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29 November 2013

Mr Martin Jones
General Manager
Operations & Logistics Hunter Valley
Australian Rail Track Corporation
5/33 Newton St
BROADMEADOW NSW 2292

Dear Mr Jones,

ARTC Hunter Valley Access Undertaking (HVAU) – Section 4.18 Determination of the Final Indicative Service – Appropriateness of GTKM Pricing Unit

Rio Tinto Coal Australia (**RTCA**), as manager of Coal & Allied Industries Limited (**C&A**), provides the following comments in response to ARTC's invitation for submissions from stakeholders as to the appropriateness of the gross tonne kilometre (**gtkm**) pricing unit in encouraging efficient consumption of Capacity.

C&A's position with regard to access pricing has been consistent throughout the process of developing the HVAU, and subsequent amendments, being that the objective of optimising Coal Chain Capacity can only be achieved if efficient behaviour is promoted through the appropriate application of differential pricing principles for various train configurations. Differentiated access charges provide consistent economic signals to industry regarding efficient use of Network Capacity, and in turn, Coal Chain Capacity.

To that end, C&A believes it pertinent to reiterate its support for the gtkm pricing unit as a means of encouraging efficient consumption of Capacity, but only to the extent that it is adequately applied by ARTC to drive efficient behaviours. C&A therefore considers it necessary to re-state three key issues C&A previously identified with ARTC's pricing methodology, submitted in September 2012 as part of C&A's response to the Australian Competition and Consumer Commission (**ACCC**) consultation on the revised proposed variation to the Hunter Valley Rail Network Access Undertaking:

1. The levels of price differentiation currently employed and proposed by ARTC do not, in C&A's view, provide the appropriate economic signals to the industry regarding efficient use of and investment in coal supply infrastructure. Specifically, the relative Coal Chain Capacity efficiency between Services is not reflected appropriately.
2. C&A remains concerned that ARTC has not made a firm commitment to remove distortionary price adjustments for Pricing Zone 3 producers as part of future access charges.

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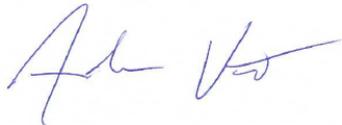
3. C&A remains of the view that there is a lack of transparency around ARTC's pricing methodology, which ultimately hinders efficient use of and investment in Coal Chain infrastructure.

Further information regarding these points is available in C&A's above mentioned September 2012 submission to the ACCC.

C&A does not seek to comment at this time on the alternative pricing units proposed in the ARTC consultation paper, other than to offer its broad support for the train path or tonne kilometre (*tkm*) measure in addition to the gtkm method. C&A is particularly supportive of the tkm pricing methodology if it can be seen to offer simplified pricing structures and increased transparency for access holders, in addition to supporting the achievement of critical coal chain efficiency and investment objectives.

C&A looks forward to future consultation opportunities regarding the application of access pricing in the Hunter Valley coal network.

Yours sincerely,



Adam Viertel

Manager Infrastructure

Rio Tinto Energy