

## 2. If Take-or-Pay was implemented, what duration of commitment would you consider acceptable?

Responses indicate support for take-or-pay commitments of 1, 3 or 5 years.

### Conclusion

- Support for take-or-pay favoured a duration of 5 years or less.
- Alternatives or variations:
  - Take-or-pay duration to vary with production volume

### Quotes:

- “Obviously one year commitment is unacceptable to PWCS but has to be tailored to capacity of individual producers and in turn their commitment from the marketplace”
- “Duration would depend on the stated production volume of each producer. Larger volume = longer duration”
- “Consideration should be given to longer TOP obligations if producers are willing to enter into such a commitment”

### Survey Response

<input type="checkbox"/> 1 year	20%
<input checked="" type="checkbox"/> 3 Years	33%
<input checked="" type="checkbox"/> 5 Years	27%
<input type="checkbox"/> 10 Years	0%
<input type="checkbox"/> Do Not Support	13%
<input type="checkbox"/> Other	7%

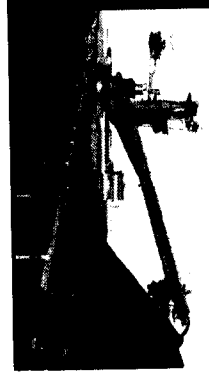
\*\*\*Excludes 1 response who did not answer

...continued over

## 2. If Take-or-Pay was implemented, what duration of commitment would you consider acceptable?

### Quotes: (continued)

- "If the take or pay system was to be any longer than one year there would need to be significant flexibility incorporated into the rules to cater for changing market conditions. Regardless of length of take or pay it should only operate from a financial guarantee point of view for one year with a transfer of that guarantee to the following year. If tonnages increase then the guarantee would be topped up on an annual basis."
- "Should be a meaningful term to support external third-party finance."
- "Additional capacity should be built by PWCS or others and should be in a common user facility. It can be owned by the industry or others and should operate competitively"
- "New mines could have a different Take or Pay period / rules to existing mines!"
- "We would not support any system requiring a bank guarantee."
- "Take or pay must be a contractual obligation and does not require a bank guarantee - TOP charges levied annually in arrears"
- "Can't say. Its not clear what the periods quoted refer to. Is it the advance notice required or the period of the commitment given ? A detailed proposal needs to be drafted before proper assessment can be made"



### 3. What flexibility provisions would you incorporate as part of a Take-or-Pay regime?

Responses indicated strong support for Force Majeure and majority support for TOP transferring with exchange of allocation.

#### Conclusion

- The majority favoured the incorporation of force majeure and TOP transfers if TOP is implemented
- Other suggestions:
  - Flexibility to export more if capacity is available
  - Capacity transfers should be allowed

#### Quotes:

- “By allowing producers to transfer their take or pay obligation to another producer there is no incentive to put in accurate forecasts.”
- “Some Flexibility to export more if capacity is available”
- “We would foresee this [force majeure] applying only on certain extreme criteria, not including strikes”
- “Capacity transfers should be allowed”

...continued over

#### Survey Response

	Yes	No	No Answer
<input checked="" type="checkbox"/> Force Majeure	75%	6%	19%
<input checked="" type="checkbox"/> TOP Transfer with Allocation Exchange	62%	19%	19%
<input type="checkbox"/> Other	25%	56%	19%



### 3. What flexibility provisions would you incorporate as part of a Take-or-Pay regime?

#### Quotes: (continued)

- “Can incentivise by having scaling of charges so that they increase as they diverge above or below the forecast - eg no TOP if shipments are within 5% of forecast, excess TOP if shipments are greater than 20% higher or lower than forecast (and no reallocation has )”
- “We do not support any take-or-pay structure”
- “Market Condition Fluctuations eg. Demand v Supply, Price , Exchange Rate”
- “Not enough information”

## 4. If you support alignment of investment/commitment across the coal chain, would you prefer “hard” alignment or “soft”?

