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Department of Planning
Major Infrastructure Assessment
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Att: Scott Jeffries (A/Director – Major Infrastructure Assessment)

Dear Mr Jeffries

**RE: QRNational – MAJOR DEVELOPMENT PROJECT AT HEXHAM (NEWCASTLE)
REQUEST FOR CLAUSE 6 OPINION & DIRECTOR GENERAL'S REQUIRMENTS**

QRNational (the national rail freight and logistics business of Queensland Rail) has purchased approximately 120ha of predominantly 4(b) zoned land at Hexham within the Newcastle City Council local authority area. QRNational proposes to establish upon this land a Train Support Facility (TSF), potential intermodal freight precinct and industrial subdivision for related and unrelated land uses. The TSF is required to service QRNational's growing Hunter Valley coal freight business, and is proposed to be established as soon as possible with the balance of the project to be progressively developed.

Some 18.6ha of 4(b) zoned land and approximately 10.1ha of adjoining 7(b) zoned land is needed to construct the optimum TSF for efficient servicing and provisioning of QRNational rollingstock fleet. Upgraded access to the site will be required involving the proposed construction of a two lane road across 7(b) land and an upgraded intersection at the Tarro Bridge intersection on the New England Highway. Approximately 10.7ha of 4(b) zoned land and 7.9ha of adjoining 7(b) zoned land will be required for the potential intermodal freight precinct with the remaining balance of predominantly 4(b) zoned land (87.6ha) to be developed as an industrial subdivision.

The initial TSF alone has a total development value in excess of \$65 Million and will likely provide ongoing employment for at least 30 people. The potential intermodal freight precinct and industrial subdivision are estimated to have a combined development value in excess of \$250 Million, and should facilitate the establishment on-site of regionally-significant employment generating industries.

QRNational's preference is for the Minister for Planning be the consent authority for the whole project under Part 3A of the *Environmental Planning and Assessment Act 1979* (the 'Act') due the complexity of approvals required for the development and potential conflicts presented by Newcastle City Council's resolution of 7 November 2006 which recommended in part "that the NSW Government establishes a cap on coal exports from Newcastle at existing levels".

QRNational, along with its expert town planning advisor Mr Craig Marler of Asquith & deWitt Pty Ltd, are of the view that the project satisfies the criteria for a 'Major Project' under the *State Environmental Planning Policy (Major Projects) 2005* (the 'Major Projects SEPP') – to be discussed in more detail later in this correspondence. Hence, formal confirmation is sought (Clause 6 opinion) that the Minister agrees that the project is a 'Major Project'. In addition (and assuming the Minister agrees the proposal is a 'Major Project'), Director General's Requirements for the project are also duly requested. In this regard, this correspondence is also intended to be a Preliminary Environmental Assessment.

Expert advice received by QRNational suggests that the most appropriate manner for the proposal to be considered would be to submit a Project Application for the TSF and a Concept Plan for the balance of the project, however, we would be pleased to seek further guidance on the preferred approach.

Background

QRNational already operates coal trains throughout the Hunter Valley, with a current market share of some 17%. With the Port of Newcastle being the world's largest exporter of coal and with further growth likely, it can be seen that expanding railway facilities to cope with transporting coal to the Port is required. The export of coal is critical to the local, state and national economies.

QRNational's operations in NSW are currently restricted by the inability to efficiently provision, inspect and maintain the rollingstock fleet (both locomotives and wagons), relying on inadequate temporary facilities. The Hexham site as detailed below is considered ideal and it is now vital to establish the TSF as soon as possible.

Location & Site

The general location of the QRNational's Hexham site within the Newcastle region is shown upon the enclosed 'Regional Context Plan – SK002'. Furthermore, a more detailed aerial view of the land proposed to be developed at Hexham is provided below:



The proposed development site involves the following properties located at Hexham and generally known as 67 Maitland Road, Hexham:

