

22 November 2013

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Dear Martin

Peabody Submission – Australian Rail Track Corporation (ARC) Final Indicative Service Proposal

1. Introduction

Thank you for the opportunity to respond to the ARTC Final Indicative Service proposal of the 25th October 2013. As per the Initial Indicative Service proposal, we do not support the approach or outcome of this submission. We do however support the notion of a Final Indicative Service to increase supply chain performance. Our brief comments are noted below in order to provide some areas for consideration and future discussion in developing this concept further.

2. Submission

2.1. Factors for Consideration

Peabody submits that the factors proposed for consideration in the development of the Final Indicative Service (FIS) are selective to suit the proposed outcome rather than factors lead to an optimum long term outcome. The Proposal does not appropriately consider whole of supply chain operations such as load point constraints, unloading congestion, appropriate balance of network consumption and shipping requirements. We also note that the differential of the 30TAL versus 25TAL issue is not examined in significant detail; and the concept of maximising velocity with the current fleet in trade-off with the proposed FIS is not examined to an appropriate level.

Whole of supply chain operations need to be considered in assessing the outcome of the FIS to ensure balance is achieved of an 'optimal' size train and velocity to maintain performance.

2.2. Supply Chain Velocity and Investment

Existing and future supply chain investment decisions need to be evaluated in conjunction with the potential velocity of the supply chain in the development of the FIS. Irrespective of a modelled train size there are constraints on existing and future capital purchases that should be considered. Further, the FIS concept should consider existing fleet velocity and potential velocity of a minimum size train is able to operate on the entire network rather than a maximum size train that may have inherent limitations based on the whole of supply chain issues present.

The FIS as developed continues to assume that the largest potential train length provides the greatest amount of throughput however it does not factor existing investment decisions and connecting infrastructure to support those investment decisions.

2.3. Recommended Approach

Peabody submits that the FIS proposal be remodelled once the entire system is on par at minimum 30 TAL and a minimum train size that is able to operate throughout the system to determine operating supply chain capacity. The FIS should promote a minimum size train that can operate effectively throughout the supply chain and consider broader issues such as loading and unloading constraints. Finally, the FIS should provide a realistic time frame to move to a minimum size train taking into consideration present investment decisions.

By achieving these components, velocity can be assessed; future investment decisions can be planned for effectively and an 'optimal' minimum FIS can be achieved.

3. Summary

Peabody does not support the Final Indicative Service as proposed based on;

- Insufficient modelling and consideration to the whole of supply chain constraints
- Insufficient recognition to the investment decisions that have been made and the positive operating characteristics of the existing fleet.

Peabody supports the notion of the Final Indicative Service but only to the extent it drives future investment decisions in conjunction with the whole supply chain. We recommend that the FIS and its associated pricing (including indicative or derivation thereof) be delayed until an appropriate minimum size train can be established and supported by robust dynamic modelling.