

COALTRADE

Peabody COALTRADE Australia Pty Limited
A Peabody Energy Company

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The General Manager
Adjudication Branch
Australian Competition and Consumer Commission
GPO Box 3131
Canberra ACT 2601

Dear Sir/Madam:

Peabody Coaltrade Australia ("Coaltrade") is a subsidiary of Peabody Pacific and Peabody Energy (USA) and operates its business in Newcastle.

Coaltrade is responsible for the marketing of Peabody Pacific's thermal coal production and in addition has for the past 7 years operated a substantial third party trading business through the port of Newcastle for export to Australia's key export markets in northern Asia.

Coaltrade's ongoing business relies upon the smooth delivery of coal to our Asian customers and we therefore support the implementation of a fair and workable queue management system. Such a system should be developed with the full consultation of all key players, including traders such as ourselves and our customers, and should aim to create clarity and certainty for all involved.

Regrettably, the Vessel Queue Management System (VQMS) proposed by Port Waratah Coal Services, Pacific National (PN) and Queensland Rail (QR) has come about after limited industry dialogue and from Coaltrade's perspective is unacceptable. The VQMS ignores the interest of our customers in favour of those of the service providers and has the potential to create greater levels of uncertainty for Coaltrade and its customers due to the increased level of bureaucracy in the vessel nomination and acceptance process.

Under the VQMS a vessel nomination will not be accepted by PWCS unless the trader has received signoff from its supplier that the supplier has rail contracts to support the nomination. Standard contract terms require vessel nominations to be accepted within 24 hours and in the current tight freight market vessels are difficult to find. Coaltrade will typically blend 4-6 different coal components for each vessel and will therefore be waiting on a confirmation of ability to rail from all these parties (who in turn may be considering multiple vessel nominations). The VQMS therefore adds significant degrees of complexity to the vessel nomination process, particularly for traders with multiple components, and creates the potential for breach of contract if vessel acceptances are delayed beyond the contractual notice period.

In conclusion Coaltrade has serious concerns about the introduction of the VQMS proposed by PWCS, PN and QR due to the lack of full industry involvement in its development and the potential for greater levels of uncertainty for our customers. We are of the opinion the current Capacity Balancing System could be enhanced to achieve superior outcomes sought by the all parties involved in the delivery of coal from the port of Newcastle.

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Coaltrade intends to provide a more detailed submission to the ACCC elaborating on these issues in respect of the final authorisation application.

If you have any questions we would be pleased to answer them.

Yours faithfully,



Scott Twose
Managing Director
Peabody Coaltrade Australia