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3 October 2013

DARLEY AUSTRALIA – SUBMISSION TO NSW PLANNING ASSESSMENT COMMISSION ON ANGLO AMERICAN'S DRAYTON SOUTH COAL PROJECT

Introduction

Darley Australia (Darley) welcomes the opportunity to provide a supplementary submission to NSW Planning Assessment Commission on the Drayton South Coal Project.

This submission is supplementary to Darley's submission to NSW Department of Planning and Infrastructure made on 18 January 2013.

Of particular relevance, since our submission of 18 January 2013:

- On 16 March 2013, the Minister for Planning and Infrastructure requested that the Planning Assessment Commission review the Drayton South Coal project. In particular, the Minister required that the review:
 - *“1(b) assess the project as a whole, paying particular attention to the impacts of the project on strategic agricultural land, as identified in the Upper Hunter Strategic Regional Land Use Plan, and **in particular the Coolmore and Woodlands Studs, which form part of a defined Equine Critical Industry Cluster (CIC)**”. ...*
 - *“1(d) provide advice on the suitability of the site for the project and **whether the project is in the public interest**”*
- On 21 May 2013, the Minister for Planning and Infrastructure wrote to the independent Planning Assessment Commission (PAC) requesting that it defer its review of the proposed open-cut mine to allow the

Department of Planning and Infrastructure to undertake further work on concerns raised in public submissions.

- *“The Department is currently in the process of reviewing the submissions received during the project’s public exhibition late last year, including detailed submissions from both the Coolmore and Darley studs,” Mr Hazzard said. “I’ve written to the acting chair of the PAC stating that the Department is concerned the proposal does not adequately address impacts on the studs. “To ensure a thorough review of all issues can take place, I’ve asked the PAC to postpone its review of the project. “Once the Department has considered the response from the mining company, I will be in a position to advise the PAC how to proceed further.” Mr Hazzard said the **adjacent horse studs form part of the Upper Hunter’s Equine Critical Industry Cluster (CIC), as identified in the Government’s Strategic Regional Land Use Policy. The region’s thoroughbred industry is one of two CICs identified for heightened protection from mining and other resources activities, along with the winemaking industry.***
- On 27 August 2013, Minister Hazzard recommenced the Planning Assessment Commission review of the Drayton South coal project requesting the Planning Assessment Commission to:
 - *inter alia, **assess the potential impacts of the project on the operations of Coolmore and Woodlands horse studs and recommend any additional measures required to avoid and/or minimise the potential impacts of the project on the horse studs.***

Economic Impact on the Drayton South Coal Project

In Darley’s submission of 18 January 2013 it was identified that there were shortcomings in the Economic Impact Assessment of the project carried out by Gillespie Economics.

Darley (and Coolmore) commissioned Financial & Economic Consultants Marsden Jacob Associates to review and remodel Gillespie’s work.

Marsden Jacob found that that the Gillespie economic assessment was fundamentally deficient and misleading as the analysis:

- unrealistically and artificially elevated coal prices;
- fails to address the Director General’s requirements by assuming that open-cut coal mining and thoroughbred breeding studs are compatible operations and falsely assuming that Coolmore Australia and Darley Australia will not be impacted;
- does not comply with Government guidelines by presenting an analysis period of only 33 years. The guidelines state the analysis should reflect

the time horizon of the impacts of the proposal and long-term projects should use a 50 year time-frame.

More specifically Marsden Jacob Associates found that:

- The Gillespie Assessment overstates the economic benefits of the project and understates the costs;
- Gillespie's use of a thermal coal price of \$118 per mt is unrealistically high and artificially elevates the economic benefits of project.
 - The World Bank forecast in January 2013 that the price of Australian thermal coal would fall to around US\$90 per mt in 2015 and then continue to fall to around US\$65 per mt by 2025;
 - Other economic assessments prepared by Gillespie Economics on 2013 have been based on a thermal coal price of \$89 per mt, nearly \$30 per mt lower than the value used in the Drayton South economic assessment.
- The Drayton South mine never reaches break-even point when a realistic coal price of \$90 per mt is applied;
- The Drayton South mine results in net economic loss of between \$153m and \$457m to NSW when impacts on the studs are taken into account; and
- The Drayton South mine will place 640 jobs risk; strip \$120m per annum from the local economy and fragment the Hunter Valley's equine critical cluster.

The Marsden Jacob Associates Report is attached as Appendix 1 to this submission.

