

7th August 2012

Mr. Matthew Schroder
General Manager
Fuel, Transport and Prices Oversight
ACCC
GPO Box 520
Melbourne VIC 3001
Email transport@accc.gov.au

Dear Sir,

Re Initial Indicative Service Variation –ARTC proposal to defer implementation of IIA Charges

Xstrata Coal is pleased to provide a submission into the above application by ARTC in connection with the Hunter Valley Access Undertaking.

Xstrata is concerned by this request to delay the timetable for implementing change into the Hunter Valley Coal Chain. The timetable for many of the changes that ARTC has committed to in the Undertaking are already beyond what most in the industry targeted as being prudent. Xstrata considers that every incentive available should be 'fast tracked' to aid in achieving the optimum efficiency of the track at a time when the track capacity is clearly the constraint in the Hunter Valley coal chain.

Xstrata is the first Access Holder in the Hunter Valley to utilize the Initial Indicative Service ('IIS') of a 96 wagon consist. In this respect we may be seen to be biased in our recommendation to immediately implement the IIAC regime. However Xstrata introduced the service as a means to improve the efficiency of the coal chain at a time (in late April) when there was no indication of the pricing to apply under clause 4.17. Despite the ARTC still not having supplied pricing for the service, Xstrata continues to run the larger service because it is convinced of the need to improve the efficiency of the coal chain. Whilst Xstrata has not been driven by pricing in its motivation, there may well be other Access Holders who are seeking a clear pricing signal and financial incentive to introduce the IIS. It is important that ARTC deliver this motivation as soon as possible in 2012 so as to maintain the emphasis on efficiency improvements at a time when the improvements is badly needed.

The ARTC in its letter to the ACCC (dated 13 July 2012) asserts that there is a long lead time in making the investment required to move to the IIS. Xstrata has made the move already and at least one other large Operator has the capability to also implement the change. A pricing signal delivered sooner rather than later will only continue to keep the issue current with Operators and Access Holders.

The ARTC also refers to the potential for an Access Holder to 'cherry pick' the cheapest path available to it in 2012. If the IIS was introduced into the Undertaking as a means of improving the efficiency of the network then how can this so called 'cherry picking' be a detriment to the coal chain if it means there has been a more efficient use of a train path?

Xstrata agrees that the Access Holder Agreement ('AHA') does not allow the unilateral introduction of a different service however an agreement between the parties to amend the AHA's Train Path

Schedule is obviously possible at any time. The other impediment ARTC cites is the administrative effort to implement the different charges. Whilst Xstrata cannot speak on behalf of other Access Holders, we would be surprised if an Access Holder would not be flexible in the short term to allow administrative expediency. Whilst Xstrata is somewhat perplexed as to how long would be needed by ARTC to accommodate the new rate, perhaps a retrospective rebate could be a measure employed in the short term to allow ARTC time to implement the changes required but still give the monetary incentive.

Yours sincerely



for Anthony Pitt
General Manager, Commercial

