MACARTHUR COAL

31 August 2011

Mr John Hall
Chief Executive Officer
Queensland Competition Authority
GPO Box 2257
Brisbane QLD 4001

Via email: rail@qca.org.au

Dear Mr Hall

Re: Response to Submission by QR Network – Goonyella System Rules

Thank you for the opportunity to comment on QR Network's Goonyella System Rules. Macarthur Coal Limited ('MCC'), either directly or through an associated entity, exports coal from its Coppabella and Moorvale mines through Dalrymple Bay Coal Terminal ('DBCT'), with a combined contractual entitlement in excess of 10 million tonnes per annum.

MCC strongly supports the development of System Rules that enable transparency and accountability within the planning and scheduling processes. This submission outlines MCC's comments and concerns to ensure that the objectives of the System Rules are able to be implemented in operational practice and also support the underlying operating paradigm of the coal chain.

1. Interaction with other supply chains

   The development of a set of System Rules which capture and provide transparency across all of the interacting supply chains in the Northern Bowen Basin (i.e. DBCT, Hay Point Coal Terminal and Abbot Point Coal Terminal) is a critical issue. While MCC acknowledges that this work is planned over the coming months, consultation, development and implementation of the Northern Bowen Basin System Rules should be a priority with the impending commissioning of the Goonyella-Abbot Point Expansion (GAPE) in early 2012.

   The need to develop a set of rules which cover all the interacting supply chains in the region is becoming more evident given the potential of GAPE traffic having a material adverse capacity effect on the DBCT coal chain. Ideally, development of this rule set should also be informed by the disclosure of system assumptions and system capacity assessment processes.

Further, the rules should also contemplate and recognise the potential for new coal chains to interface with the existing coal chains e.g. Galilee Basin which may impact on the Northern Bowen Basin. An overall coal chain approach is required to how scheduling of cross-system traffic is to occur.

2. Alignment to supply chain operating paradigm

The DBCT supply chain currently operates on a cargo assembly basis and has done for many years, while Hay Point Coal Terminal tends to operate on a more traditional even railings approach. The Goonyella System Rules, as currently drafted, are based on the consumption of rail services on an even railings basis. While this is consistent with the existing below rail contractual framework, the System Rules (and existing contractual framework) fail to recognise the differences between the DBCT and Hay Point operating paradigms and provide alignment with the DBCT operating mode.

DBCT's cargo assembly operation is primarily driven by the size of the DBCT stockyard and is underpinned by the terminal regulations which provide for vessels to be loaded on a first in-first out basis (or turn of arrival). It should be noted that while the terminal regulations give priority based on turn of arrival, reordering of vessels currently occurs by DBCT based on several factors including cargo availability and loadout capacity.

QR Network's submission states that "*...QR Network believes that the port has the ability to accommodate an even railings mode of operation...*" if a flexible berthing mechanism is introduced. While a flexible berthing mechanism may assist in increasing the number of available mine loadouts from which coal is able to be sourced and thus resulting in a more even distribution of trains on the rail network, the port itself is unable to support a true even railings operating scenario that is suggested by QR Network.

The combination of the physical size of the stockyard, number of coal products per producer to be stockpiled at any one time at the terminal and multi-parcel shipping arrangements between producers does not lend itself to an even railings approach. Any vessel flexibility mechanism needs to be assessed against the potential demurrage exposure to producers considering any throughput benefit that would result from such a mechanism.

3. Consumption of Train Service Entitlements (TSE)

The Goonyella system is characterised by a high level of variability, which is likely to increase following completion of the GAPE project. The complexity of the system and, in particular the high frequency of co-shipping on a single vessel, has a significant impact on how consumption of TSEs is applied.

Currently, the 48 hour scheduling process is finalised at 5pm each day, with the 48 hour schedule commencing at midnight on that same day. TSEs are locked in at this point when the schedule is finalised. MCC opposes the concept of locking in the TSE's well in advance of the schedule actually being run e.g. at the point of the Weekly Train Plan being finalised. Consumption of train service entitlements should occur as close as possible to the actual consumption when considering a cargo assembly operation.

Increasing the time period at which TSEs are deemed consumed will not result in an equitable arrangement for the cargo assembly port users. More so, consumption of TSE's based on a weekly basis effectively provides priority to even railing producers and conflicts with the order of arrival rule at the port given the stockyard limitations.

MCC appreciates the efforts of QR Network in developing the proposed Goonyella System Rules in moving towards a more transparent scheduling process. MCC is also keen to participate in the development of and have the opportunity to comment on the Northern Bowen Basin rules as they are developed.

The concerns expressed in this submission serve to improve this transparency and alignment with operational practice and in this regard we seek the QCA's consideration of these issues in considering their decision. Please contact me on telephone 3239 7644 should you require any further information.

Yours sincerely

[redacted]

Ross Buchanan
General Manager - Strategic Infrastructure