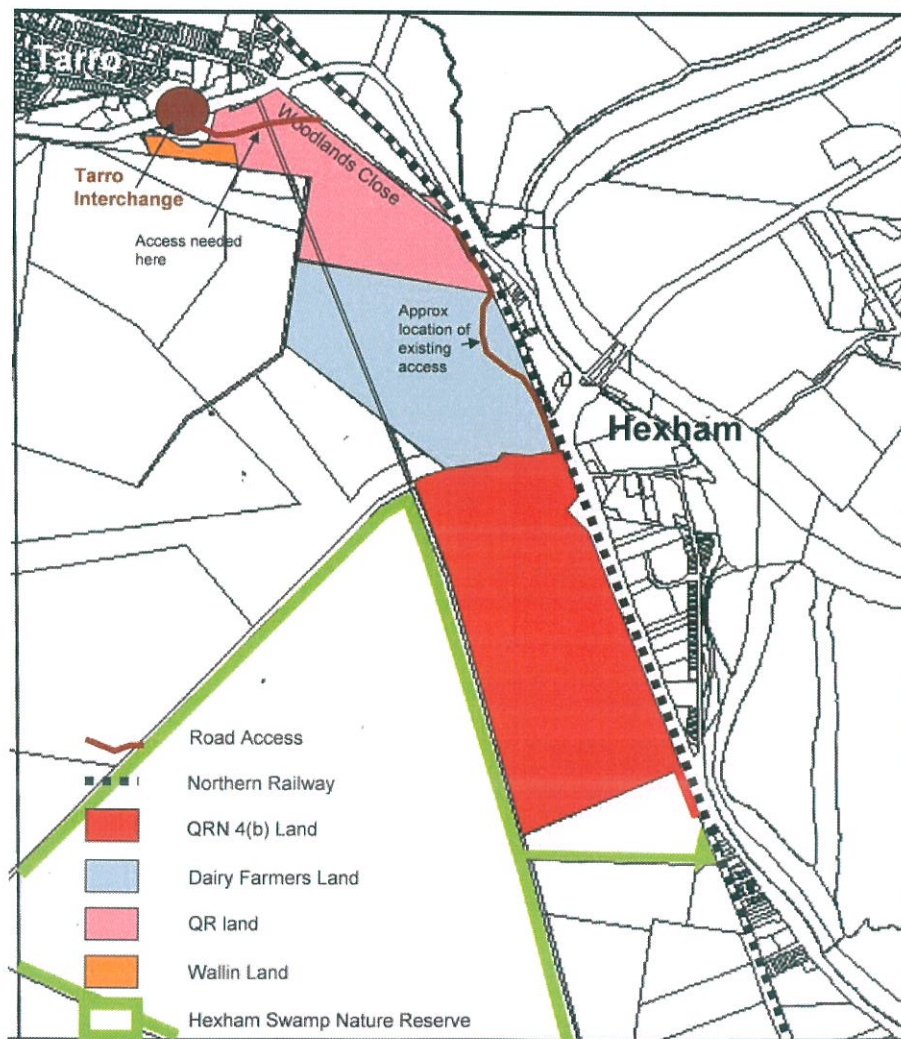
- Lot 311 DP 583724
- Lot 1 DP 155530
- Lot 12 DP 1075150
- Lot 1 DP 1062240

In addition to these lands, road access will be required across the following 7(b) zoned lands to the development site:

- Lot 113 DP 755232
- Lot 104 DP 1084709
- Lot 2 DP 735456
- Lot 10 DP 735235
- Lot 1 DP 611518
- Lot 102 DP 1084709
- Lot 101 DP 1084709

Road access is proposed from the New England Highway at Tarro (Lot 21 DP DP842856) via Woodlands Close.

The plan provided below depicts the primary development site in 'red', along with the current ownership of the adjoining lands to the north over which site access is proposed:



It is noted that negotiations are currently being finalised with respect to the purchase by QRNational of the Dairy Farmers land shown in 'blue' on the previous plan.

The development site has a total area of approximately 120ha (excluding the access to the site), and contains a former Coal & Allied coal tailings stockpile and washery facility and the eastern section of the former Richmond Vale Railway. The Richmond Vale Railway dates from 1856 and operated until the late 1980s.

From approximately the 1950s, the site was reclaimed and utilised as a coal preparation, stockpiling and dispatch terminal. These operations closed in 1987 and the washery and most of the rail facilities were removed but concrete foundations and an estimated 1.5 Million tonnes of commercially recoverable coal tailings remain. The site has traditionally been both extensively and intensively utilised and it remains a substantially degraded land area. The aerial view of the site provided below dates from 1977, and shows the extent of coal and railway-related operations being undertaken at that time:



The eastern boundary of the 4(b) zoned property has a frontage to the Main Northern Railway for approximately 1.8km. The western boundary of the property is adjacent to the Hunter Water Corporation (HWC) Chichester Water Supply Pipeline, and immediately west of this is the Hexham Swamp Nature Reserve. Adjoining the northern and southern boundaries is grazing land, wetlands and a private airstrip.

It should be noted that at the time that the aerial view was captured, access to the site was by railway level crossing direct to the Pacific Highway. Following Coal & Allied's closure of operations, this access was closed off and current access is by right of way across 7(b) zoned lands. Neither the Australian Rail Track Corporation (ARTC) nor the Roads and Traffic Authority (RTA) are sympathetic to any approach to re-open this previous access.

The Proposal

QRNational proposes to establish the TSF as soon as possible and as previously mentioned at a future time, a potential intermodal freight precinct and a staged industrial subdivision. The purpose of the TSF is to provision trains with fuel, sand, water and oil, as well as providing for the routine inspection of locomotives and wagons, planned servicing, maintenance and emergency repairs. A support facility of this type is not only essential for the viability and future growth of QRNational in NSW, but also for the ongoing development of an efficient Hunter Valley export coal supply chain.

