



14 November 2008

Mr John Hall  
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Queensland Competition Authority  
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Dear John

### **QCA Issues Paper – QR Network Draft Access Undertaking**

BMA supports the QRC's submission in response to the draft undertaking, and actively participated in its preparation.

The QRC submission foreshadows individual company submissions to the Authority on the role of the undertaking in master planning and coal chain capacity coordination.

The purpose of this letter is to express BMA's views in this regard and, specifically, to address comments contained in the Authority's Issues Paper.

In summary, our views are as follows:

- QR Network's master plan has succeeded in improving participants' understanding of coal chain capacity issues. However, as the QRC notes, further improvements in plan content and process are required.
- It is appropriate and prudent for the rail undertaking to anticipate the possible establishment of an industry-sanctioned coal chain planning coordination process, and to oblige QR Network to cooperate with any such process and have due regard to its outcomes.
- It is not appropriate or practical for the undertaking to attempt to establish such a process itself, or to require QR Network to adopt the findings of any such process or follow its directions.

BMA's perspective on this issue is informed and greatly influenced by our ownership of the Hay Point Coal Terminal (HPCT), which handles the majority of our shipments and performs product assembly and quality control functions that are vital to our business success.

It is essential to BMA that we be allowed to exercise discretion in the manner in which HPCT is developed and run. Specifically, it is important that the terminal, our mines and our haulage provider(s) are able to maintain an efficient rail-to-stock service, and not be constrained in this by Goonyella System rules or procedures that try to impose a degree of conformance with the very different operating mode of the DBCT coal chain.

In light of this we are concerned about certain of the Authority's statements in the Issues Paper. These are statements that imply that:

- the Authority has a role in addressing “the problems with coordinating Queensland's coal system”;
  - BMA does not believe the Authority should have such a role, or that the issue of coal chain coordination is relevant to the Authority's consideration of the draft undertaking.
- that the undertaking should contain “a comprehensive blueprint that enables greater coordination of the long term planning and delivery of new capacity among the various participants in the coal chain” and should be instrumental in aligning port and rail expansions in a way that QR Network's master planning process has failed to do;
  - BMA understood there were two main purposes of the master planning process - (i) to improve the transparency and effectiveness of QR Network's capacity expansion planning, and (ii) to provide a means through customers' approval of projects to address QR Network's concerns about regulatory risk. The Master Plan has fulfilled each of these functions, both of which may involve QR National aligning its expansion plans with those of the ports, but neither of which can require or guarantee such alignment.
  - The Master Plan facilitates alignment by better informing the coal chain participants and facilitating investment by QR National. BMA believes a more active, directive role would be outside the legitimate scope of the undertaking.
- that individual entities should be prevented from “acting in their own best interests” if that is perceived to be “not in the collective interests of the supply chain as a whole”;
  - BMA believes some degree of mismatch between rail, port and mine plans is inevitable. This is in the nature of complex multi-user networks, particularly during periods of change or when capacity is constrained.
  - BMA is skeptical of the idea that a coordinating body could identify an overriding whole of coal chain interest and, further, decide on the right balance between that collective interest and limiting the freedom of participants to pursue their individual interests.
  - BMA, for example, could not reasonably be expected to agree with or accede to arrangements on the Goonyella system that were inimical to our interest in optimising the performance of HPCT and its integration with our mines.
- that it is a deficiency of established cooperative arrangements, such as the Dalrymple Bay Coal Chain Board, that participation in them is voluntary and they do not include all of the central Queensland coal facilities;
  - BMA believes that enthusiasm is more powerful motivator than compliance, and that the voluntary nature of such arrangements is a strength rather than a weakness.

Without the genuine concurrence of all participants in the coal chain, any attempt at coordination will be futile in our view.

- Since its inception the DBCC Board has, under its existing voluntary MOU, achieved meaningful improvements in terminal operations, including a reduction in the ship queue and improved throughput performance against plan, and generally closer alignment of users and service providers.
- that the undertaking should formally recognise the Dalrymple Bay Coal Chain Board in some way and, further, have a role in establishing coordination more broadly across central Queensland coal chains;
  - BMA believes it would not be appropriate or practical to formalise the DBCC Board in the undertaking. We suggest it is not within the scope or the capability of the undertaking to elevate the Board to a position that it currently does not have.
  - Cooperative arrangements such as the DBCC Board, and the long standing Gladstone Coal Export Executive, will reflect the differing circumstances and operating modes of each chain. It would not be appropriate to enshrine either of them or any other similar group in the rail undertaking.

In response to the question in the Issues Paper as to whether greater coordination should be a regulatory requirement, BMA believes it should not and, further, that the Authority's review of the draft rail undertaking is not an appropriate forum within which to consider the matter.

Thank you for the opportunity to comment. We would be happy to clarify or elaborate on our views or discuss them directly with the Authority.

Yours sincerely

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Ross Willims  
Vice President Commercial Relations