

COMMONWEALTH OF AUSTRALIA

*Trade Practice Act 1974*

IN THE AUSTRALIAN COMPETITION TRIBUNAL

File No 5 of 2006

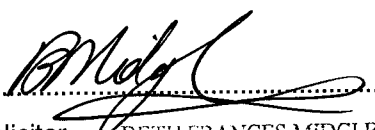
**RE: APPLICATION FOR REVIEW OF THE DEEMED  
DECISION BY THE COMMONWEALTH TREASURER  
OF 23 MAY 2006 UNDER SECTION 44H(9) OF THE  
TRADE PRACTICES ACT 1974 (CTH) IN RELATION  
TO THE APPLICATION FOR DECLARATION OF  
SERVICES PROVIDED BY THE MOUNT NEWMAN  
RAILWAY LINE**

**BY: FORTESCUE METALS GROUP LIMITED**

Applicant

This and the following 2 pages is the annexure marked "SO-2" referred to in the affidavit of **STEPHEN O'DONNELL** affirmed at Melbourne in the State of Victoria this 21st day of December 2007.

Before me:

  
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Solicitor **BETH FRANCES MIDGLEY**  
Blake Dawson  
101 Collins Street, Melbourne Vic. 3000  
An Australian legal practitioner within the  
meaning of the Legal Profession Act 2004



## **REPORT RELEASED INTO COAL CHAIN CAPACITY**

Today's release of a review into the Goonyella Coal Chain capacity provides a number of recommendations aimed at delivering immediate and near-term gains in system capacity, Premier Peter Beattie and Queensland Resources Council Chief Executive, Michael Roche said today.

The Premier and Mr Roche welcomed the independent report by former mining and railway executive Stephen O'Donnell. It was jointly commissioned by the Queensland Government and the Queensland Resources Council in late May and makes three key recommendations:

1. A central coordination role be created to oversee and, if necessary, coordinate all activities which span the whole of the Goonyella supply chain.
2. QR National (QRN) to immediately commence a process to purchase additional train sets to allow it to meet projected volumes.
3. A business improvement program be commenced across the supply chain, starting immediately with rail operations as this is the current bottleneck.

"The O'Donnell review has been undertaken in a blame-free environment with the sole purpose of identifying solutions to current capacity constraints," Mr Beattie said.

"It clearly sets out the complexity of the issues and the inter-dependency of all parties and interfaces in the supply chain.

"The review makes some sensible recommendations to lift throughput for coal miners, as well as improving governance structures to facilitate long-term investment plans for upgrading rail and port infrastructure.

"Industry has clearly put QR and Dalrymple Bay Coal Terminal on notice. Even though their work to upgrade the system and provide more resources has been underway for some time, they need to lift their game even more.

"There's certainly a new-found resolve among industry participants - the miners, QR and the ports - to address the issues collaboratively acknowledging that no one party can be responsible for total supply chain performance.

"All parties accept that performance could have been better and are now focussed on what can be done to lift capacity moving forward. I expect that all parties will accept all three recommendations.

"I know QR has already begun work in earnest in taking on board the recommendations and addressing its performance and capacity issues."

Mr Roche said it was encouraging that the review process has been transparent and that Mr O'Donnell has received the full cooperation he needed from all participants.

"The QRC was keen to have a genuine assessment of issues and a practical outcome for the coal industry. I think that has been achieved here. Now the real issue is getting and delivering results," Mr Roche said.

"The report highlights a number of areas for improvement across the whole supply chain, starting with the Business Improvement Program already underway in QR.

"It also clearly emphasises the complexity of the Goonyella supply chain and that coal companies have a significant part to play.

"This report is only the beginning. There won't be any lessening on the focus to perform. All supply chain partners have made the commitment to work together for the benefit of everybody and, ultimately, the Queensland economy."

The O'Donnell review has involved extensive consultation with industry participants and there has already been some progress on recommendations, as follows.

1. A central coordination role be created to oversee and, if necessary, coordinate all activities which span the whole of the supply chain.

*There is general agreement from the coal companies to fund the central coordination role and the process of scoping out the role and finding the appropriate person has begun. Mr Roche added that the QRC would be writing to the ACCC today to inform them of the contents of the report, and to assure them that Mr O'Donnell would be in contact with them shortly to work through any Trade Practices Act implications that may arise with this particular recommendation, given it potentially involved the authorised queue management system at Dalrymple Bay.*

2. QRN to immediately commence a process to purchase additional train sets to allow it to meet projected volumes

*As indicated in the report, QRN has commenced a process of consultation with coal producers concerning the commercial terms underpinning the acquisition of additional rollingstock. QR is currently engaging with rollingstock suppliers and expects that commitments to new rollingstock will occur in the near future. This will complement the existing rollingstock program.*

3. A business improvement program be commenced across the supply chain, starting immediately with QR as this is the current bottleneck.  
*QR has already commenced a business improvement program from 23 July. It includes QR staff and a number of external experts. QR has appointed MAXX Implementation, a consulting firm based in Sydney with previous experience in the Hunter Valley Coal Supply Chain. The project team will consult closely with industry and provide regular updates on progress.*

30 July, 2007

Further inquiries:

Premier's Office:

3224 4500