

# COAL & ALLIED

*Managed by Rio Tinto Coal Australia*

Friday, 11 May 2007

Jaime Martin  
Assistant Director, Adjudication Branch  
Australian Competition and Consumer Commission  
PO Box 1199  
Dickson ACT 2602  
By Email: [jaime.martin@accc.gov.au](mailto:jaime.martin@accc.gov.au)

~~Confidential~~ KH

Dear Ms Martin

**Re: Port Waratah Coal Services application for  
reauthorisation of the modified Medium Term Capacity  
Balancing System**

I refer to Scott Gregson's letter to Doug Ritchie dated 3 May 2007.

In that letter you sought clarification of whether Coal & Allied Industries Limited (**Coal & Allied**) considers the reintroduction of the modified Medium Term Capacity Balancing System (**CBS**) until the end of 2007 has an impact on coal production and/or exports from the Hunter Valley.

Coal & Allied does not think that it is likely that the CBS will reduce coal production and exports in total across all producers in the Hunter Valley during 2007, provided that all producers can fully utilise their port allocation, or if circumstances arise where they cannot, that the unused allocations are transferred and used by other producers as provided for in the CBS.

Any allocation system will have different effects on different producers. As stated in Coal & Allied's press release dated 2 May 2007, due to a reduction in Coal & Allied's allocation levels, Coal & Allied has had to adjust its operating plans accordingly, with a resulting impact on contractor positions at its mines. While the re-introduction of the CBS triggered the review of operating plans which led to Coal & Allied's announcement, the level of mine production is limited by the lack of coal chain capacity compared to total Hunter Valley mine production capacity, not the reintroduction of the CBS itself.

Coal & Allied remains supportive of the implementation of the CBS until the end of 2007 only, as Coal & Allied believes that the CBS is the best interim solution to addressing the costs of the vessel queue.

Yours sincerely



**Matt Coulter**  
General Manager - Corporate Development

Coal & Allied Industries Limited ABN 67 008 416 760  
GPO Box 391, Brisbane Qld 4001 Australia  
Level 3 - West Tower, 410 Ann Street, Brisbane Qld 4000 Australia  
Ph + 61 7 3361 4200 Fax + 61 7 3361 4370