



**YANCOAL AUSTRALIA PTY LTD**  
ACN 111 859 119

To: Australian Competition and Consumer Commission  
Date: 11 December 2007

**Submission in response to Newcastle Port Corporation's  
applications for interim authorisation A91072 – A91074**

**1 Introduction**

- 1.1 Yancoal Australia Pty. Limited (Yancoal) was incorporated in Australia in 2004 and is a wholly owned subsidiary of Yanzhou Coal Mining Limited (Yanzhou) in the People's Republic of China. Yanzhou owns and operates eight mines in China.
- 1.2 Austar Coal Mine Pty Ltd (Austar) is a wholly owned subsidiary of Yancoal. I have read Mr Greig Duncan's submission on behalf of Austar in response to the applications numbered A91072 – A91074. Abbreviations in this submission have the same meaning as abbreviations in the Austar submission.
- 1.3 I agree with the facts and analysis in Austar's submission. Yancoal also opposes NPC's proposed CBS.

**2 Summary of reasons**

- 2.1 There is a real risk that the LTCC technology will be lost to the Australian coal mining industry if Austar fails because of the CBS. Barriers to entry to the market which would utilise the technology would be raised.
- 2.2 Austar's success is the platform for the Chinese Government's planned further investment in Australia, principally mining ventures in Queensland. If Austar fails because of the CBS, those investments would be in jeopardy, to the detriment of the Australian public interest.

**3 The LTCC technology**

- 3.1 Yancoal together with Austar have authority to sell and export clean coal to any customer in the world. That is, the companies are not restricted to selling coal to China or Asia alone. The coal mined in the Greta Seam is well renowned for the high quality of its coal. Austar produces a premium coking coal. It is characterized as the highest fluidity and lowest ash coking coal in Australia with low phosphorous and low alkaline.

- 3.2 Yancoal supports Austar by assigning experienced longwall mining staff, upgrading its mining equipment and providing financial assistance to it in accordance with its 5 years mining plan. Austar's paid-up capital is AS64,000,000. At the same time, Yanzhou supports Yancoal in order to enable it to achieve its corporate objective of becoming a technology leader in the coal mining industry in Australia.
- 3.3 Yancoal's objective of setting up Austar was to introduce the LTCC technology to the Hunter Valley and then to other coal mining regions in Australia. The technology, developed by Yanzhou in China, had been successfully implemented in China. The technology has been successfully and safely introduced into the Austar Coal Mine and as a result there has been substantial local economic benefit.
- 3.4 If it was not for the limitation on the coal chain in the Hunter Valley, Austar would currently be producing enough coal to fill its rail contracts of [ ] in 2008.
- 3.5 The the LTCC technology is ideal for thick seams (from 5-12 meters), whereas standard long wall equipment is only capable of mining in seams of up to 4.5 meters. The Greta Seam is a thick seam and thus by using the LTCC technology, up to 80% of the additional coal can be accessed, which would otherwise be lost.
- 3.6 Yanzhou is acknowledged as being one of the safest and most productive users of this mining technique. The company holds patent rights to the design in China and Australia and the Austar's longwall equipment is being manufactured under licence by a German company.
- 3.7 As noted in the Austar submission, up to 23% of coal resources on the eastern seaboard have been identified as potentially suitable for LTCC extraction. Without its further development and implementation, these resources will potentially be sterilised because there is no financially viable technology apart from LTCC to extract the coal.
- 3.8 The Austar submissin also correctly notes that he survival of Austar is essential to the marketing of LTCC to other mining houses by Yancoal. Austar was intended to showcase the LTCC technology. The showcasing will not not be successful until Austar reaches Stage 2 of its development.
- 3.9 Yancoal and Yanzhou are unlikely to continue the marketing of LTCC in Australia if Austar fails because of the coal chain limitations in the Hunter Valley, notwithstanding the inherent merits of LTCC.

#### **4 Chinese investment in Australia**

- 4.1 Yancoal's and Yanzhou's ultimate owner is the Chinese Government. If Austar should fail in 2008 as a result of the CBS, China would be less likely to proceed with its planned further investments in Australia. Austar's success is necessary for those investments to be made.

- 4.2 The planned further investments in Australia are mining and non-mining ventures. The mining ventures are principally bauxite mining in Queensland, for which the leases and licenses are held in readiness. China also has firm plans for coal mining in Queensland and an electricity generation power station.
- 4.3 These ventures are more than mere possibilities. Austar is a platform for the further investments, which are expected to be a significant contribution to regional economic development in Queensland.

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