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16th June 2015

National Competition Council
GPO Box 250
Melbourne Vic 3001

**APPLICATION FOR DECLARATION OF THE SHIPPING CHANNEL SERVICE AT THE
PORT OF NEWCASTLE**

Dear Council Secretariat,

In an email received on 14th May 2015 from the National Competition Council, The Bloomfield Group (**Bloomfield**) was identified as a potential interested party in the matter of an Application for declaration of the shipping channel service at the Port of Newcastle. Please accept this document as a submission from Bloomfield and thank you for the opportunity to contribute to the process.

Company Background

Bloomfield is an Australian owned and operated group of private companies operating in the Hunter Valley. It operates the Rix's Creek Mine at Singleton and the Bloomfield Mine at Ashtonfield and holds other Exploration Tenements. Bloomfield recently celebrated 75 years of being in business.

Bloomfield employs 500 people in the local area in its businesses which are principally based in the Hunter Valley. These Companies specialise in:

- Coal mining and sales
- Contract coal beneficiation services
- Engineering (manufacture, maintenance and fabrication)
- Biodiesel production
- Waste cooking oil collection and recycling
- Soil remediation
- Low emission technologies for underground mines

Bloomfield's diverse activities mean that it can provide employment across a wide skill set and education standard and currently employs 36 apprentices across several trades and as well as a number of university graduates.

Bloomfield is privately owned with its small group of shareholders all Australian nationals and residents.

Bloomfield in the Hunter Valley Coal Chain

100% of Bloomfield's coal production is produced and transported within the Hunter Valley Coal Chain (HVCC), with the product coal almost exclusively sold in the export market.

Like all other producers in the HVCC, Bloomfield has track, train and terminal contracts and commitments. It is also subject to the current challenges of community interest, the international markets and NSW/Federal government approval and regulatory processes and standards.

Unlike most other producers in the HVCC, Bloomfield has several unique attributes.

Bloomfield

- is an unlisted private company
- has 100% of its company's production contained within the HVCC and therefore no ability to use ports other than Newcastle
- has a relatively small production level (less than 2% of the total tonnage exported through the port of Newcastle)

Bloomfield's position on the Glencore submission to NCC

In its submission regarding the Port of Newcastle (PON), Glencore presented arguments specific to its own company position as well as to the broader coal industry. Bloomfield concurs with the arguments presented by Glencore and also supports the recommendation for declaration.

Bloomfield Supplementary Points

- The most significant rate increase made by PON in January 2015 impacts vessel charges for coal exports. These charges are billed to the vessel charterer.
- Currently, 100% of Bloomfield's sales are made on a Free On Board (FOB) basis. In a FOB transaction the costs associated with the vessel are borne by the customer. Therefore, in Bloomfield's circumstance, the immediate financial impact of the rate increase has been met by Bloomfield's customers. Whilst this may initially be seen as providing protection for Bloomfield, there are significant price and volume risks to Bloomfield given the possibility that customers will seek to mitigate these increases -

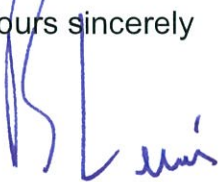
- Bloomfield's customers may seek to recover the increased charges by reducing the unit price paid for Bloomfield's coal. This is particularly concerning at a time when the relative power in the producer/customer relationship sits firmly with the customer
- International customers generally import coal from many ports throughout the world. The cost of using a particular port is a contributing factor in determining the proportion of coal to be imported from a particular port. Coal exported through Newcastle will be disadvantaged by the increase in port charges and consequentially Bloomfield may be particularly disadvantaged because of its total reliance on exports from Newcastle
- The recent rate increases by the PON were without consultation and effective explanation. The significant and unsubstantiated price increases from PON are out of step with the general price movement within the industry. The price rises came at a time when producers and other service providers are exploring and delivering price reductions in response to falling commodity prices. For example Port Waratah Coal Services, after a series of prior rate cuts, recently announced a further rate reduction of \$0.20/T.
- The announced PON price rises raise significant concerns that this price raising behaviour may be repeated. As explained above, Bloomfield is exposed to the impact of any increase in the cost of selling coal through the port of Newcastle directly and because of its reliance on the Port of Newcastle, it has no means of mitigating any price increase through the selection of alternative ports.
- Given the changes in rates to date, Bloomfield now has a concern that PON may unilaterally make changes to the rating structure for different vessel sizes or producer throughputs as well. Any change of rate structure is more likely to disadvantage a smaller producer if the change in rate structure is designed to favour the larger vessels or larger throughputs.
- Bloomfield is vigorously opposed to any introduction of differential pricing for users of the port. As a small producer we believe it is essential that charges are applied uniformly across all users and one group is not given more favourable treatment because of their size or product mix.
- Bloomfield believes that any increase in the cost of exporting coal from the port of Newcastle will quickly be reflected in lower prices being demanded by the purchasers of coal sourced from Newcastle. This will lead inevitably to a decrease in profit margins for producers using the port, and any decrease to profit margins will make the financing of existing or new coal projects more difficult. Hence Bloomfield believes that declaration and regulatory oversight will lead to a material increase in the competitiveness of the relevant markets in the Hunter Valley compared to the current situation.

Summary

- Bloomfield is a relatively small coal producer operating exclusively through the port of Newcastle
- Bloomfield concurs with the arguments presented by Glencore and also supports the recommendation for declaration.
- Bloomfield is vigorously opposed to any fundamental changes to the rating structure particularly any introduction of differential pricing for users of the port.

We welcome any further comments on our submission and would be happy to provide any further information which may be required.

Yours sincerely



Brett Lewis
Deputy CEO/Director
The Bloomfield Group