

Tuesday 23 June, 2015

Submissions – Application for Declaration of Shipping Channel Services at the Port of Newcastle
National Competition Council
GPO Box 250
MELBOURNE VIC 3001

To Whom It May Concern,

NCIG wishes to provide a letter of support for Glencore's application seeking a recommendation that access to Port of Newcastle's Channel Navigation service be declared.

Port of Newcastle Operations Pty Ltd ("Port of Newcastle Ops") has recently increased the navigation service charge associated with coal ships using the shipping channels to enter the Port of Newcastle. NCIG's analysis suggests that, based on the volume and mix of vessels loaded at NCIG during the December 2014 quarter, navigation service charges for 2015 will increase by approximately 39% (assuming the same volume and mix of vessels) with customer specific increases of 36.5% to 50.0% across NCIG's customer base.

While the navigation service charges are not directly levied upon NCIG or its customers, NCIG is of the view that its customers ultimately absorb increased shipping costs associated with these charges through a reduction in the prices they are paid for coal exports. As such, any material increase in navigational service charges will negatively impact the competitiveness of Hunter Valley coal producers in the highly competitive international market for seaborne coal.

In addition, NCIG notes that the largest single cost item for the construction of its 66Mtpa terminal during the period from 2008 to 2013 involved the dredging of a section of the channel to allow vessels to berth at NCIG. This capital cost was in the range of \$300 million and was borne solely by NCIG as a necessary part of constructing the terminal facilities, though ownership of the channel remains with the NSW Government. The section of deep water channel created by these works forms a part of the monopoly asset (the shipping channel) that has been leased by the NSW Government to Port of Newcastle Ops, which in turn provides the basis for levying the navigation service charge. It could be argued that the Hunter Valley coal industry is effectively paying twice for the same asset in this case.

Yours faithfully



AARON JOHANSEN
Chief Executive Officer

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