Responses favoured alignment of investment/commitment across the coal chain, but support was divided between “hard” and “soft” alignment

### Conclusion

- Responses favoured some alignment, but were divided over the degree.
- A minority of respondents did not support any alignment.

### Quotes:

- “It is impractical to require smaller producers to load trains at the same loading rate as the largest mines. They simply do not have the volume of coal available to justify the expenditure or the number of vessels. Effectively the smaller load points would be asked to overcapitalise their loading operations.”
- “Do not support extending PWCS activity on this project to other service providers. Our relationship with other service providers is our concern.”
- “PWCS has an obligation to expand the port and should be taking action to expand immediately to full capacity. Producers and rail have committed: PWCS should be taking a leadership role.”

...continued over

### Survey Responses

<input type="checkbox"/> Soft Alignment	40%
<input type="checkbox"/> Hard Alignment	33%
<input type="checkbox"/> Do not support	27%

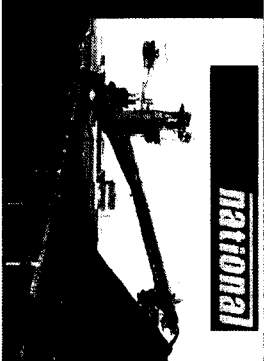


#### 4. If you support alignment of investment/commitment across the coal chain, would you prefer “hard” alignment or “soft”?

##### Quotes: (continued)

- “This is another difficult area. In a perfect world any long term solution has to have a “hard alignment” and clearly demonstrate that the whole chain has no weak links - Mount Thorley , for instance would need a serious upgrade if PWCS was to invest further capital in expansion. Hard alignments invariably mean longer term commitments and in an international industry where there are so many unknowns it is unlikely that all players would be prepared to give that degree of assurance.”
- “Would like to discuss options before expressing a view - suggest that incentives be provided to PWCS and PN to increase throughput.”

## 5. Would you support the introduction of an agreed set of minimum system operating rules to improve efficiency of the coal chain?

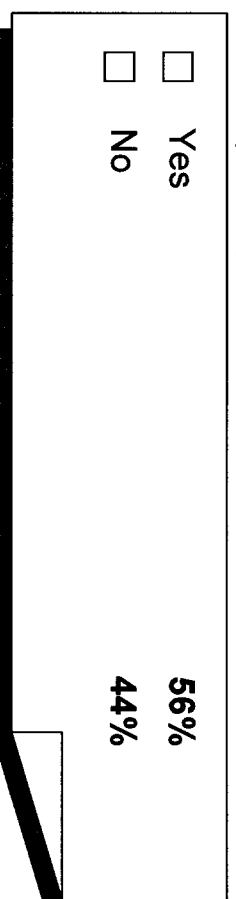


Support was divided on the introduction of a set of minimum system operating rules.

### Conclusion

- Some respondents requested additional information before being able to decide
- Some respondents were of the view there are sufficient rules already

### Survey Response



### Quotes:

- "There should be an incentive system in the charges but allowance should be made for any customer"
- "[Yes], This response is in principle only. The specific set of rules would have to be evaluated prior to our agreement"
- "[No], There is insufficient information available here for [us] to make a decision. We will need to evaluate the impacts of each of the proposed components on our business. We must also ensure that the implementation of such 'operating rules' does not introduce anti competitive behaviour between any service provider within the Coal Chain."
- "[No], The port side operations are already set out in the Terminal Handbook. There may be a case for some minimum standards to be applied to rail side, eg minimum train standards."
- "[Yes], To some degree. I think there are enough vessel controls in the Terminal Handbook but there does need to be minimum system rules where more than one producer uses a rail loop."
- "[Yes], The rules should be developed through industry consultation."
- "[Yes], With some "grandfathering""
- "Would support this view providing it was implemented through the cost structure at the port rather than declining to accept shipments for non-conforming mines. Eg - varying charges to be levied based on stockpile usage and cargo assembly times."
- "[Yes], Agreed minimum standards being the operative words."

