

15th February 2024

Attention: David Hatfield / Jamie Martin  
Competition Exemptions  
Australian Competition and Consumer Commission  
GPO Box 3131  
CANBERRA ACT 2601

*By ACCC submissions portal*

**Submission: HVCCC application for authorisation (AA1000658)**

I refer to:

- (a) The Hunter Valley Coal Chain Coordinator's (**HVCCC**) application for authorisation dated 19 December 2023 (the **Application**) and the related supporting submissions (the **HVCCC Submissions**); and
- (b) the ACCC's letter dated 23 January 2024 inviting submissions from any interested parties.

Yancoal Australia Limited (**Yancoal**) welcomes the opportunity to make this submission to the ACCC in support of the the HVCCC's Application.

## **1 Yancoal's position in the Hunter Valley coal chain**

Yancoal has interests in and operates several coal mines in the Hunter Valley coal chain including:

- (a) Ashton (100% owned)
- (b) Hunter Valley Operations (joint venture managed, 51% owned)
- (c) Moolarben (operated, 100% owned)
- (d) Mount Thorley (operated, 80% owned)
- (e) Stratford Duralie (operated, 100% owned)
- (f) Warkworth (operated, 84.5% owned)

As a major producer in the coal chain, Yancoal has exported coal through both coal terminals (PWCS and NCIG), sold coal domestically to coal-fired power stations in the system and utilised services from 3 of the haulage operators (Pacific National, 1Rail, Aurizon Operations).

As a result of that broad experience with the Hunter Valley coal chain, and through the contrasting experiences Yancoal has had for its Queensland mines in coal chains where no such independent coordinator exists, Yancoal feels well placed to comment on the impact that the HVCCC's activities have had on the operation of the Hunter Valley coal chain.

## **2 Public benefits of HVCCC's planning and coordination**

### **2.1 Why the HVCCC delivers public benefits**

Yancoal considers there are material public benefits currently delivered by HVCCC from the activities it is seeking continuing authorisation of.

Yancoal considers such benefits will only be delivered in the future if the authorisation sought by the HVCCC is granted, as participants are genuinely concerned.

Given the high volume of coal produced and railed through the supply chain, and the supply chain comprising of 29 coal mines owned by 14 coal producers, 4 haulage providers, 3 power station unloading points and 2 export terminal providers operating three terminals, there is significant complexity in the system.

Without very careful planning and coordination of matters like outages, scheduling of services and coordination in a live running environment, the coal chain would experience very significant system losses. Such system losses directly result in either an inability for coal chain service providers to meet contractual commitments to producers (and resulting reduction in export volumes and sales) or infrastructure owners being required to over-invest in expanded capacity to meet such volumes (and thereby passing through inefficient higher costs to producers).

Yancoal has observed the HVCCC's activities (that the Application is seeking to continue to be authorised) has reduced system losses and inefficient capital investment in infrastructure through:

- (a) providing a common set of system assumptions and modelling to enable better planning of investments and contracting of efficient levels of rail, rail haulage and port capacity, through providing greater certainty of capacity;
- (b) aligning planned outages to minimise system losses;
- (c) coordination in a live day of operations environment to enable recovery from unplanned issues/disruptions, to reduce the knock-on effects on other supply chain participants; and
- (d) improved the ability to measure performance of individual supply chain participants against system assumptions – increasing accountability of producers (for loading times) and service providers, and thereby incentivising improved performance.

Yancoal's experience, is supported by the data in the HVCCC's Submissions that it has reduced supply chain losses from 10.1% to 6.7% and average vessel turnaround times from 12 days to 4 days during the term of the previous authorisation.

### **2.2 Contrast to the Queensland experience**

Yancoal's experience in both the Aurizon Network operated Central Queensland Coal Network and the Queensland Rail operated West Moreton and Metropolitan rail systems is that without an independent coordinator:

- (a) there is significantly more uncertainty as to the capacity that the coal chain can actually provide (with the first independent assessments required under the Queensland Competition Authority regulated Central Queensland Coal Network regulatory framework revealing capacity shortfalls on multiple system) – and therefore risk of contractual arrangements not being met, which in turn incentivised inefficient behaviour from producers such as over-contracting; and
- (b) there is greater system losses by decision making occurring in isolation and without proper regard to the 'knock-on' consequences for other participants in the coal supply chain.

While it is acknowledged that those systems do provide other mechanisms like user groups, master planning, and independent capacity assessments to try to resolve the problems arising from the lack of an independent coordinator, Yancoal's experience is that those solutions have not been able to reduce the system losses being incurred anywhere near as much as the HVCCC.

### **2.3 An efficient Hunter Valley coal chain delivers public benefits**

An efficient supply chain, with system losses reduced through better planning and coordination delivers numerous public benefits including:

- (a) avoiding inefficient capital expenditure on infrastructure capacity required to offset inefficient levels of system losses (and demurrage on queued vessels);
- (b) avoiding inefficient fuel and other costs for haulage and vessel providers;
- (c) improving the position of Hunter Valley coal producers on the cost curve, enhancing their international competitiveness and therefore continuing/improving their economic life;
- (d) maximising the volume of coal produced in the Hunter Valley (with an increase in supply clearly being pro-competitive);
- (e) increased royalties and taxes to government for funding of public services;
- (f) greater employment generated by coal producers in the supply chain; and
- (g) other indirect economic benefits, including procurement of goods and services in the Hunter Valley region.

### **3 No practical risk of other cooperation or concerted practices**

The HVCCC has been performing its planning and coordination role since 2009, and does not propose to change those activities.

The primary point of the HVCCC's role is to support efficient use of the coal chain infrastructure and thereby coal throughput, which is inherently pro-competitive.

The only basis for concern could be a perception that the HVCCC somehow enhances the prospects of anti-competitive cartels or concerted practices forming.

As described in the submissions supporting the Application, HVCCC employs information protocols that are reflected in its Members Agreement.

In addition to such protocols, all HVCCC members are very aware of the competition law constraints on sharing information beyond that strictly required for the HVCCC's role.

Yancoal's experience is that:

- (a) Yancoal's representatives undertake competition law training (and Yancoal understands that is a common expectation of all HVCCC members);
- (b) there has never been any evident attempt to use the HVCCC as a forum for discussion of competitively sensitive information in relation to coal production, potential expansion or cessation of operations, or sales/marketing and Yancoal continues to make decisions on such matters independently; and
- (c) Yancoal experience is that the coal producers (and other competing participants, such as the haulage providers) remain fiercely competitive and independent rivals.

#### **4 Conclusion**

For the reasons noted above, Yancoal strongly supports the Application and the continuation of HVCCC's planning and coordination operations in the Hunter Valley coal supply chain.

If the ACCC has any further queries, please do not hesitate to contact me on [REDACTED] or via email at [REDACTED] if you wish to discuss any aspect of this submission.

Yours sincerely

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Mike Dodd

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