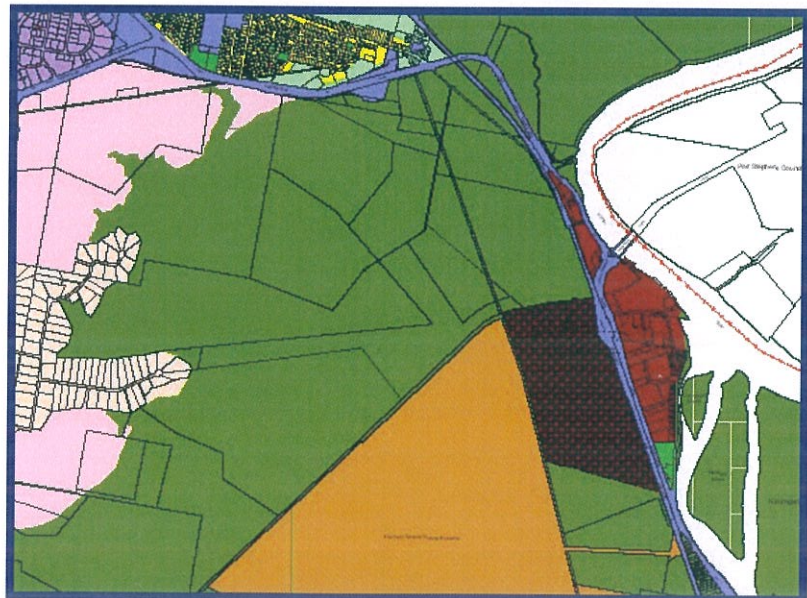
The general site arrangement for the proposed TSF is shown upon the enclosed 'Concept Plan'. QRNational's broader vision for the proposed (re)development of the Hexham lands is detailed upon the enclosed 'Concept Plan – SK001'. The total combined development value for the project is estimated to be in excess of \$300 Million and is therefore of substantial economic significance to the Hunter Valley region and the State of NSW.

As previously discussed, road access to the site will require the construction of a significant interchange facility to connect with the New England Highway at Tarro. It is envisaged that the site access arrangements will ultimately facilitate public access to the Hexham Swamp Nature Reserve to the west of the site, thus providing an additional interpretative and recreational attraction for the wider community.

Zoning & Permissibility

Under the *Newcastle Local Environmental Plan 2003* (the 'Newcastle LEP'), the vast majority of the Hexham development site is zoned 4(b) Port and Industry. Other zones present over the site include 7(b) Environmental Protection and a small portion of 5(a) Special Uses. The extract from the Newcastle LEP provided below shows the current zoning of the development site and surrounding area:

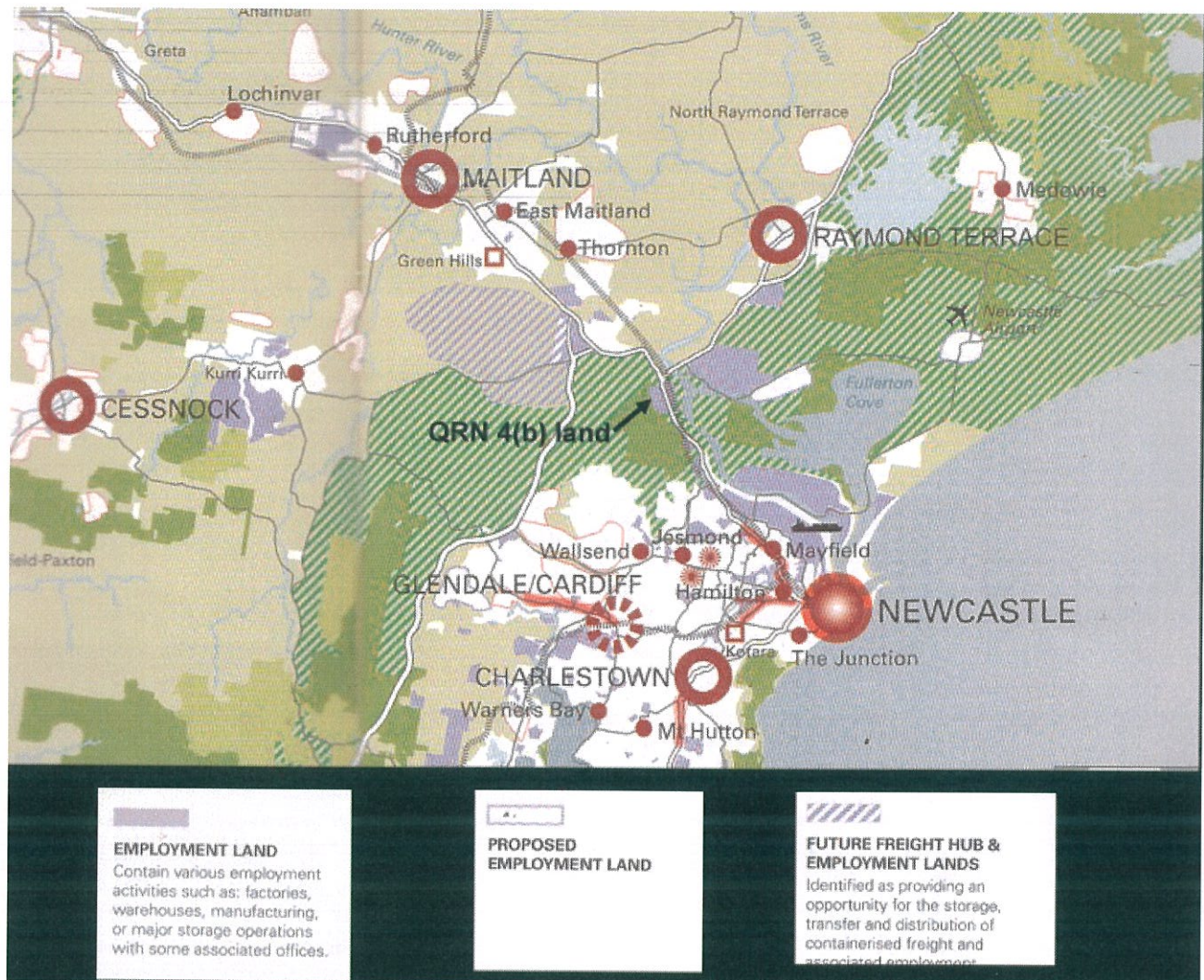
- 1(a) Rural Residential Zone
- 2(a) Residential Zone
- 2(b) Urban Core Zone
- 3(a) Local Centre Zone
- 3(b) District Centre Zone
- 3(c) City Centre Zone
- 3(d) Mixed Uses Zone
- 4(a) Urban Services Zone
- 4(b) Port and Industry Zone
- 4(c) Steel River Zone
- 5(a) Special Uses Zone
- 5(b) Special Uses Reservation Zone
- 6(a) Open Space and Recreation Zone
- 7(a) Conservation Zone
- 7(b) Environmental Protection Zone
- 7(c) Environmental Investigation Zone
- 8(a) National Parks Zone