## 6. Would you support the formalisation of HVCC Logistics as the central body for coordination of the coal chain and administration of an agreed set of system rules?

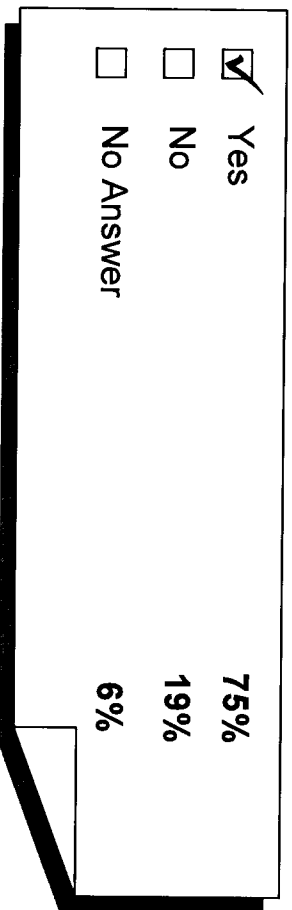


Respondents supported the formalisation of HVCC Logistics as the central body.

### Conclusion

- Most responses supported the formalisation of HVCC Logistics as the central body.

### Survey Responses



### Quotes:

- "There does not seem to be any other group/body currently in existence that has the knowledge of the system, so by default the HVCC Logistics Team may be suitable to carry out this function."
- "Current train co-ordination etc system appears to be working adequately. Do not see any need for large group to police system rules."
- "Yes & No !! - Happy for HVCC to be central body for coordination and planning but I think there is also a need for an umpire and a company such as Accenture could deliver that impartiality."
- "The HVCC Logistics Team should continue to perform its existing function of coordinating Coal movements from the Mines to the vessels. A team that has representation by all key Coal Chain service providers is essential. As for planning the coal chain, we believe there should be a higher level group over-seeing both coordination and planning. This would be a producer representative body. This body would consider the overall needs of the coal chain and priority areas for capacity development."
- "Not unless it was broadened to include coal exporters, other port operators and other rail operators. It is not in the interests of coal exporters to entrench monopoly positions in the coal chain."
- "Would consider this option but would want to ensure the capability existed within the team to operate effectively and in an unbiased manner - and that we weren't adding a further layer of management or regulation."



## 7. Would you support the introduction of “user pays” pricing where a set of standard services are defined and priced and customers receive incentive/penalty payments for variance?

**Respondents opposed the introduction of “user pays” pricing, including incentive/penalty payments for variation from standard services**

### Conclusion

- There is clear opposition to “user pays” pricing which incorporates incentive/penalty payments for variation from standard services

### Survey Responses

<input type="checkbox"/>	Yes	31%
<input checked="" type="checkbox"/>	No	63%
<input type="checkbox"/>	No Answer	6%

### Quotes:

- “Loading on Turn and a Fixed PWCS Coal Handling Charge are the only things in the system that maintain equality in the system”
- “No - easy for manipulation and difficult to administer”
- “There should be general exclusion to accommodate changes made to facilitate the overall efficiency of the coal chain. In such circumstances the user involved should not be penalised”
- “Perhaps, depending on the details of any proposal”

