



PORT WARATAH COAL SERVICES

3 September 2015

Submissions – Port of Newcastle
National Competition Council
GPO Box 250
MELBOURNE VIC 3001

Email: pon@ncc.gov.au

Dear Sir or Madam,

SUBMISSION ON THE DRAFT RECOMMENDATION IN RELATION TO THE PORT OF NEWCASTLE

1. Port Waratah Coal Services Limited (Port Waratah) wishes to provide a submission in response to the National Competition Council's (NCC) draft recommendation that the shipping channel service at the Port of Newcastle not be declared.
2. Port Waratah does not agree with the NCC's draft recommendation and in particular its application of criterion (a) of section 44G(2) of the Competition and Consumer Act.
3. Criterion (a) requires that access to the shipping channel would promote a material increase in competition in at least one market. The analysis outlined in the draft recommendation seems to focus on the materiality of a specific price increase relative to the cost of producing coal which is not the legislative test. Whilst Port Waratah considers that the approximate \$20 million increase in navigation charges in 2015 will have a material impact on the Hunter Valley coal industry, of greater concern is the unconstrained ability for Port of Newcastle Operations Pty Limited (PON) to significantly increase prices in the future. This is especially the case where the price increases are not commensurate with productivity or efficiency gains.
4. PON paid \$1.75 Billion for the long term lease of the Port of Newcastle. Given the revenue streams in the Port and desired rates of return for infrastructure investors, the 2015 pricing increases will likely be the first of several large pricing increases for navigation charges. The exercise of monopoly power to impose such increases would be harmful to the competitiveness of the Hunter Valley coal industry and dependent markets. The competitive impacts are amplified in the context of the challenging coal market conditions being faced with many coal producers marginal or operating at a loss. Substantial increases in land lease rentals in the Port of Newcastle also remain a concern to Port Waratah.

5. Port Waratah therefore considers that access or increased access to the shipping channel on reasonable terms and conditions (along with the ability to negotiate or arbitrate price increases arising from the declaration) will materially improve investment and competitiveness through increased certainty for industry participants.
6. Port Waratah remains supportive of the application for declaration made by Glencore Coal Pty Ltd.

Please do not hesitate to contact me on (02) 4907 2344 if you wish to discuss this submission further.

Yours sincerely



HENNIE DU PLOOY
CHIEF EXECUTIVE OFFICER