The proposed development project is reasonably considered a permitted use in the 4(b) Port and Industry zone and also arguably within the 5(a) Special Uses zone. However, the nature of proposed development within the 7(b) Environmental Protection zone is prohibited (the proposed road access to the site is across 7(b) zoned land).

Lower Hunter Regional Strategy

The proposed QRNational development site at Hexham is identified as 'Employment Land' under the *Lower Hunter Regional Strategy 2006* (the 'Hunter Strategy') and the proposal is consistent with the overarching aims and objectives of the Hunter Strategy. The plan extract from the Hunter Strategy provided below shows the site in its regional context:



It is noted that lands located approximately 10km to the north-west have been nominated in the Hunter Strategy as 'Future Freight Hub and Employment Lands'. QRNational sees no reason as to why the proposed development at Hexham would limit the future opportunity of this area to be used for the indicated purpose following the exhaustion of coal resources. However, the subject site at Hexham is considered more desirable to QRNational as it already adjoins the existing rail network, is closer to the Port of Newcastle, is located on the outbound (empty running) side of the two coal-only rail lines so that unloaded trains accessing the TSF do not create excess operational complexity, and the land can be developed at an earlier date.

With the subject site being available for TSF development more quickly than alternative locations, this meets a critical need for QRNational's business and the Hunter Valley's economy, given the significant investment of funds to-date to investigate site suitability and to acquire land.

Why is QRNational's Hexham Project a 'Major Project' to which Part 3A applies?

The proposed development is considered to be a 'Major Project' to which the Major Projects SEPP (and Part 3A of the Act) applies on the basis of it meeting the following legislative criteria:

1. Schedule 1, 'Group 2 - Mining, petroleum production, extractive industries and related industries' of the Major Projects SEPP, specifically:

Item 7 - Extractive Industries

(1) Development for the purposes of extractive industry that:

(a) extracts more than 200,000 tonnes of extractive materials per year...

The proposed development includes the extraction from the site of some 1.5 Million tonnes of commercially recoverable coal tailings. It is intended to transport this material by road or rail to power stations for use as fuel in electrical power generation. It is estimated that the material will be removed at the rate of 250,000 tonnes per year following the establishment of the TSF.

2. Schedule 1, 'Group 8 – Transport, communications, energy and water infrastructure' of the Major Projects SEPP, specifically:

Item 23 - Rail and related transport facilities

23. (1) Development that has a capital investment value of more than \$30 million for the purpose of:

(a) heavy railway lines associated with mining, extractive industries or other industry, or

(b) railway freight facilities or inter-modal terminals.

The proposal incorporates the immediate provision of a TSF to cater for QRNational's Hunter Valley operations, as well as a potential future intermodal freight precinct leveraging off QRNational's site presence and the intended (staged) redevelopment of the adjoining land for industrial purposes.

3. Schedule 1, 'Group 9 - Resource and waste related industries' of the Major Projects SEPP, specifically:

Item 27 – Resource recovery or waste facilities

(3) Development for the purpose of resource recovery or recycling facilities that handle more than 75,000 tonnes per year of waste...

The proposed development will progressively recover some 250,000 tonnes per year of coal tailings (resource), and this former waste material is intended to be utilised as a fuel for power generation.

4. Schedule 2, 'Part 3A projects – specified sites' of the Major Projects SEPP, specifically:

Item 1- Coastal areas

(1) *Development within the coastal zone for any of the following purposes:*

(a) *extractive industries...*

The Major Projects SEPP defines 'extractive industry' as:

"...obtaining extractive materials by methods including excavating, dredging, tunneling or quarrying, or the storing, stockpiling or processing of extractive materials by methods including washing, crushing, sawing or separating".

As previously indicated, the proposed development includes the extraction from the site of some 1.5 Million tonnes of remnant coal tailings. It is intended to transport this material by road or rail to power stations for use as fuel in electrical power generation.

5. Railway-related undertakings are reasonably defined as 'Major Infrastructure Development' under Clause 75A of the Act.

It is also contended that consideration should be given as to whether the proposed QRNational development project at Hexham may be declared 'Critical Infrastructure' by the Minister for Planning pursuant to Section 75C of the Act on the basis that the TSF is critical to the ongoing development of an efficient Hunter Valley export coal supply chain (which is of both national and state economic significance).

Should the proposal be declared as 'Critical Infrastructure', it is understood that the Minister may approve the proposal under Clause 75J(3)(a) of the Act notwithstanding the prohibited development provisions of the 7(b) Environmental Protection zone under the Newcastle LEP. It is also understood that the Minister may approve of development that is not wholly prohibited pursuant to Clause 75J(3)(b) of the Act. In respect of this matter, the proposed development is not wholly prohibited as the 4(b) Port & Industry zoning provisions under the Newcastle LEP permit the proposed use/s.

