughbred breeding operations in these countries are the benchmarks against which Australia is compared and against which investment decisions are made. They are our competitors in the global breeding and racing industries and for global investment.

The Kentucky and Newmarket international best practice protections for their equine clusters should set the benchmark for the preservation of Australia's internationally renowned thoroughbred breeding industry.

These protections provide investment and employment certainty, value and retain scenic landscapes, and encourage growth, investment and tourism. They also provide a competitive advantage to breeding and racing operations located in these protected regions.