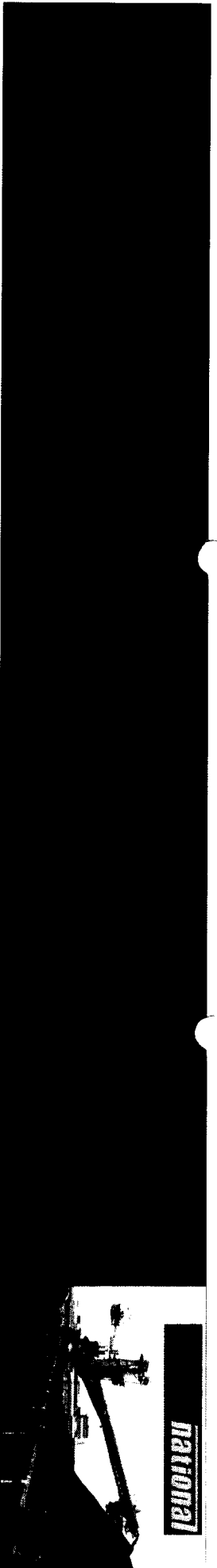
*...continued over*



## **7. Would you support the introduction of “user pays” pricing where a set of standard services are defined and priced and customers receive incentive/penalty payments for variance?**

### **Quotes: (continued)**

- “How does PWCS propose to introduce such systems under ‘common user’ provisions. Need to see the detail of what’s being proposed.”
- “A common charge should be applied which is based on capacity consumption for key areas of port (eg rail receipt, stockpiling, shiploading). Customers would then pay more or less depending on their individual consumption of port capacity.”
- “This violates the Common Charge Principle.”
- “Let’s not complicate the port any further. PWCS simply needs to play a leadership role to expand port throughput. Rail etc to follow. This is not a financial problem in that PWCS can pass costs to customers in the user charge as in the past.”
- “GENERAL COMMENT: Believe strongly that focus of efforts should be on solving CAPACITY problems rather than QUEUING problems. Also concerned that the long-term capacity issue (is another loader required?) is not being considered and the whole matter will be significantly delayed by State Government’s decision to commence a long tendering process.”



**1. Context**

**2. Forum Introduction**

**3. Medium Term**

- **Summary of Survey Results**
- **Discussion**

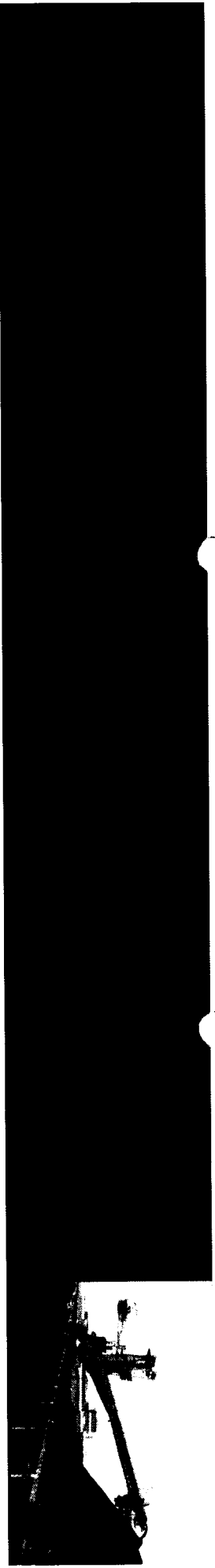
**4. Long Term**

- **Summary of Survey Results**
- **Discussion**

**5. Next Steps & Close**



## Discussion – Long Term Solution



## **1. Context**

## **2. Forum Introduction**

## **3. Medium Term**

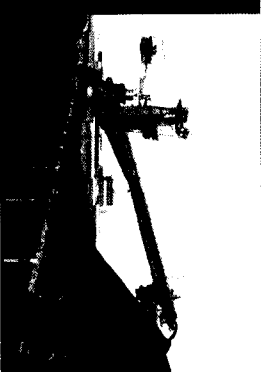
- **Summary of Survey Results**
- **Discussion**

## **4. Long Term**

- **Summary of Survey Results**
- **Discussion**

## **5. Next Steps & Close**

## Next Steps – Medium Term

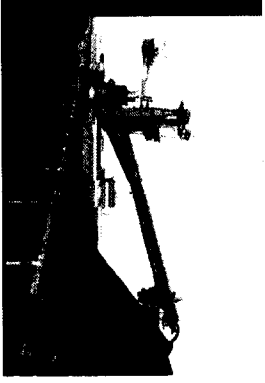


To ensure a solution can be implemented for 2005, a recommended approach and application to the ACCC is required by late August.