Key Stakeholder Support

Key stakeholder support for the proposed QRNational TSF is detailed upon the enclosed letter correspondence dated 2 May 2007 from ARTC entitled 'Proposed QRNational Train Support Facility at Hexham, Hunter Valley'.

Constraints for Consideration

The following sections provide an initial overview of matters that will need to be considered in preparing for lodgement of a Project Application / Concept Plan, and are outlined to assist in the preparation of the Director General's Requirements for QRNational's proposed Hexham project.

Traffic & Access

Vehicular traffic associated with the proposed TSF is not expected to be significant and would be associated with approximately 30 employees and minimal truck movements delivering fuel and other train provisioning supplies. Moderate levels of site preparation traffic will likely be generated with the proposed removal of coal tailings and any necessary filling.

With the progressive development of the balance industrial land and the potential intermodal freight precinct, traffic generation from the site would increase more substantially.

Access to the site is problematic, with direct access from the Pacific Highway not available. Existing access to the site is from the north via Woodlands Close off the New England Highway. In order to allow for the proposed development, this access arrangement will need to be substantially improved and initial discussions with the RTA indicate that this is achievable, with a preference for alternative access to be provided directly from the Tarro Interchange (requiring a substantial capital investment by QRNational).

Flora & Fauna

Given the extensive and intensive former industrial use of the Hexham site and general lack of vegetation there is limited potential for threatened flora & fauna to be present. Notwithstanding, a detailed flora and fauna assessment report will need to be prepared.

Wetlands

The site adjoins the Hexham Swamp Nature Reserve to the west and so it will be necessary to ensure that water quality and flow are appropriately addressed. It is considered that appropriate management and/or mitigation measures can be incorporated into the detailed development proposal following expert assessment.

A small pocket of SEPP 14 wetland is located on land (Lot 113 DP 755232) to the north of the primary development site. The proposed road access and rail alignments through this land will likely affect this wetland, and detailed consideration will need to be given to the impact of such arrangements.

Drainage & Flooding

The development site was created by the infilling of wetlands of Hexham Swamp, including several small watercourses. As such, there are no natural watercourses within the site. The south arm of the Hunter River is the closest major watercourse to the proposed development site and is located approximately some 200 metres away at its nearest point.

Stormwater infrastructure currently within the primary development site includes:

- Open channels located along the northern, eastern and western boundaries. These channels are lined with reeds and drain to the north western corner of the site before draining into the Hexham Swamp;
- Water quality ponds are located in the north, west and east. These ponds are lined with reeds; and
- Open and closed stormwater drains are located in the south.

The site is located within the 'Lower Hunter Valley Floodplain Management Zone'. At the head of the Hexham Swamp/Hunter River interface, the site would have been subjected to regular inundation prior to its previous use as a coal washery. However ground levels have been raised significantly such that the majority of the site is now higher than the anticipated 1% AEP flood level. Some regrading of the site and blending with coarse material (e.g. crushed aggregate) will be required to obtain overall design levels and compaction/stability properties.

Contamination

A Stage 1 Preliminary Contaminated Site Investigation has been undertaken which reveals that it is unlikely that past activities have resulted in significant contamination. The site was previously used as a coal washing and stockpiling area. There is no evidence that the site was used for mechanical repairs, maintenance or locomotive storage.

The operation of above ground fuel storage tanks and bowzers during operation of the former coal washery and stockpiling facility, the use of herbicides potentially containing arsenic in weed control and the capping and filling (potentially with ash from steam locomotives) that was required following the site's decommissioning are potential sources of site contamination. However, preliminary site investigations have not identified any indications of such potential contamination.

Whilst no remediation of the site is proposed, further limited sampling and analysis will need to be undertaken prior to any future development on the site to confirm the preliminary findings that there is no significant contamination.

Potential Acid Sulphate Soils

The primary development site is former swampland so it is highly likely that underlying acid sulphate soils will be present. It has previously been filled using coal chitter to form dam walls and coal tailings to fill the dams up to a typical AHD of 10m. The whole site was subsequently covered with a layer of coal washery rejects (clay material) and seeded with pasture grasses. This previous activity has resulted in a substantially preloaded site that has consolidated the underlying sub grades and depressed the natural surface level.

The preparation of the site for industrial development will require the removal of some 1.5 Million tonnes of coal tailings and the blending of the remainder with on site chitter and imported aggregate to form a stable base for lightly loaded industrial construction. This will result in the industrial land surface being above 3.9m AHD, the 1% flood level. Some railway lines may be below this level.

Consequently it is not anticipated that the placement of stormwater drains and services will penetrate the potentially acid sulphate affected sub soils. However, should this occur, appropriate proven procedures for neutralizing the acid will be implemented.

Connection to Services

Connection to all essential services/utilities is expected.

Acoustics

The development site is generally isolated from any significant residential area, however, there are pockets of housing to the south and north. It will be necessary to address the potential for noise impacts, particularly given the 24 hour operation of the TSF. A detailed acoustic assessment will need to be undertaken.

