



17 December 2010

Maldon to Dombarton Rail Link Feasibility Study
Nation Building Infrastructure Investment Division
Department of Infrastructure and Transport
GPO Box 594
Canberra ACT 2601

To Whom it May Concern

Re: Maldon to Dombarton Rail Link

This letter is written in response to the Issues Paper published in November 2010 in relation to the Maldon to Dombarton Rail Link Feasibility Study. Xstrata Coal (Xstrata) is the largest exporter of coal in NSW, exporting approximately 36Mtpa of thermal and semi-soft coal via the Port of Newcastle and Port Kembla. Xstrata is supportive of the Department of Infrastructure and Transport progressing the feasibility study in the first half of 2011.

Xstrata is the current owner and operator of both the Tahmoor and Baal Bone coal mines in the Southern and Western Coalfields. Current exports from these mines utilizing the existing rail track infrastructure total approximately 3Mtpa via the export coal terminal at Port Kembla. Xstrata is currently a 33.3% shareholder in the Port Kembla Coal Terminal (PKCT). Xstrata also has coal projects at Running Stream in the West and Bargo, the extension of Tahmoor, in the South, with a potential to produce a further 5Mtpa of coal exports via PKCT. The projects are currently in pre-feasibility, and could potentially commence coal export operations from 2016.

Additionally Xstrata has also established its own rail haulage capability in the Hunter Valley, Xstrata Rail, and has a possible interest in expanding the operations of Xstrata Rail into the southern and western coalfields in support of Xstrata's expansion plans. We therefore view this feasibility study from both a coal exporter and potential rail operator's perspective.

Existing rail track infrastructure in the southern and western coalfields is limited by geography, urban growth and the multi-user nature of the current alignment. In order to support continued growth and development in the State's economically important coal export industry, it is essential that cost-efficient solutions to creating additional rail track capacity are identified, and that necessary investment in infrastructure is triggered and delivered ahead of demand. To this extent the partially complete nature of the Maldon to Dombarton rail alignment is an option to be evaluated for expansion of rail capacity. The ability to alleviate congestion on the existing network and create capacity to support future investment in the region are two of the possible benefits from this initiative. Xstrata Coal is therefore supportive of the feasibility study being progressed and requests that consideration be given to the following points:

- The feasibility study must examine the capacity of the proposed link from a whole-of-supply-chain point of view. This is a well established practice in the Hunter Valley, and something

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which ARTC are very familiar with. It is important that in assessing the capacity of the rail link that consideration be given to the capacity of the mines which it may support, the nature and capacity of the export terminal which it feeds, the interaction with existing rail lines which the link will join, and the interfaces between each element of the supply chain, so as to determine a realistic assessment of the usable capacity of the rail link. (Development of a capacity model similar to that used in the Hunter Valley Coal Chain Coordinator Pty Ltd would be a helpful and useful analysis tool in support of the feasibility study.) There are two specific queries in relation to the establishment of the link in this respect:

- Concerns that the lines connected by this rail link may not have the capacity to enable the rail link to be fully utilized
 - The tunnel on the alignment was originally designed for electric trains. Any development of the link must be able to accommodate the current fleet of diesel engines, and therefore issues of ventilation and kinematic envelope of the tunnel will need to be assessed.
- Consideration of the commercial framework which governs access to the proposed capacity is important. This should address key points such as who will be given the opportunity to utilize the capacity, how will it be contracted and how will the costs of the project be recovered from users. Xstrata would be pleased to provide further detailed input to these issues as part of the on-going consultation during feasibility.
 - Representation from the Port Kembla Coal Terminal should be added to the Project Steering Committee and on the Project Reference Group to encourage and facilitate sharing of information in support of the feasibility study. It is essential to optimizing the investment in the additional rail capacity that it be coordinated and managed in sympathy with the potential expansion of PKCT. A feasibility study for PKCT is about to commence, and it is imperative that the two studies be coordinated if they are to be of benefit to the coal export industry. We encourage substantial dialogue between the feasibility study consultants and PKCT in this respect.
 - Aside from Asciano Pty Ltd's representation on the Project Reference Group, we note that possible users of the rail corridor are not directly represented. We believe it would be beneficial to ensure coal industry representation on the Project Reference Group and Xstrata would be pleased to participate.

Xstrata is prepared to share further detailed information with respect to its current and future operations in the southern and western coalfields in support of this study. We also look forward to participating further during 2011. Please do not hesitate to contact me on 0419 447 020 with any queries in relation to this submission.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Anthony Pitt", written over a white background.

Anthony Pitt
General Manager, Commercial