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{by e-mail}

Mr Martin Jones
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Dear Martin

Whitehaven Submission on ARTC Final Indicative Service Consultation Paper

I am writing in response to ARTC's consultation paper dated October 2013 which invites submissions in relation to the Final Indicative Service **(GTKM Pricing Unit)**.

Background to Whitehaven

Whitehaven is the largest coal producer in the Gunnedah Basin, with production from three open cut mines and a large underground longwall mine. In addition, a new large open cut mine is forecast to commence production in Q1 2015 which will bring total production to more than 20 million tonnes per annum.

Whitehaven currently operates from rail load points at three locations in the Gunnedah Basin: Werris Creek, Gunnedah and Narrabri Mine. A new load point is being constructed as part of the Maules Creek project. The only other coal operation originating in this region is Idemitsu's Boggabri Mine.

The Gunnedah Basin has long been regarded as a capacity constrained part of the Hunter Valley Rail network with significant growth in forecast throughput.

Whitehaven has, and continues, to work closely with its rail haulage providers, the Hunter Valley Coal Chain Coordinator (HVCCC) and ARTC to increase capacity both in the Gunnedah Basin and across the entire network. Following consultation with all these parties, Whitehaven has made significant investments to provide for the most efficient train configuration on the Gunnedah Basin section of current network and is poised to make further investments to meet continued growth arising out of the Maules Creek project.

In the Gunnedah Basin region Whitehaven has underwritten over $175 million in track infrastructure projects including lengthening passing loops to accommodate larger trains. A further $200 million is committed over the next couple of years to expand track capacity further to meet contracted demand. Whitehaven has also upgraded and lengthened loops in its load points to accommodate the larger trains.

In parallel Whitehaven has committed to variations to its rail haulage contracts to provide for these new larger trains. In 2012 Whitehaven, in conjunction with its rail haulage provider Pacific National, phased out the use of the smaller 3000tn trains, in favour of 5400tn and 6000tn trains. In 2013 Whitehaven invested in more wagons and increased the length of the larger trains to 82 wagons (6300tns). In 2014 Whitehaven expects to reach agreement with Pacific National to replace the 3 remaining 5400tn trains with 2 new 6300tn trains. This investment by Whitehaven has provided for a train path efficiency gain of over 210%.

Over the past six months Whitehaven has led the region in trialing 30tn axle load locomotives and underwritten the cost of bringing forward the replacement of the current 25tn axle load track with 30tn axle load track. The 8000tn trains operating in a 30tn axle load environment in the Gunnedah Basin provide for a train path efficiency gain of over 266% in a short number of years.

Whitehaven continues to support defining and moving to the most efficient train configuration.

Access Pricing Unit

The consultation papers sets out that:

1) ARTC supports the identification of what constituted efficient utilisation of network and coal chain capacity and access pricing that would incentivise efficient utilisation of that capacity;
2) ARTC supports differential pricing that reflects the different impacts of the use of a particular coal train configuration on track maintenance cost, capacity and coal chain capacity;
3) the encouragement of efficient consumption of Capacity derives from the appropriate settings with respect to non-TOP and TOP component pricing differentials rather than the choice of pricing unit that is used to express the price itself; and
4) To this end, ARTC’s preference would be to retain gtkm as a pricing unit for Coal Access Rights under the Hunter Valley Coal Network access Undertaking.

Whitehaven Response to ARTC’s preference to retain GTKM as a Pricing Unit

On the basis that:

1) differentiating price is about incentivising efficient utilisation of capacity; and
2) due recognition was given to efforts of an Access Holder to operate the most efficient train that was physically possible through all sections of the network in which they operate;

Whitehaven would support retaining gtkm as a pricing unit.

The consultation paper describes in more detail the Characteristics of the Initial Indicative Service Charges considered most relevant in relation to differential pricing. In particular:

- maintenance considerations, impacting ARTC's costs;
- capacity considerations impacting ARTC investment; and
- coal chain capacity considerations, reflecting efficient use of the coal chain, and considered important by the industry.

Consideration of these characteristics in developing the gtkm pricing unit should give ARTC the appropriate scope to ensure that differential pricing is only applied in circumstances where Access Holders are actually able to impact on the efficient utilisation of the network. Differential pricing should not be used to discriminate against Access Holders that have made significant investments in improving the utilisation of the network and are hard against physical barriers that prevent the operation of more efficient train configurations through certain sections of the network.

Thank you for the opportunity to submit comment on this matter. Please contact me if you would like further clarification on the above.

Yours sincerely,

Jonathan Vandervoort
EXECUTIVE GENERAL MANAGER - INFRASTRUCTURE