Heritage & Archaeology

Preliminary searches indicate that the Hexham to Minmi Rail Line is the only site of non-indigenous heritage significance within the proposed development site, being listed under the Newcastle LEP. It will be necessary to address this matter as part of any submission through the preparation of a Heritage Impact Statement. Other places of non-indigenous heritage significance within an approximate 3km radius that are highly unlikely to be impacted upon include:

- Hexham Railway Station, immediately east of the proposed development site on the Main Northern Railway;
- Hexham Bridge;
- Former Hexham Shipbuilding Yards;
- Oak Factory;
- Hannel Family Vault;
- Former Hexham Public School;
- Slab Shed;
- SA Mehan Plant Hire;
- J & A Brown's Hexham Workshops; and
- Former Travellers Rest Hotel.

The proposed development will only likely require disturbance of material that has been deposited on the site in recent times. Due to the highly disturbed nature of the site, it is likely that any sites of indigenous significance that may have been present would have been destroyed as result of past site activities. It is considered unlikely that there would have been any obvious places of indigenous significance on site, given its former swampland character. Nevertheless, appropriate measures will need to be put in place to manage any archaeological discoveries.

Air Quality

The primary source of potential impact will likely be associated with dust from the process of recovering the coal tailings from the site and other site preparation works. It will be necessary to implement appropriate control measures for all relevant site activities.

Sedimentation Control

The process of recovering coal tailings from the site and other site preparation works has limited potential to result in off site sedimentation. It will be necessary to implement appropriate control measures for all relevant site activities.

Social & Economic

The proposed project is considered to make a significant social and economic contribution to the Newcastle region and the State of NSW, particularly with respect to the continued efficiency and development of the Hunter Valley export coal supply chain. Employment opportunities will be generated not only during the construction phase but also through operation of the TSF, and to a much greater extent through the future land uses to be established within the balance industrial development and potential intermodal freight precinct.

Visual Impacts

Given the flat topography of the site and the surrounding area, the proposed development will not be prominent from any particular distant viewing point. The site will however be visible from the Pacific & New England Highways and from the main rail line adjacent the site. From these viewing points, the proposed development is not considered to be particularly invasive given the likely building types not only associated with the TSF, but also within the industrial development and potential intermodal freight precinct.

Key Planning & Related Legislation / Strategies

The proposed Hexham development project will be subject to a range of planning and related legislation and controls across local, regional and state levels. The following sections provide an overview of those legislative provisions considered to be of most relevance:

Local

Relevant zoning and permissibility matters under the Newcastle LEP have already been addressed earlier in this correspondence. The predominant zoning of the development site is 4(b) Port and Industry. This zone has the following objectives:

- (a) To accommodate port, industrial, maritime industrial, and bulk storage activities which by their nature or the scale of their operations require separation from residential areas and other sensitive land uses.*
- (b) To require that development of land within 750metres from the high-water mark of the shores of the Port of Newcastle, capable of docking ocean-going vessels, is used for purposes that:*
 - (i) require a waterfront location that provides direct access to deep water, or*
 - (ii) depend upon water-borne transport of raw materials or finished products, or*
 - (iii) Have a functional relationship that necessitates proximity to the activities described above.*
- (c) To facilitate sustainable development through the application of industrial ecology.*
- (d) To provide for other development which will not significantly detract from the operation of large scale industries or port related activities that is primarily intended to provide services to persons employed in such industries and activities.*

It is considered that the combined elements of the proposed development at Hexham are entirely consistent with the objectives of this zone.

The *Newcastle Development Control Plan 2005* (the 'Newcastle DCP') also applies to the site. This is a city wide plan and is a consolidated DCP. The Newcastle DCP contains development controls relative to car parking, contaminated land management, flood management, landscaping, water management, waste management and industrial development. These matters will need to be considered in detail as part of any Project Application.

Regional

As previously identified, the primary development site is included as 'Employment Land' under the Hunter Strategy. This Strategy is a document outlining the forward planning objectives for 2006-31. The proposed development is entirely consistent with the Hunter Strategy objectives to provide for employment opportunities.

The site is also covered by the *Hunter Regional Environmental Plan* (the 'Hunter REP') and the proposed development is consistent with the general principles of promoting growth through the Port of Newcastle, including the provision of appropriate coal handling facilities. The provision of employment opportunities and protection of the environment are also key features of the Hunter REP which the project addresses.

The Newcastle Port and Environs Concept Plan (the 'Port Concept Plan') was established following a report prepared for the then Planning NSW by Kellogg Brown & Root Pty Ltd in 2003. The Port Concept Plan establishes the need to ensure that land surrounding the Port of Newcastle should be maintained for port-related uses. The proposed development at Hexham complements the Port Concept Plan objectives, given its overarching consistency with the existing 4(b) Port and Industry zoning provisions.

State Environmental Planning Policies

A review of all State Environmental Planning Policies (SEPP) reveals that the following are of particular relevance to the proposed Hexham development project:

SEPP 11 - Traffic Generating Developments

It is likely that a formal referral to the RTA will be required under the provisions of this SEPP. Preliminary discussions have already been held with the RTA and appropriate site access is considered to be achievable.

SEPP 14 - Coastal Wetlands

Access to the primary development site is proposed across land zoned 7(b) Environmental Protection under the Newcastle LEP. A small pocket of this land contains an area covered by a SEPP 14 wetland. The proposed alignment of road and rail access through this area is acknowledged, and any detrimental impacts will need to be appropriately addressed relative to this SEPP.