Environmental Impacts and Risks – Independent experts

In their EIS and Response to Submissions Anglo American has concluded that there are no impacts on Darley from the Drayton South Coal Project. This is convenient but not credible.

In our previous submission of 18 January 2013 we voiced strong concerns regarding deficiencies in the EIS including in the areas of water, socio-economic impacts, visual amenity, health, air quality and lack of assessment of the cumulative impacts of the Project. Our concerns remain.

Darley (and Coolmore) have commissioned a number of other experts to review the EIS and the Preferred Project Report and Independent Mine Plan.

Their findings indicate that there are significant environmental impacts and risks to the horse studs that have not been addressed. The expert reports have been lodged with Coolmore's submission.

Drayton South Project - Response to Submissions

Co-existence

In their response to submissions Anglo American contends that Darley Woodlands has been operating in the proximity of (intensive) mining for at

least two decades. The closest open cut coal mining operations to Darley Woodlands are 8-10 kilometres away. While these operations have visual and other environmental impacts, they are tolerated at this distance.

It should also be noted that a significant portion of Darley's staff reside on the Woodland's property – both single adults and families with children. In total 74 people reside on the Woodlands property (64 permanent and 10 seasonal). A copy of a map of Darley Woodlands indicating key activities and residences is included as Appendix 3.

The impacts of a mine in such close proximity to Darley's operations and where its employees reside poses significant concerns for their safety, health and welfare and their general living conditions. Air quality, exposure to dust regular blasting events, noise, light and other hazards is not an environment that we or our industry could expose our bloodstock to let alone our employees. It is an unacceptable situation.

It is also noted that the Minister has announced today that the Government will be legislating a 2km buffer zone for csg operations within 2km of residential areas. This follows the Premier's announcement in February of tough new rules for coal seam gas activity. In that announcement Premier O'Farrell stated that "families in residential areas should not have to worry about their quality of life being affected by noise, visual impacts and other effects of coal seam gas mining". In our view the same considerations should apply to coal mining activities in such close proximity to studs that house the equivalent of small communities.

Darley cannot co-exist with mining as close as 500m to 1km from their boundaries and clearly visible from key view points and the Golden Highway.

Mining in such close proximity de-values our land, de-values our reputation, de-values our standards and our investment.

Scale of Business and Integration

In their response to submissions Anglo American outline the importance of the thoroughbred breeding industry to the Hunter Valley, however they suggest the concentration of facilities and services for industry envisaged by the critical industry cluster is centred around Scone some 35km away from Darley's Woodlands Stud.

This is a contrived representation of the industry and demonstrates lack of understanding of the scale and importance of Darley and Coolmore and the integrated nature of Woodlands and Darley's Kelvinside operations.

The commercial foundation of the entire industry is based on owners of broodmares having access to the premium stallions. Over 100 stud farms agisting broodmares and service providers throughout the entire Hunter Valley rely for their existence on either or both Coolmore and Darley. Coolmore and Darley represent over 40% of the stallion market in Australia.

Appendix 2 depicts over 100 broodmare farms that board mares and are clients of Darley and/or Coolmore.

Anglo American also suggests that the relevance of Darley and Coolmore can be derived from their indicative contribution to the Inglis & Sons Sales. At the 2013 Inglis Easter Yearling Sales Coolmore and Darley stallions provided just over 40% of the yearlings catalogued in numbers and 50% in value. Of the total 569 yearlings catalogued:

- 119 yearlings (or 20.9%) were sired by Coolmore stallions; and
- 117 yearlings (or 20.6%) were sired by Darley stallions.

Conclusion

In their EIS and Response to Submissions Anglo American has concluded that there are no impacts on Darley from the Drayton South Coal Project. This is convenient to Anglo American but not credible. Experts engaged by Darley have subjected these assertions to scrutiny and have found that there are significant environmental risks that have not been addressed in their EIS and cannot avoid impacting the studs and the thoroughbred breeding industry.

Marsden Jacobs Associates found that that the Gillespie economic assessment was fundamentally deficient and misleading and overstates the economic benefits of the project and understates the costs. Indeed, if realistic coal prices are used and impacts on the thoroughbred industry are not ignored the Drayton South mine results in net economic loss of \$457m to NSW. The economic assessment demonstrates that the project is clearly not in the public interest.

The Drayton South Project is one mine in the wrong place that fails to provide economic benefit to the NSW economy. If it proceeds it will fragment and displace an entire industry.

Mr Henry Plumptre
Director

Mr Andrew Wiles
Director