



QR Limited ACN 124 649 967

QRNational Coal (Head Office)
GPO Box 1429
Brisbane Qld 4001
Australia

Floor 10 Railcentre 1
305 Edward Street
Brisbane Qld 4000

Tel 07 3235 1213

Fax 07 3235 1626

Email marcus.mcauliffe@qr.com.au

Web www.qrnational.com.au

3/12/08

Dr Richard Chadwick
General Manager
Adjudication Branch
ACCC
GPO Box 3131,
CANBERRA ACT 2601

Dear Dr Chadwick

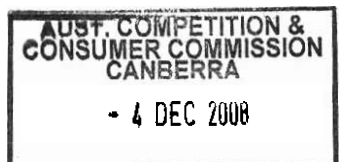
Port Waratah Coal Services (PWCS) Limited and Newcastle Coal Infrastructure Group (NCIG) applications for authorisation A91110-A91112 – interested party consultation.

Thank you for the opportunity to comment on the above application which seeks ACCC authorisation of a staged approach to manage the allocation of coal chain capacity amongst coal producers exporting through the PWCS and NCIG coal terminals. All participants in the Hunter Valley coal supply chain have been party to the PWCS and NCIG discussions on the proposed allocation arrangements to replace the Capacity Balancing System which expires on 31 December 2008.

On balance, QRNational Coal supports the application put forward by PWCS and NCIG. The two staged approach presents an appropriate pathway to provide access to terminal capacity and management of the vessel queue while the detailed arrangements for a longer term solution for the benefit of the Hunter Valley coal supply chain can be finalised. The monthly reporting framework through to the ACCC will also provide greater visibility around the progress being made by industry in establishing that long term solution. QRNational Coal believes the application put forward is consistent with the principles of distributing available coal chain capacity in an equitable, transparent and accountable manner.

The administration of the PWCS Tonnage Allocation Stage 1

Stage 1 is supported on the basis that it is proposed as a short term solution. This is because the proposed short term solution does not have flow-on costs to other elements of the coal supply chain. In particular, by allocating available coal chain capacity at the producer level rather than at the mine specific level, the process does not remove a level of flexibility from a rail operator's mode of operations. As you would be aware, historically, rail haulage contracts are based on specific mine origin destinations, thereby allowing a rail operator to plan with some confidence the level of rail resources required to efficiently deliver its haulage services to meet contracted tonnages. In contrast, by allocating capacity at the producer level, a rail operator does not gain certainty on its resourcing needs until the producer has indicated how it intends to allocate its available coal chain capacity amongst its specific mines. While the impact is usually not significant, the monthly allocation amongst



the larger producers does create some short term resourcing issues for a rail operator. Accordingly, QRNational Coal is only comfortable with continuing to absorb costs associated with these short term resourcing issues on the basis that this issue will be addressed through the development of a long term solution.

The development of the PWCS Tonnage Allocation Stage 2

Stage 2 is supported on the basis that it creates an incentive framework built around a timeframe for finalisation. A longer term capacity allocation solution is a necessary pre-condition to the maximisation of coal throughput out of the Hunter Valley coal supply chain. The proposed approach will ensure an alignment of available coal capacity in the Hunter Valley supply chain with the port capacity through PWCS and NCIG. It will also remove the ability for key stakeholders to game capacity rights between the key infrastructure nodes in the supply chain.

The application has outlined Stage 2 in terms of a process to be followed. QRNational Coal would like to take this opportunity to reiterate its fundamental concern that any Stage 2 solution must administer the allocation of available coal chain capacity on a mine by mine basis rather than at a producer level. A mine by mine allocation approach is required to provide rail operators with the commercial and operational confidence they need to identify the appropriate level of resources (rollingstock and crew) needed to deliver their customers' existing and growth tonnages. QRNational Coal believes this approach will enable the identification of available coal chain capacity to be aligned with both port and rail capacity, thereby improving the utilisation and performance of rail services to maximise the coal export throughput in the Hunter Valley coal supply chain.

If you have any further queries or require more information please feel free to contact Warren Gould, Executive Manager NSW Coal on telephone 0407 106 068.

Yours sincerely



Marcus McAuliffe
Group General Manager
QRNational Coal