SEPP 33 - Hazardous & Offensive Development

It is unlikely that the proposed development will trigger this SEPP, however further assessment may be required depending on fuel storage volumes, location and method.

SEPP 55 - Remediation of Land

A Stage 1 Preliminary Contaminated Site Investigation has established that there is unlikely to be any significant contamination of the site. Notwithstanding this, there is some limited potential for soil contamination near former fuel storage areas when excavation of the area to remove coal tailings commences, although targeted investigation of those areas has failed to find any contamination to date. Further testing upon excavation will be necessary to ensure no contamination exists before removal of the tailings off site.

SEPP 64 - Advertising and Signage

Whilst it is envisaged that signage for the site will overall be minimal, it will likely be necessary to have regard to this SEPP.

SEPP 71 - Coastal Protection

This policy does not apply to this development on the basis that the Minister is the 'Consent Authority' under the Major Projects SEPP (see below).

State Environmental Planning Policy (Major Projects) 2005

The application of the Major Projects SEPP to the proposed Hexham development project has already been addressed earlier in this correspondence.

Other State Legislation

Threatened Species Conservation Act 1995

Preliminary work suggests that there are no threatened species on site, and this reflects the past site filling operations and previous intensive use for coal washery purposes.

Fisheries Management Act 1994

Given that the site has been filled it is unlikely that fish species would now be found on site. Nevertheless, water quality off site to the adjoining Hexham Swamp will need to be carefully considered as part of the proposed project.

Heritage Act 1977

The site contains no heritage-listed buildings, however the former Hexham to Minmi Rail Line crosses the site and this is listed under the Newcastle LEP. It will be necessary to consider the impact of the proposed Hexham development on this former rail alignment and a Heritage Impact Statement will need to accompany any Project Application. Other heritage items within the locality have previously been identified.

Roads Act 1993

Works impacting on roads under the responsibility of the RTA will require approval under this Act.

Protection of Environment Operations Act 1997

It is possible, depending on the scale of any filling of the site that a licence will be required. It is noted that if a Project Approval is obtained for the proposal under Part 3A of the Act, any licence that would be required cannot be refused by the EPA.

Contamination Management Act 1997

A previous Section 149(2) Certificate for the site states that the land is not affected by matters required to be disclosed under Section 52 of this Act. Preliminary investigation work to date suggests that there will be no further requirements in this regard, however this will be further assessed as required.

National Parks and Wildlife Act 1974

It is not expected that indigenous relics or sites will be found on site. However, in the event a relic is found, work would cease and a Section 90 application to destroy would be lodged.

Commonwealth Legislation

Environment Protection & Biodiversity Conservation Act 1999

Whilst it is considered unlikely that the proposal will affect any matters of 'National Environmental Significance', a formal referral to the Department of the Environment and Water Resources will be undertaken in due course.

Conclusion

QRNational contends that the land the subject land at Hexham is ideally situated for the development of a Train Support Facility, potential intermodal freight precinct and industrial subdivision, given that it:

- directly adjoins the existing mainline rail corridor;
- comprises predominantly appropriately zoned industrial land; and
- is within close proximity to terminal facilities at the Port of Newcastle.

Having regard to the type of development proposed and the significant capital investment involved, it is considered that the proposal is a 'Major Project' to which Part 3A of the Act applies, and formal confirmation in this regard is duly requested. In addition, QRNational looks forward to receiving Director General's Requirements that will allow the preparation of detailed application materials to support future project submission/s.

Should you have any questions or require any further information on QRNational's proposed Hexham development project, please do not hesitate to contact the undersigned directly. In addition, QRNational project representatives are available to meet with you at your earliest convenience, to further explore the matters addressed in this correspondence.

Yours sincerely



Nick Montague
Principal Planner
Property Division

28 June 2007

Enc: Regional Context Plan – SK002 (A1)

Concept Plan (A1)

Concept Plan – SK001 (A1)

ARTC Letter - 'Proposed QRNational Train Support Facility at Hexham, Hunter Valley'



AUSTRALIAN RAIL TRACK CORPORATION LTD

2 May 2007

Mr Chris Wilson
Executive Director (Major Project Assessment)
Department of Planning
PO Box 39
SYDNEY NSW 2001

**RE: PROPOSED QKNATIONAL TRAIN SUPPORT FACILITY AT HEXHAM,
HUNTER VALLEY**

Following an approach from QKNational, I have provided this letter as a formal endorsement of the Australian Rail Track Corporation ("ARTC") position in relation to the proposed development of a train fuelling and servicing facility at Hexham, to support an expansion of its Hunter Valley coal train operations.

By way of background, ARTC was created by the Commonwealth and State Governments to form a 'one stop' shop for all rail operators seeking access to the national interstate rail network. ARTC commenced operations in July 1998 with the following charter:

- = Improve performance and efficiency of interstate rail infrastructure
- = Increase capacity utilisation
- = Listen, understand and respond to the market
- = Operate on sound commercial principles
- = Provide our shareholders with a sustainable return on capital invested

ARTC manages approximately 311 km of the Hunter Valley coal rail network in New South Wales, which supports one of the key coal mining regions in Australia. In 2006, in excess of 80 million tonnes of coal was exported from the Hunter Valley through the Port of Newcastle, the world's largest export coal port. Recent coal industry forecasts indicate that Hunter Valley coal exports are expected to exhibit strong growth over the next 5 years, with tonnages in excess of 145 million tonnes predicted by the end of the decade.

