



▶ 27 May 2013

The Commissioners
Major Project Development Assessment Process
Productivity Commission

By email: major.projects@pc.gov.au

Dear Commissioners

Thank you for the opportunity to provide a submission for the Productivity Commission's study of Australia's major project development assessment processes against international best practice.

I note that the study's terms of reference advert to the potential for regulations and controls to lead to longer than expected construction times and therefore impact on the financial viability of some projects.

I would draw to your attention that, while such regulations and controls may well adversely affect the financial viability of an individual project, the financial and economic impacts can also reach well beyond the individual project.

The Hunter Valley Coal Chain Coordinator Limited ('HVCCC') is a company limited by the guarantee of its members, who are the Hunter Valley coal producers and service providers (the terminals, track owner and rail haulage operators).

The objects of HVCCC are to plan and coordinate the Hunter Valley coal chain in order to maximise the volume of coal transported through the coal chain, at minimum total logistics cost and in accordance with the agreed collective needs and contractual obligations of its members.

In carrying out its objects, HVCCC undertakes long term capacity modelling of the coal chain and provides advice to its members on the infrastructure and operational improvements that are required to meet the throughput target for the coal chain in future years. The target reflects demand for Hunter Valley coal as contracted by coal producers with the terminals at the Port of Newcastle.

Given the nature and interdependencies of the coal chain, it is critical to the achievement of the throughput targets that each coal chain service provider and producer delivers their improvements within the timeframes identified in HVCCC's long term capacity modelling.

A delay in just one infrastructure project of a suite of required projects can mean that the coal chain is unable to meet total demand, depending on the nature of that project. Further, the effect of the delay in one project can mean that the capacity benefits of other infrastructure investments cannot be fully realised until the delayed project is commissioned.

The potential economic impacts of such delays are clearly significant. In 2011 Hunter Valley coal exports totalled 114 million tonnes ('Mt') generating an estimated \$10 billion in export revenue and in 2012 the coal chain delivered 134Mt and over \$12 billion in export revenue. Between 2006 and 2012 industry invested approximately \$3bn in coal chain infrastructure to meet demand. While the development of the fourth coal terminal at the Port of Newcastle ('T4') has been recently deferred, the Hunter Valley coal industry continues to make significant investment in coal chain infrastructure.

Although HVCCC does not have a direct role in delivering Hunter Valley coal chain infrastructure projects, I am aware of members' projects across the coal chain where the length of the approvals process has been a significant factor in the timing of project delivery.

The T4 project is a case in point. The demand forecasts provided by coal producers in 2011 to Port Waratah Coal Services ('PWCS') showed that T4 was required to meet 2015 demand and PWCS commenced the approvals project accordingly. At the time the project was deferred in May 2013 significant time and effort to complete the approvals process was still required. PWCS has advised that it will continue to pursue the necessary approvals notwithstanding the lack of demand for T4, to ensure that it can be delivered in a timely way when demand arises.

The increasing complexity, uncertainty and timeframes required for major project development assessments is significantly negatively impacting project costs and delivery and eroding the competitiveness of industries participating in global markets, such as the coal industry.

Should you wish to discuss the matter further, please do not hesitate to contact me

Yours sincerely

Kirsten Molloy
Chief Executive Officer