PWCS are seeking a commitment to the following timetable from the industry:  
Items in **BOLD** are actions for all participants to diarise:

- PWCS to collate feedback and draft a solution **23 July**
- **Solution Design Meetings with all Stakeholders** **23 July to 6 August**
- **Auction Simulation Sessions** **(TBA)**
- **2005 Solution Presentation & Workshop 1** **Monday 9<sup>th</sup> August**
- **2005 Solution Presentation & Workshop 2** **Monday 16<sup>th</sup> August**
- **Final Position Sought from all Stakeholders** **Late August**
- Application to ACCC as required **Late August**

# Next Steps – Medium Term Workplan (Summary)



## Program/Stakeholder Management

### Option Generation

#### Consultation Process

- Conduct Consultation Meetings (one-on-one with Stakeholders)
- Invite Written Submissions from Stakeholders
- Determine Industry position (Industry Forum)
- Consult on detailed design (Industry Working Groups)

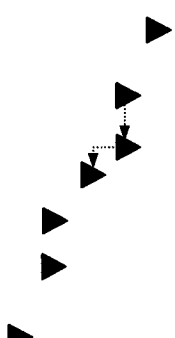
#### Detailed Design

#### Regulatory/Board/Customer Approval Process

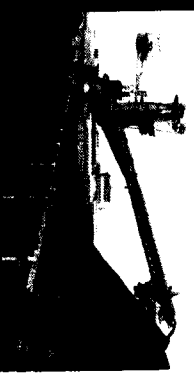
#### Implementation & Training

#### Key Consultation Milestones:

- Seek non-binding forecasts
- Invite written submissions from stakeholders
- Industry Forum – key principles
- Industry Forum – detailed design
- Seek binding nominations (estimated)



## Next Steps – Long Term Workplan



The Long-Term Solution will be progressed in parallel to the Medium Term.

- Establish draft operating conditions August
- Develop Recommended Position for Consultation Late August
- Detailed solution design Complete mid September
- Consult on detailed design/system rules Complete mid September
- Finalise Implementation Plan October



## Contact Details:

### Pacific National

[www.pacificnational.com.au](http://www.pacificnational.com.au)

Peter Winder

Tel: +61 2 4968 7640

Mob: 0404 048 667

Email: [peter.winder@pacificnational.com.au](mailto:peter.winder@pacificnational.com.au)

David Irwin

Tel: +61 2 4968 7616

Mob: 0404 048 298

Email: [david\\_irwin@pacificnational.com.au](mailto:david_irwin@pacificnational.com.au)

### PWCS

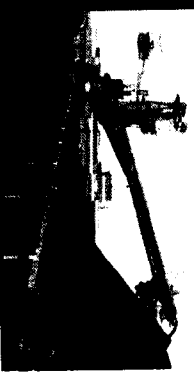
[www.pwcs.com.au](http://www.pwcs.com.au)

Mark Eames

Tel: +61 2 4907 2212

Mob: 0429 700 302

Email: [mark.eames@pwcs.com.au](mailto:mark.eames@pwcs.com.au)



## Contact Details:

### Accenture

[www.accenture.com](http://www.accenture.com)

Dr Phil Williams – Partner

Tel: +61 2 9005 6366

Mob: 0418 222 892

Email: [phil.williams@accenture.com](mailto:phil.williams@accenture.com)

Anthony Pitt

Tel: +61 3 9838 7552

Mob: 0419 447 020

Email: [anthony.pitt@accenture.com](mailto:anthony.pitt@accenture.com)

Montie Lester

Tel: +61 3 9838 7416

Mob: 0414 810 455

Email: [david.m.lester@accenture.com](mailto:david.m.lester@accenture.com)