In addition, Hunter Valley coal is used in five power stations in the region generating electricity to support a large number of domestic industries in the region and the national grid.

Hunter Valley coal is therefore a major contributor to the Australian economy, earning considerable export income for the country and generating (either directly or indirectly through support industries), substantial national employment. It is important to note, however, that the ability of the Hunter Valley coal industry to continue to grow and generate the huge benefits that it does for the region and for the country, is completely dependent upon the industry being globally cost competitive and having the required infrastructure in place to support its growth.

AUSTRALIAN RAIL TRACK CORPORATION ABN: 75 081 455 754

Hunter Valley Operations
PO Box 57, Carrington 2294

ARTC

AUSTRALIAN RAIL TRACK CORPORATION LTD

ARTC is committed to supporting the growth of the Hunter Valley coal industry and, as evidence of this, has in place a \$379 million investment programme to install additional and more efficient rail infrastructure to enhance rail capacity to match the forecast demand over the next 4 — 5 years.

However, whilst ARTC is playing its part in supporting the growth in the Hunter Valley coal industry, efficient and cost effective rail transportation is also critical to the future success of the industry given the growing importance of rail in delivering coal to the port and to domestic consumers. In this regard, ARTC supports competition in the Hunter Valley rail market in order to promote export coal competitiveness.

There are currently only two rail operators in the Hunter Valley rail market — Pacific National and QRNational. QRNational entered the New South Wales coal market in 2003 after securing two contracts for railing domestic coal. In mid - 2005, QRNational substantially expanded its services with the commencement of export coal rail services to the Port of Newcastle. ARTC has been advised that QRNational currently has coal contracts for approximately 17.5 million tonnes a year. QRNational believes it can considerably expand its business over the next few years by transporting coal that is currently not exported or railed.

ARTC is conscious that improved service levels and reduced export coal transport costs are likely to occur for the coal industry if competitive pressures continue to prevail in the rail market. For this to occur, it is imperative that there be no barriers or impediments to QRNational being able to grow its market share. In this context, it is important to understand the importance of the proposed train support facility at Hexham for QRNational's capability to expand its business.

Every rail operator requires some means of undertaking certain basic train support functions such as the fuelling, oiling and sanding of locomotives, examining the condition of locomotives and wagons, identify faults, undertaking light maintenance or corrective work on equipment if required, etc. Unfortunately, due to the relatively urbanised nature of the Hunter Valley, the broad range of industry that requires close proximity to the rail corridor and the high level of environmental controls that exist, ARTC believes that any rail operator would have considerable difficulty in identifying any site adjacent to the rail corridor suitable for the construction of a facility where these train support functions can be undertaken.

At the present time, Pacific National undertakes its train support functions at its own purpose built facilities located within the Carrington and Kooragang Coal Terminals. However, QRNational has no similar facility itself and it has been required to rely to date on a fee for use arrangement with Pacific National for fuelling and sanding at its Carrington and Kooragang facilities and also upon a basic temporary facility that QRNational constructed on one of the sidings within the Kooragang Coal Terminal. An additional basic fuelling facility is also to be constructed by QRNational on a mine rail siding which is expected to be available later in the year, though QRNational's use of this facility is expected to be considerably constrained.



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These arrangements have enabled QRNational to enter the Hunter Valley market, but are suitable for relatively small scale operations only. Indeed, not only are these arrangements unlikely to be capable of supporting a much larger operation, but as the number of train services increase, they are also likely to cause increased train congestion particularly within the two coal terminals and potentially constrain the throughput of the coal supply chain because any increase in the use of port rail capacity for fuelling and sanding trains will erode the capacity available for moving trains through the unloading facilities at the two terminals.

QRNational has recognised the need to have its own dedicated train support facility away from the coal terminals, and ARTC supports that position. In this regard, QRNational has undertaken several extensive reviews of the full length of the Hunter Valley rail corridor to identify a suitable site for such a facility. Several potential sites were identified, with the preferred site now being identified at Hexham near Newcastle. QRNational secured ownership of a key area of vacant industrial land at Hexham in September 2006, and is continuing to negotiate with adjacent property owners (including ARTC) to facilitate access to additional land that is required to accommodate the proposed train support facility.

In summary, ARTC believes that the Hunter Valley coal industry is facing a period of considerable growth provided that it can remain cost competitive. The rail industry is critical to the competitive position of the coal industry and it is essential that there be real and effective competition between the rail operators to achieve the expected reductions in rail haulage charges and improvements in service required by the coal industry to support its growth.

For QRNational to expand its current operations and to be able to continue to stimulate competition and compete on an equitable basis in the Hunter Valley, a servicing and provisioning facility is essential. As such ARTC based on current forecasts is anxious to see QRNational develop and commission a train support facility away from the port coal terminals by 2009 or earlier as the current arrangements will impact on the efficiencies of the rail operations in the terminals.

I ask you to consider the content of this letter of support when reviewing QRNational's application for the Hexham train support facility proposal to be determined a major project pursuant to the State Environmental Planning Policy (Major Projects) 2005, and concurrently declared critical infrastructure by the Minister for Planning in accordance with Section 75C of the Environmental Planning and Assessment Act 1979.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D Macklinshaw', with a stylized flourish at the end.

D Macklinshaw
Hunter Valley Operations Manager
Australian Rail Track Corporation

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